



CITY OF CANTON

City of Canton, Texas

**Comprehensive Annual
Financial Report**



Fiscal Year Ended September 30, 2009

COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
CITY OF CANTON, TEXAS

FOR

FISCAL YEAR ENDED

SEPTEMBER 30, 2009

CITY OF CANTON, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

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INTRODUCTORY SECTION



City of Canton

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First Monday - 903-567-6556

March 23, 2010

Honorable Mayor and City Council
City of Canton
Canton, Texas

Dear Mayor and Council Members:

The Comprehensive Annual Financial Report (CAFR) of the City of Canton, Texas, for the year ended September 30, 2009, is submitted herewith.

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 is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Conway Company CPAs, P.C. have issued an unqualified opinion on the City of Canton, Texas' financial statements for the year ended September 30, 2009. The independent auditor's report is located in the beginning of the financial section of the CAFR.

This letter of transmittal is designed to compliment Management's Discussion and Analysis (MD&A) and should be read in conjunction with it. The City's MD&A can be found immediately following the independent auditors' report and provides a narrative introduction, overview and analysis of the basic financial statements.

GENERAL INFORMATION – CITY OF CANTON

The City of Canton is located in Van Zandt County which is located in the Northeast region of Texas. The City was incorporated under the provisions of H.B. 901 of the Texas Legislature.

The City Council is comprised of a mayor and five council members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, City Manager, City Attorney, and a Municipal Judge. The City Manager is the Chief Administrative Officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the executive directors, and heads of departments, and the performance of functions within the municipal organization.

**Home of World Famous First Monday Trade Days
Begins Thursday Before Each First Monday**

ECONOMIC CONDITIONS AND OUTLOOK

Canton, Texas is a commercial center for agriculture, manufacturing, and mining. Given Canton's pro-business attitude, the City continues to prosper economically. Highlights include:

Canton is home to First Monday which has provided economic benefits to the City since its opening over *one hundred and fifty* years ago. In the mid 1960's, the operations were organized and managed by the City of Canton which generated direct rental revenue and indirect sales tax revenue. Since that time, additional private First Monday properties have been developed. The City continues to receive a steady revenue stream from its First Monday operations and the sales tax revenue has continued to increase annually.

MAJOR INITIATIVES

In FY 2008-2009, several projects affecting the City's economic outlook were initiated and/or completed. Brookshire's opened a new, larger facility with a fuel station in a prime location. Traders Square Shopping Center attracted a new Family Dollar and initiated a major renovation and marketing project. East Texas Medical Center's physician's office built new facilities at the newly-opened Bridwell Shopping Center. The City completed renovations and moved to the new Police Station, Municipal Court, and City Office Complex. The Canton Independent School District completed expansion of the Canton High School and Elementary campuses. Water, sewer and roads were extended to the Canton Economic Development Corporation's Industrial Park 4.

Planning for the City's future water needs is one of the City Council's primary goals and major strides were made in FY 2008-2009. Engineers completed a long-range surface water plan and began efforts to incorporate the City's plan in regional and state plans. They also completed a water system capacity study and a First Monday flood water retention study. Water system improvements continued with the launching of another major looped water line project on Wynne Road, plans for a new water well, a water booster station project on the south side of town, and water treatment plant improvements that include installation of a new valve & trough system and re-routing the plant's backwash into the sewer system. The Wynne Road project is funded by a Texas Community Development Block Grant and increases water pressure and flow on the north side of town, allowing for further development. The water well is a measure to increase future water supply and will be funded by the Canton Economic Development Corporation. The booster station increases water pressure in the Etheridge Farms Subdivision area. The valve & trough system modernizes and upgrades the water plant's filtration system, and the re-routing system is a TCEQ-mandated improvement.

Following the flood retention study, a portion of Dry Creek was re-routed through the First Monday Trade Days grounds and new retaining walls were built to reduce flooding and improve land use. Plans were also made to build a lock-and-leave building for vendors that would increase revenue to fund debt and future capital projects. Phase II of the Cherry Creek Park improvement project funded by a Texas Parks & Wildlife grant was started. Pavilions, restrooms and a parking lot were finished. Major improvements and/or repairs were also made to the East and West Outfall sewer lines, water and sewer lines at the intersection of Highways 19 and 243, and the Wastewater Treatment Plant.

In FY 2009-10, increased economic development is expected to continue with further renovations to the Traders Square Shopping Center, the expansion of Dollar General into new facilities, the completion of a 129-bed nursing home/therapy center, and the opening of a new dental clinic/professional office building and a downtown old-fashioned soda fountain. Economic negotiations are also ongoing with two new hotels and a restaurant chain. Downtown sidewalk improvement projects will commence thanks to Texas Department of Agriculture Main Street and Texas Department of Transportation grants. Water projects initiated in FY 2008-2009 are expected to be completed. Major improvements will continue on the City's Cherry Creek Project, including an amphitheater, boardwalks, nature signage, washer pits, and renovation of the soccer fields. Public Safety will be enhanced with the purchase of a new fire engine, implementation of a Code Red emergency warning system, and installation of COPSync—patrol unit computers networked with regional law enforcement agencies. The Code Red and COPSync programs are both funded by grants through the East Texas Council of Governments. Major improvements will continue on Etheridge Lane, Athens & Church Streets, the East Outfall sewer line project, and the wastewater treatment plant.

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis.

The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's financial management staff, and expenditure estimates by each City department. Budgets are reviewed by the council. The City Manager makes final decisions and submits a recommended budget to the City Council.

As part of each year's budget development process, departments are required to update expenditure estimates for the current fiscal year. These estimates are reviewed by the Mayor, City Manager, and the City Council concurrent with review of the proposed budget. This re-estimated budget may require a supplemental appropriation and, if so, such supplemental appropriation is approved by ordinance adopted by the City Council prior to the end of the current fiscal year.

General Governmental Functions

Tax Rates: All eligible property within the City is subject to assessment, levy and collection by the City of a continuing, direct ad valorem tax sufficient to provide for the payment of principal and interest on outstanding debt within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history as adopted by the City Council is shown below:

	<u>Tax Rate</u>
2005-2006	.4000000
2006-2007	.3900000
2007-2008	.4252300
2008-2009	.4252300
2009-2010	.4252300

OTHER INFORMATION

Independent Audit The City of Canton has engaged the firm of Conway Company CPAs, P.C. to perform the annual audit and their opinion has been included in this report. It should be noted that the auditors included all funds in their audit, performed their audit in accordance with generally accepted auditing standards, and stated that, in their opinion, the statements herein present fairly, in all material respects, the financial position of the City at September 30, 2009, and the changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Acknowledgements

Many persons are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization, especially those employees of the Accounting Department who were instrumental in the successful completion of this report.

Our appreciation is also extended to the Mayor and members of the City Council for providing the resources necessary to maintain the integrity of the City's financial affairs.

Respectfully submitted,

Andy McCuiston
CITY MANAGER

Julie H. Seymore
FINANCE OFFICER

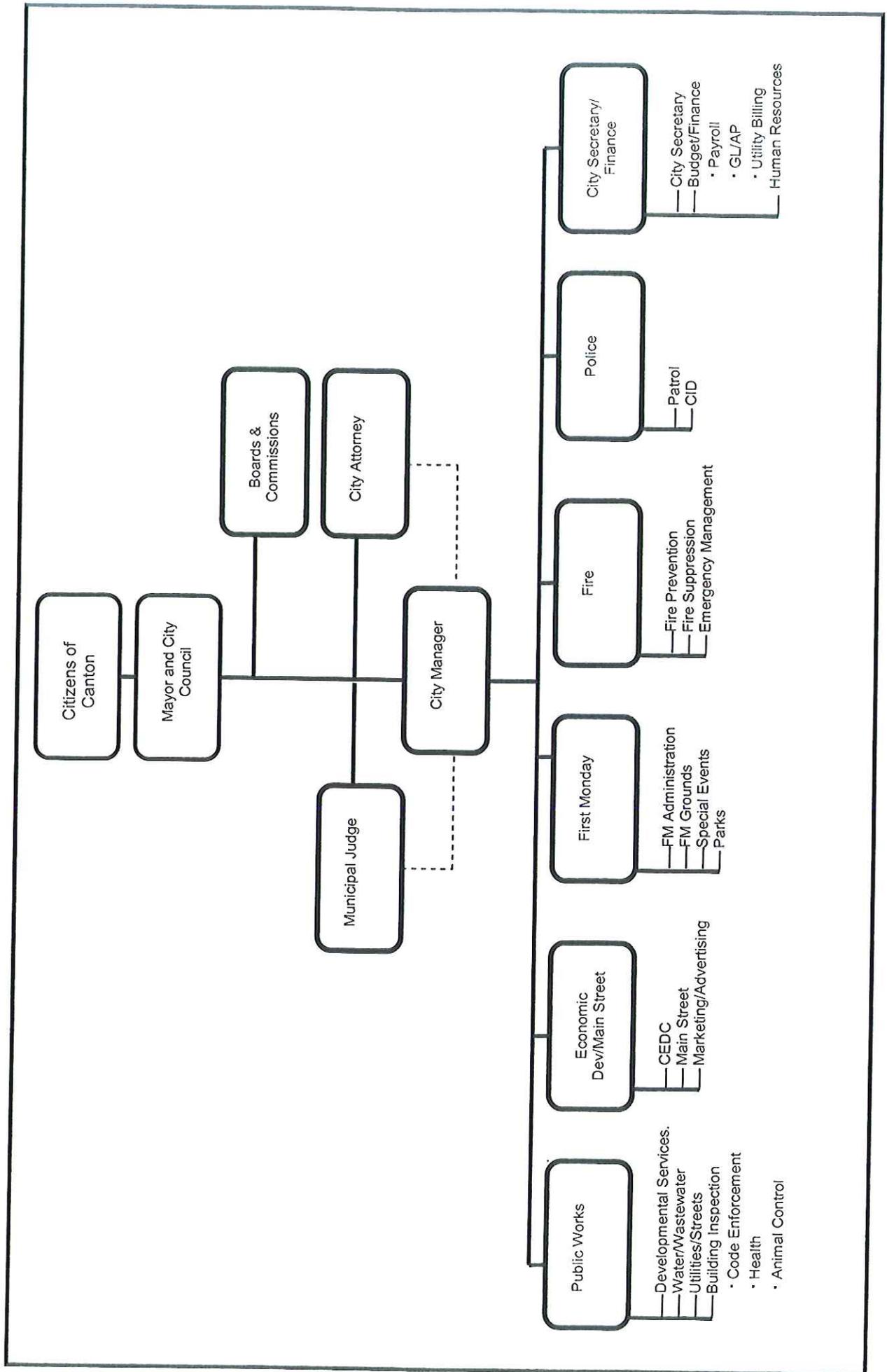
Council Members

**Rusty Wilson, Mayor
Clay Nicklas, Mayor Pro Tem
Charles Huddle
Lou Ann Everett
Robert Brockman
Ross Maris**

Administrative Staff

**Andy McCuistion, City Manager
Lonny Cluck, Assistant City Manager - Operations
Charles Bazhaw, Fire Chief
Mike Echols, Police Chief
Julie H. Seymore, City Secretary/ Finance Officer
Lilia Durham, Municipal Court Judge**

CITY OF CANTON ORGANIZATIONAL CHART



FINANCIAL SECTION





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March 18, 2010

Independent Auditor's Report on Financial Statements

Mayor and City Council
City of Canton
P O Box 245
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Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canton ("City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Canton's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the City of Canton as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the statement of revenues, expenditures, and changes in fund balance – budget and actual for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with GOVERNMENTAL AUDITING STANDARDS, we have also issued our report dated March 18, 2010, on our consideration of the City of Canton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 and should be considered in assessing the results of our audit.

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The Management's discussion and analysis and the Schedule of Pension Trust - TMRS Funding Progress and Contributions identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canton, Texas' basic financial statements. The introductory section, combining and individual non-major fund financial statements, schedules and statistical tables listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and the budgetary comparison schedules for the Debt Service Fund and the Economic Development Corporation have been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Respectfully Submitted,

CONWAY COMPANY CPAs, PC

Conway Company CPAs, P.C.

CITY OF CANTON, TEXAS

MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2009

As management of the City of Canton, we offer readers of the City of Canton's financial statements this narrative overview and analysis of the financial activities of the City of Canton for the fiscal year ended September 30, 2009. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

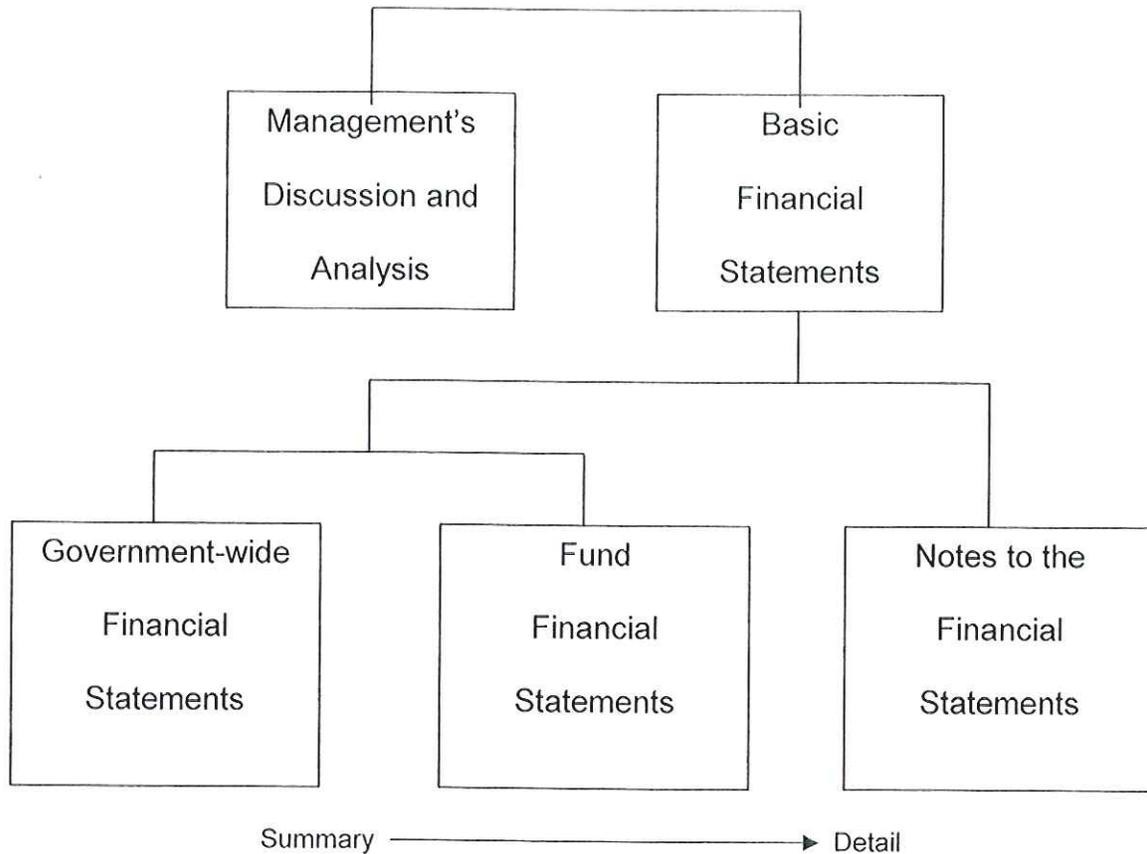
- The assets of the City of Canton exceeded its liabilities at the close of the fiscal year by \$19,790,147 (net assets). The portion of net assets that can be used to meet the government's on-going obligations to citizens and creditors, unrestricted net assets, is \$1,665,712.
- The government's total net assets increased by \$1,288,935, (excluding prior period adjustments). The majority of this increase is attributable to capital grants and the utility fund's increase in charge for services.
- As of the close of the current fiscal year, the City of Canton's governmental funds reported combined ending fund balances of \$1,749,975, a decrease of (\$1,076,640) in comparison with the prior year. The decrease in combined ending fund balances is due to a budgeted capital expenditure that decreases fund balance for the current year. Approximately 36% of this total amount, or \$635,926 is available for spending at the government's discretion (unreserved fund balance).
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$635,926 or 12% percent of total general fund expenditures.
- The City of Canton's total bonded debt decreased by (\$860,013) or 12% during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Canton's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

Required Components of Annual Financial Report

Figure 1



Basic Financial Statements

The first two statements (Pages 19-21) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Pages 22-29) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements and 2) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the General Statutes also can be found in this part of the statements.

CITY OF CANTON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net assets and how they have changed. Net assets are the difference between the City's total assets and total liabilities. Measuring net assets is one way to gauge the City's financial condition.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component units. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the utility services offered by the City of Canton. The final category is the component unit. Currently, the City of Canton does not have significant activity in its component units.

The government-wide financial statements are on pages 19, 20, and 21 of this report.

Fund Financial Statements

The fund financial statements (Pages 22-29) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Canton, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Canton can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

The City of Canton adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the modified accrual basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows three columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and

CITY OF CANTON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2009

charges. The Governmental Fund financial statements can be found on pages 22-26 of this report.

Proprietary Funds – The City of Canton has one type of proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Canton uses enterprise funds to account for its water, sewer, sanitation activity and First Monday activity. These funds are the same as those functions shown in the business-type activities in the Statement of Net Assets and the Statement of Activities.

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 27-29 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 30 to 48 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Canton's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 51 of this report.

Government-Wide Financial Analysis

The government-wide financial statements for the fiscal year ended September 30, 2009 continue the implementation of a new standard of financial reporting for the City of Canton, and many other units of government across the United States. Prior to 2004, the City of Canton maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City of Canton. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

The changes in the financial statement reporting model are mandated by the Governmental Accounting Standards Board (GASB). GASB Statement 34 dictated the changes you see in the City of Canton's financial reports as well as those of many other units of government. While the City of Canton was required to implement these changes for the fiscal year ended September 30, 2004, other units were required to implement Statement 34 in 2002 and 2003.

The City of Canton's Net Assets

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 2,046,930	\$ 3,268,211	\$ 1,670,406	\$ 2,205,932	\$ 3,717,336	\$ 5,474,143
Capital assets	11,742,174	10,258,044	11,937,169	11,178,756	23,679,343	21,436,800
Total assets	<u>13,789,104</u>	<u>13,526,255</u>	<u>13,607,575</u>	<u>13,384,688</u>	<u>27,396,679</u>	<u>26,910,943</u>
Current liabilities	239,161	1,166,751	369,450	416,360	608,611	1,583,111
Long-term liabilities	5,027,578	4,631,126	1,970,343	2,397,336	6,997,921	7,028,462
Total liabilities	<u>5,266,739</u>	<u>5,797,877</u>	<u>2,339,793</u>	<u>2,813,696</u>	<u>7,606,532</u>	<u>8,611,573</u>
Net assets:						
Invested in capital assets, net of related debt	6,879,822	8,917,364	10,025,715	8,847,997	16,905,537	17,765,361
Restricted	1,088,389	1,439,063	130,509	-	1,218,898	1,439,063
Unrestricted	554,154	(2,628,049)	1,111,558	1,722,995	1,665,712	(905,054)
Total net assets	<u>\$ 8,522,365</u>	<u>\$ 7,728,378</u>	<u>\$ 11,267,782</u>	<u>\$ 10,570,992</u>	<u>\$ 19,790,147</u>	<u>\$ 18,299,370</u>

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The net assets of the City of Canton exceeded liabilities by \$19,790,147 as of September 30, 2009. The City's net assets increased by \$1,288,935, excluding prior period adjustments for the fiscal year ended September 30, 2009. However, the largest portion (85%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Canton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Canton's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Canton's net assets, 6%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$1,665,712 is unrestricted.

The City of Canton Changes in Net Assets
Figure 3

	Governmental Activities		Business Activities		Totals	
	2009	2008	2009	2008	2009	2008
REVENUE:						
Program Revenues						
Charges for Services	\$ 352,930	\$ 331,919	\$ 5,858,085	\$ 5,683,296	\$ 6,211,015	\$ 6,015,215
Grants and Contributions	98,531	446,870	473,617	-	572,148	446,870
General Revenues:						
Property Taxes	1,058,246	1,055,951	-	-	1,058,246	1,055,951
Sales Taxes	2,112,512	2,157,257	-	-	2,112,512	2,157,257
Franchise Fees	213,261	258,808	-	-	213,261	258,808
Mixed Drink Taxes	4,968	6,354	-	-	4,968	6,354
Hotel/Motel Tax	-	-	220,532	183,557	220,532	183,557
Donations	3,373	169,654	30,000	-	33,373	169,654
Investment Income	16,717	111,716	8,652	46,819	25,369	158,535
FEMA Reimbursement	-	56,873	-	-	-	56,873
Insurance Reimbursement	49,361	8,776	-	-	49,361	8,776
Miscellaneous	52,605	20,862	31,588	74,567	84,193	95,429
Sale of Assets	-	-	(12,461)	(205)	(12,461)	(205)
Intergovernmental Revenues	248,688	115,000	143,635	80,000	392,323	195,000
Total Revenues	4,211,192	4,740,040	6,753,648	6,068,034	10,964,840	10,808,074
EXPENSES:						
Program Expenses:						
Administrative Services	975,534	706,877	-	-	975,534	706,877
Police	1,089,555	1,131,783	-	-	1,089,555	1,131,783
Fire	374,336	341,626	-	-	374,336	341,626
Animal Control	126,502	177,310	-	-	126,502	177,310
Municipal Court	149,837	166,912	-	-	149,837	166,912
Streets	765,471	596,873	-	-	765,471	596,873
Parks and Recreation	381,200	293,487	-	-	381,200	293,487
Interest on Long-Term Debt	186,529	298,689	-	-	186,529	298,689
Water and Sewer	-	-	2,121,342	1,851,540	2,121,342	1,851,540
Sanitation	-	-	614,118	577,327	614,118	577,327
First Monday	-	-	2,891,481	2,911,403	2,891,481	2,911,403
Total Expenses	4,048,964	3,713,557	5,626,941	5,340,270	9,675,905	9,053,827
Increase in Net Assets before Transfers	162,228	1,026,483	1,126,707	727,764	1,288,935	1,754,247
Other Revenues and Financing Sources (uses)						
Transfers	441,333	(365,390)	(441,333)	365,390	-	-
Total Other Financing Sources (uses)	441,333	(365,390)	(441,333)	365,390	-	-
Increase in Net Assets	603,561	661,093	685,374	1,093,154	1,288,935	1,754,247
Net Assets, October 1	7,728,378	7,078,305	10,570,992	9,232,461	18,299,370	16,310,766
Prior Period Adjustments	190,426	(11,020)	11,416	245,377	201,842	234,357
Net Assets, September 30	\$ 8,522,365	\$ 7,728,378	\$ 11,267,782	\$ 10,570,992	\$ 19,790,147	\$ 18,299,370

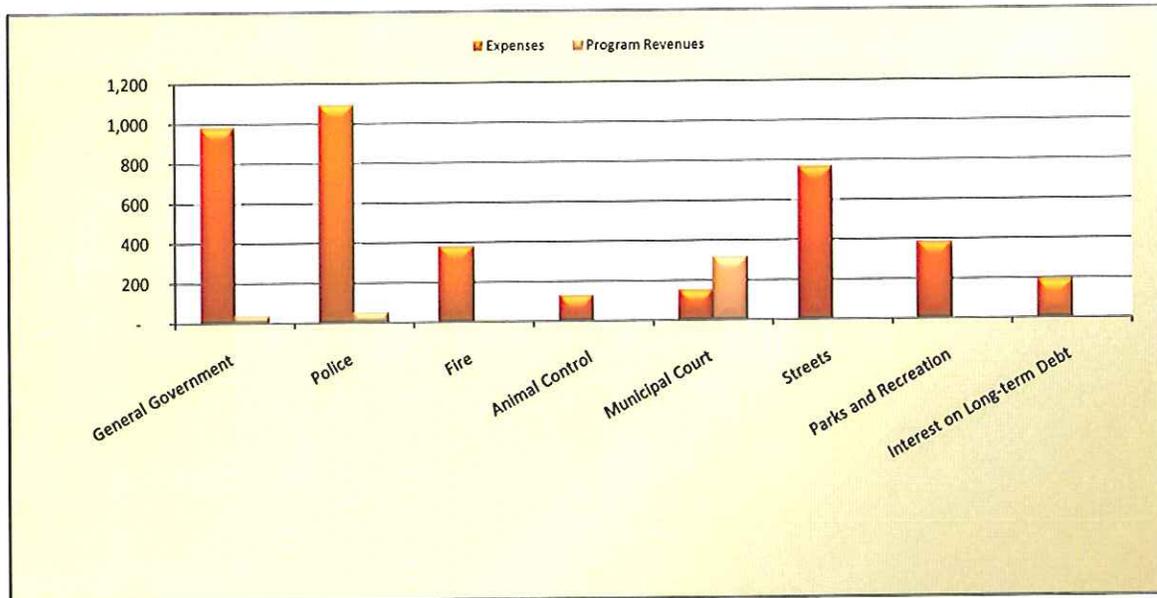
CITY OF CANTON TEXAS
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)
 SEPTEMBER 30, 2009

Governmental-type activities - Governmental -type activities increased the City's net assets \$603,561. Key elements of this increase are as follows:

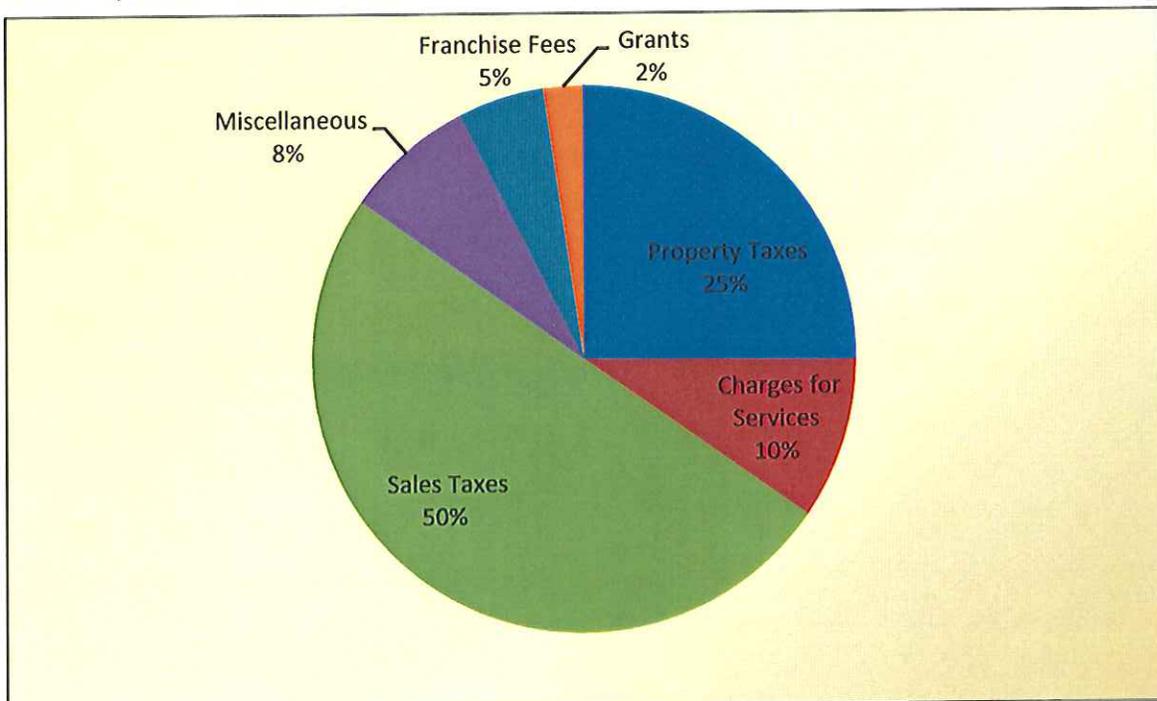
Revenues and expenditures were very close to the budgeted amounts. Revenues exceeded expenditures by 3%.

Expenses and Program Revenues - Governmental Activities

(amounts expressed in thousands)



Revenues By Source - Governmental Activities

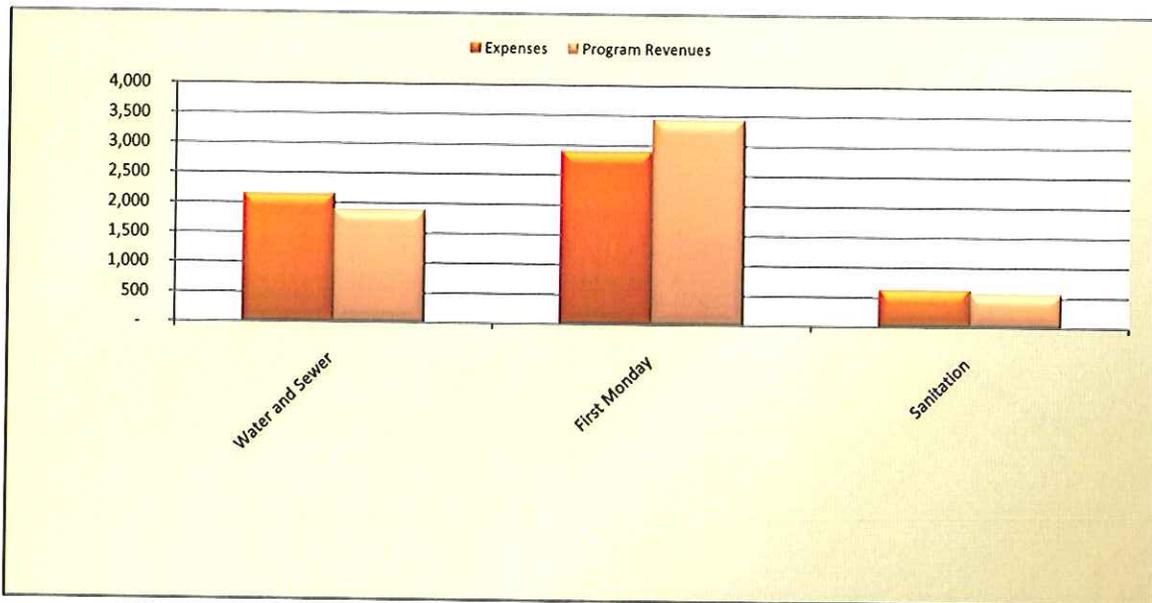


Business-type Activities - Business-type activities increased the City of Canton's net assets by \$685,374. A key element of this increase is as follows:

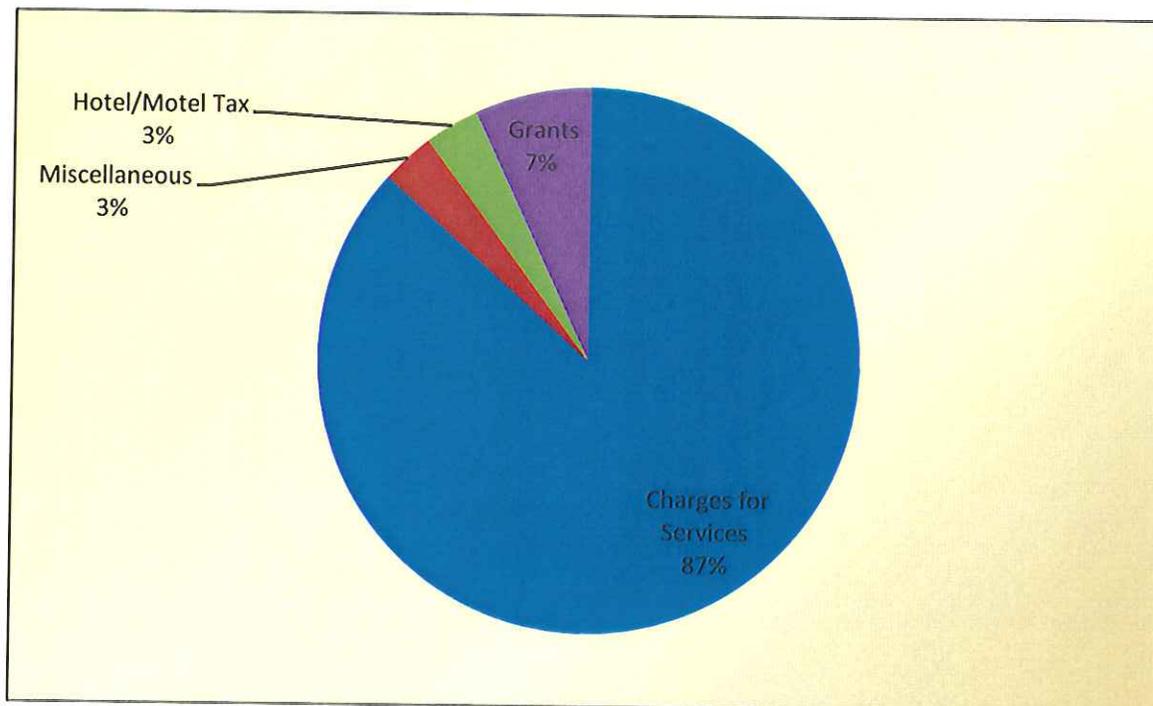
Business-type activities revenues and expenditures were very close to the budgeted amounts for these items. Operating revenues exceeded operating expenditures by 4%.

Expenses and Program Revenues - Business Activities

(amounts expressed in thousands)



Revenues By Source - Business Activities



Financial Analysis of the City's Funds

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

Governmental Funds - The focus of the City of Canton's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Canton's financing requirements. Specifically, unreserved fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the City of Canton. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$635,926. As a measure of the general fund's liquidity it may be useful to compare the unrestricted fund balance to total fund expenditures. Unreserved fund balance represents 12% of total General Fund expenditures.

At September 30, 2009, the governmental funds of the City of Canton reported a combined fund balance of \$1,749,975, a (41%) decrease, excluding prior period adjustments, compared to last year.

The Debt Service Fund of the City of Canton reported an increase in fund balance of \$559,443, excluding prior period adjustments, compared to last year.

General Fund Budgetary Highlights: During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were slightly less than the budgeted amounts mainly in the area of sales taxes. Expenditures were more than budgeted amounts mainly in the area of capital outlays.

Proprietary Funds - The City of Canton's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the proprietary funds at the end of the fiscal year amounted to \$1,111,558.

CITY OF CANTON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2009

Capital assets - The City of Canton's investment in capital assets for its governmental and business-type activities as of September 30, 2009, totals \$23,679,343 (net of accumulated depreciation). This investment in capital assets includes buildings, roads and bridges, land, machinery and equipment. The total increase in the City of Canton's investment in capital assets for the current fiscal year was 10%.

Major capital asset events during the current fiscal year included the following:

- The completion of the police station and municipal court complex remodel
- The completion of the Ethridge Road project

Figure 4

**City of Canton
Capital Assets
As of September 30, 2009
(net of accumulated depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land & Improvements	\$ 2,691,090	\$ 2,691,090	\$ 597,868	\$ 597,868	\$ 3,288,958	\$ 3,288,958
Machinery & Equipment	766,753	323,779	986,547	984,462	1,753,300	1,308,241
Buildings	565,349	241,916	4,810,565	5,060,621	5,375,914	5,302,537
Infrastructure	7,272,800	6,301,075	4,754,394	4,413,844	12,027,194	10,714,919
Construction in Progress	446,182	700,184	787,795	121,961	1,233,977	822,145
Total	\$ 11,742,174	\$ 10,258,044	\$ 11,937,169	\$ 11,178,756	\$ 23,679,343	\$ 21,436,800

More detailed information about the City's capital assets is presented in Note E to the financial statements

Long-term Debt - As of September 30, 2009, the City of Canton had long-term debt outstanding of \$6,344,988. This debt is secured by property taxes and/or revenues.

**City of Canton
Outstanding Debt
As of September 30, 2009**

	Governmental Activities		Business Activities		Total	
	2009	2008	2009	2008	2009	2008
Limited Tax Note Payable	\$ 469,987	\$ 500,000	\$ -	\$ -	\$ 469,987	\$ 500,000
Certificates of Obligation	2,005,330	2,110,325	1,459,671	1,559,676	3,465,001	3,670,001
Refunding Bonds	1,990,000	2,460,000	420,000	575,000	2,410,000	3,035,000
Total	\$ 4,465,317	\$ 5,070,325	\$ 1,879,671	\$ 2,134,676	\$ 6,344,988	\$ 7,205,001

More detailed information about the City's long-term liabilities is presented in Note F to the financial statements.

CITY OF CANTON, TEXAS
MANAGEMENT DISCUSSION AND ANALYSIS (continued)
SEPTEMBER 30, 2009

Economic Factors and Next Year's Budgets and Rates

The FY 09-10 budget incorporates a property tax rate of \$0.42523 per \$100 valuation year. This remains unchanged from the prior year budget.

Canton's certified taxable value for fiscal year 2009 is \$270,740,842. This is a 7% increase over last year's values, or \$18,598,670.

The City's General Fund budget increased 6% from the previous fiscal year. Property tax revenue is projected to increase largely from new property being added to the tax roll.

Economic development continues into FY10 with ground broken on a 129-bed nursing home, a dental office/professional building, and the relocation and expansion of Dollar General. Renovations to the Traders Square Shopping Center continues, and economic negotiations are under way with two major hotel chains and a national Chinese restaurant.

Economic sales activity has slowed. Canton's sales tax revenue is declining slightly, and the FY10 budget reflects a 3% anticipated decrease in sales tax revenue. Cost-cutting measures are in place: 7 positions were removed and raises were not included in the FY10 budget in anticipation of a sluggish economy.

Requests for Information

This report is designed to provide an overview of the City's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Canton, Finance Department, P O Box 245, Canton, Texas 75103.



BASIC FINANCIAL STATEMENTS



CITY OF CANTON, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2009

	<u>Primary Government</u>			
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>	<u>Component</u>
	<u>Activities</u>	<u>Activities</u>		<u>Units</u>
ASSETS				
Cash and Cash Equivalents	\$ 513,921	\$ 1,106,423	\$ 1,620,344	\$ 833,097
Receivables (net of allowance for uncollectible)	377,966	210,059	588,025	106,655
Deferred Charges	63,812	-	63,812	-
Due from EDC	26,180	-	26,180	-
Restricted Assets:				
Cash and Cash Equivalents	1,065,051	353,924	1,418,975	87,717
Capital Assets not being depreciated:				
Land & Improvements	2,691,090	597,868	3,288,958	970,255
Construction in Progress	446,182	787,795	1,233,977	-
Capital Assets net of accumulated depreciation:				
Buildings	565,349	4,810,565	5,375,914	65,674
Infrastructure	7,272,800	4,754,394	12,027,194	87,166
Machinery & Equipment	766,753	986,547	1,753,300	-
Total Assets	<u>13,789,104</u>	<u>13,607,575</u>	<u>27,396,679</u>	<u>2,150,564</u>
LIABILITIES				
Accounts Payable	157,498	158,503	316,001	9,244
Customer Deposits	-	105,325	105,325	-
Due to General Fund	-	-	-	26,180
Accrued Interest Payable	43,103	18,738	61,841	-
Other Liabilities	38,560	75,118	113,678	-
Unearned Revenues	-	11,766	11,766	-
Noncurrent Liabilities:				
Due within one year:				
Compensated Absences	15,710	9,742	25,452	-
Current Notes Payable	35,392	26,315	61,707	87,717
Current Limited Tax Note	25,242	-	25,242	-
Current Certificates of Obligations	106,150	103,338	209,488	-
Current Bonds Payable	475,000	160,000	635,000	-
Due in more than one year:				
Compensated Absences	149,516	49,147	198,663	-
Notes Payable	362,956	-	362,956	584,517
Limited Tax Note Payable	444,745	-	444,745	-
Certificates of Obligations Payable	1,887,655	1,356,333	3,243,988	-
Bonds Payable	1,525,212	265,468	1,790,680	-
Total Liabilities	<u>5,266,739</u>	<u>2,339,793</u>	<u>7,606,532</u>	<u>707,658</u>
NET ASSETS				
Invested in capital assets (net of related debt)	6,879,822	10,025,715	16,905,537	450,861
Restricted for:				
Debt	1,008,739	-	1,008,739	87,717
Use of Impact Fees	-	68,405	68,405	-
Court use	34,289	-	34,289	-
Capital Improvements	45,361	-	45,361	-
Hotel Tax Use	-	62,104	62,104	-
Unrestricted	554,154	1,111,558	1,665,712	904,328
Total Net Assets	<u>\$ 8,522,365</u>	<u>\$ 11,267,782</u>	<u>\$ 19,790,147</u>	<u>\$ 1,442,906</u>

The notes to the financial statements are an integral part of these financial statements

CITY OF CANTON, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Administrative Services	\$ 975,534	\$ 32,957	\$ -	\$ -
Police	1,089,555	49,361	-	-
Fire	374,336	5,720	-	6,933
Animal Control	126,502	-	-	-
Municipal Court	149,837	314,253	-	-
Streets	765,471	-	-	91,598
Parks and Recreation	381,200	-	-	-
Interest on Long-Term Debt	186,529	-	-	-
Total governmental activities	4,048,964	402,291	-	98,531
Business-type Activities:				
Water and Sewer	2,133,803	1,873,195	-	473,617
Sanitation	614,118	556,578	-	-
First Monday	2,891,481	3,428,312	-	-
Total business-type activities	5,639,402	5,858,085	-	473,617
Total primary government	9,688,366	6,260,376	-	572,148
Component units:				
Economic Development Corporation	302,139	-	-	-
Total component units	\$ 302,139	\$ -	\$ -	\$ -

General revenues:
Property taxes
Sales taxes
Franchise Taxes
Mixed Drink taxes
Hotel/Motel tax
Donations
Investment income
Rental Income
Intergovernmental Revenues
Miscellaneous
Transfers
Total general revenues & transfers
Change in net assets
Net assets - beginning
Prior Period Adjustment
Net assets - ending

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business Activities	Total	Component Units
\$ (942,577)	\$ -	\$ (942,577)	\$ -
(1,040,194)	-	(1,040,194)	-
(361,683)	-	(361,683)	-
(126,502)	-	(126,502)	-
164,416	-	164,416	-
(673,873)	-	(673,873)	-
(381,200)	-	(381,200)	-
(186,529)	-	(186,529)	-
<u>(3,548,142)</u>	<u>-</u>	<u>(3,548,142)</u>	<u>-</u>
-	213,009	213,009	-
-	(57,540)	(57,540)	-
-	536,831	536,831	-
-	692,300	692,300	-
<u>(3,548,142)</u>	<u>692,300</u>	<u>(2,855,842)</u>	<u>-</u>
-	-	-	(302,139)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (302,139)</u>
\$ 1,058,246	\$ -	\$ 1,058,246	\$ -
2,112,512	-	2,112,512	704,171
213,261	-	213,261	-
4,968	-	4,968	-
-	220,532	220,532	-
3,373	30,000	33,373	-
16,717	8,652	25,369	9,063
-	-	-	3,250
248,688	143,635	392,323	(371,393)
52,605	31,588	84,193	979
441,333	(441,333)	-	-
<u>4,151,703</u>	<u>(6,926)</u>	<u>4,144,777</u>	<u>346,070</u>
603,561	685,374	1,288,935	43,931
7,728,378	10,570,992	18,299,370	2,155,492
190,426	11,416	201,842	(756,517)
<u>\$ 8,522,365</u>	<u>\$ 11,267,782</u>	<u>\$ 19,790,147</u>	<u>\$ 1,442,906</u>

The notes to the financial statements are an integral part of these financial statements

CITY OF CANTON, TEXAS
BALANCE SHEET - GOVERNMENT FUNDS
SEPTEMBER 30, 2009

	General Fund	Debt Service Fund	Total
ASSETS			
Cash and Cash Equivalents	\$ 513,921	\$ -	\$ 513,921
Receivables (net of allowances for uncollectible)	360,167	17,799	377,966
Due from EDC	26,180	-	26,180
Cash and Cash Equivalents - Restricted	31,008	1,034,043	1,065,051
Total Assets	<u>931,276</u>	<u>1,051,842</u>	<u>1,983,118</u>
 LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	157,496	-	157,496
Other Liabilities	38,560	-	38,560
Deferred Revenue	19,644	17,443	37,087
Total Liabilities	<u>215,700</u>	<u>17,443</u>	<u>233,143</u>
 Fund Balances			
Reserved for:			
Debt	-	1,034,399	1,034,399
Court Use	34,289	-	34,289
Capital Improvements	45,361	-	45,361
Unreserved-Undesignated reported in:			
General Fund	635,926	-	635,926
Total Fund Balances	<u>715,576</u>	<u>1,034,399</u>	<u>1,749,975</u>
 Total Liabilities and Fund Balances	 <u>\$ 931,276</u>	 <u>\$ 1,051,842</u>	 <u>\$ 1,983,118</u>

The accompanying notes are an integral part of these financial statements

CITY OF CANTON, TEXAS
 RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 SEPTEMBER 30, 2009

Total fund balances - governmental funds balance sheet	\$ 1,749,975
Amounts reported for governmental activities in the statement of net assets are different because:	
Costs associated with the issuance of governmental long term debt and expenses are incurred in the fund statements and are capitalized and amortized over the life of the debt in the government-wide statements.	63,812
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. Capital assets are reported in the government-wide financial statements, net of accumulated depreciation	11,742,172
Interest payable on long term debt does not require current financial resources, therefore interest payable is not reported as a liability in the governmental funds balance sheet	(43,103)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements	37,087
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the fund financial statements.	(5,027,578)
Net assets of governmental activities - statement of net assets	<u>\$ 8,522,365</u>

The notes to the financial statements are an integral part of these financial statements

CITY OF CANTON, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
 IN FUND BALANCES - GOVERNMENT FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUE			
Property Taxes	\$ 263,088	\$ 805,650	\$ 1,068,738
Sales Tax Collected	2,112,512	-	2,112,512
Franchise Fees	213,261	-	213,261
Licenses and Permits	49,565	-	49,565
Fines and Forfeitures	196,187	-	196,187
Mixed Drink Taxes	4,968	-	4,968
Rental Income	32,957	-	32,957
Charge for Services	74,221	-	74,221
Grant Revenue	98,531	-	98,531
Donations	3,373	-	3,373
Investment Income	11,812	4,905	16,717
Total Revenues	<u>3,060,475</u>	<u>810,555</u>	<u>3,871,030</u>
EXPENDITURES			
Current:			
Administrative Services	1,132,721	-	1,132,721
Police	1,084,894	-	1,084,894
Fire	849,927	-	849,927
Municipal Court	148,519	-	148,519
Streets	1,482,197	-	1,482,197
Parks and Recreation	563,291	-	563,291
Animal Shelter	117,127	-	117,127
Debt Service			
Principal Retirement	-	633,988	633,988
Interest and Fiscal Agent Fees	-	143,426	143,426
Total Expenditures	<u>5,378,676</u>	<u>777,414</u>	<u>6,156,090</u>
Excess (deficiency) of revenues over (under) expenditures	(2,318,201)	33,141	(2,285,060)
Other Revenues and Financing Sources (uses)			
Note Proceeds	380,000	-	380,000
Sales of Assets	29,487	-	29,487
Insurance Reimbursement	49,361	-	49,361
Intergovernmental Revenues	248,688	-	248,688
Miscellaneous	34,329	18,276	52,605
Transfers	(59,747)	508,026	448,279
Total Other Financing Sources (uses)	<u>682,118</u>	<u>526,302</u>	<u>1,208,420</u>
Net Change in Fund Balances	(1,636,083)	559,443	(1,076,640)
Fund Balances/Equity, October 1	2,183,773	447,921	2,631,694
Prior Period Adjustments	167,886	27,035	194,921
Fund Balances/Equity, September 30	<u>\$ 715,576</u>	<u>\$ 1,034,399</u>	<u>\$ 1,749,975</u>

The notes to the financial statements are an integral part of these financial statements

CITY OF CANTON, TEXAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

Net change in fund balances - total governmental funds	\$ (1,076,640)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	1,806,820
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(322,692)
Bond issuance costs are expenditures in the fund financial statements when debt is issued, but it is amortized over the term of the bond in the government-wide financial statements.	(12,067)
Current year long-term debt principal payments on contractual obligations, and bonds payable are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	633,988
Current year changes in the long-term liability for compensated absences do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds.	7,747
Current year changes in accrued interest payable do not require the use of current resources; therefore, are not reported as expenditures in governmental funds.	(43,103)
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	(10,492)
Current year debt proceeds are other financing sources in the fund financial statements, but are shown as an increase in liabilities in the government-wide statements.	(380,000)
Change in net assets of governmental activities - statement of activities	<u>\$ 603,561</u>

CITY OF CANTON, TEXAS
GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Mixed Drink Tax	\$ 6,800	\$ 6,800	\$ 4,968	\$ (1,832)
Property Tax	248,570	248,570	263,088	14,518
Fines and Forfeitures	212,750	212,750	196,187	(16,563)
Licenses and Permits	61,500	61,500	49,565	(11,935)
Sales Tax Collected	2,230,000	2,230,000	2,112,512	(117,488)
Franchise Fees	250,000	250,000	213,261	(36,739)
Charge for Services	75,500	75,500	74,221	(1,279)
Grant Revenue	570,000	650,590	98,531	(552,059)
Rental Income	40,340	40,340	32,957	(7,383)
Donations	6,890	6,890	3,373	(3,517)
Investment Income	28,000	28,000	11,812	(16,188)
Total Revenues	<u>3,730,350</u>	<u>3,810,940</u>	<u>3,060,475</u>	<u>(750,465)</u>
EXPENDITURES				
Administrative Services	1,008,245	1,031,845	1,132,721	(100,876)
Public Safety - Police	1,083,400	1,066,400	1,084,894	(18,494)
Public Safety - Fire	419,510	514,870	849,927	(335,057)
Municipal Court	160,595	160,595	148,519	12,076
Streets	784,265	1,506,265	1,482,197	24,068
Parks and Recreation	848,950	861,450	563,291	298,159
Animal Shelter	135,900	135,900	117,127	18,773
Total Expenditures	<u>4,440,865</u>	<u>5,277,325</u>	<u>5,378,676</u>	<u>(101,351)</u>
Excess (deficiency) of revenues over (under) expenditures	(710,515)	(1,466,385)	(2,318,201)	(851,816)
Other Revenues and Financing Sources (uses)				
Operating Transfers In	137,550	137,550	(59,747)	(197,297)
Insurance Reimbursement	-	-	49,361	49,361
Note Proceeds	-	-	380,000	380,000
Sale of Assets	32,500	32,500	29,487	(3,013)
Intergovernmental Revenues	63,420	63,420	248,688	185,268
Miscellaneous	11,300	11,300	34,329	23,029
Total Other Financing Sources (uses)	<u>244,770</u>	<u>244,770</u>	<u>682,118</u>	<u>437,348</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(465,745)	(1,221,615)	(1,636,083)	(414,468)
Fund Balances/Equity, October 1	2,183,773	2,183,773	2,183,773	
Prior Period Adjustment	-	-	167,886	
Fund Balances/Equity, September 30	<u>\$ 1,718,028</u>	<u>\$ 962,158</u>	<u>\$ 715,576</u>	

The notes to the financial statements are an integral part of these financial statements

CITY OF CANTON, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2009

	Water/Sewer Fund	Sanitation Fund	First Monday Fund	Total
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 222,230	\$ 61,840	\$ 822,353	\$ 1,106,423
Accounts Receivables (net of allow for uncollectible)	173,492	36,567	-	210,059
Total Current Assets	395,722	98,407	822,353	1,316,482
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	291,820	-	62,104	353,924
Capital Assets:				
Land	248,652	-	349,216	597,868
Building	4,460,056	-	3,957,534	8,417,590
Machinery & Equipment	1,423,876	39,912	671,926	2,135,714
Infrastructure	6,758,408	-	2,077,973	8,836,381
Construction In Progress	755,005	-	32,790	787,795
Less: Accumulated Depreciation	(5,236,159)	(39,912)	(3,562,108)	(8,838,179)
Total Capital Assets (net of accumulated depreciation)	8,409,838	-	3,527,331	11,937,169
Total Noncurrent Assets	8,701,658	-	3,589,435	12,291,093
Total Assets	9,097,380	98,407	4,411,788	13,607,575
LIABILITIES				
Current Liabilities:				
Accounts Payable	53,264	46,627	58,612	158,503
Customer Deposits	105,325	-	-	105,325
Accrued Interest Payable	18,738	-	-	18,738
Other Liabilities	21,808	13,756	39,554	75,118
Deferred Revenues	11,766	-	-	11,766
Compensated Absences - current	8,815	927	-	9,742
Notes Payable - current	-	-	26,315	26,315
Certificates of Obligation - current	103,850	-	-	103,850
Bonds Payable - current	160,000	-	-	160,000
Total Current Liabilities	483,566	61,310	124,481	669,357
Noncurrent Liabilities:				
Compensated Absences	34,836	-	14,311	49,147
Notes Payable	-	-	-	-
Certificates of Obligation Payable (net of unamortized premiums and deferred amounts)	1,355,821	-	-	1,355,821
Revenue Bond Payable (net of unamortized discounts and deferred amounts)	265,468	-	-	265,468
Total Non-Current Liabilities	1,656,125	-	14,311	1,670,436
Total Liabilities	2,139,691	61,310	138,792	2,339,793
NET ASSETS				
Invested in Capital Assets (net of related debt)	6,524,699	-	3,501,016	10,025,715
Restricted for:				
Impact Fees	68,405	-	-	68,405
Hotel Tax Use	-	-	62,104	62,104
Unrestricted	364,585	37,097	709,876	1,111,558
Total Net Assets	\$ 6,957,689	\$ 37,097	\$ 4,272,996	\$ 11,267,782

The notes to the financial statements are an integral part of these financial statements

CITY OF CANTON, TEXAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
 IN FUND NET ASSETS - PROPRIETARY FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Water/Sewer Fund	Sanitation Fund	First Monday Fund	Total
OPERATING REVENUES:				
Charges for Services	\$ 1,872,912	\$ 556,578	\$ 3,416,135	\$ 5,845,625
Grant Revenues	473,617	-	-	473,617
Hotel Tax	-	-	220,532	220,532
Total Operating Revenues	<u>2,346,529</u>	<u>556,578</u>	<u>3,636,667</u>	<u>6,539,774</u>
OPERATING EXPENSES:				
Personnel Costs	551,110	31,719	583,926	1,166,755
Rent	-	-	714,916	714,916
Supplies and Materials	233,440	337	203,174	436,951
Maintenance and Repair	433,257	11,889	265,665	710,811
Contractual Services	346,613	570,173	892,549	1,809,335
Other	107,896	-	13,873	121,769
Depreciation	364,711	-	211,390	576,101
Interest Expense	84,924	-	5,988	90,912
Total Operating Expenses	<u>2,121,951</u>	<u>614,118</u>	<u>2,891,481</u>	<u>5,627,550</u>
Operating Income (Loss)	<u>224,578</u>	<u>(57,540)</u>	<u>745,186</u>	<u>912,224</u>
NON-OPERATING REVENUES (EXPENSES):				
Donations	30,000	-	-	30,000
Intergovernmental Revenues	143,635	-	-	143,635
Miscellaneous Revenues	1,622	-	29,966	31,588
Bond Issuance Costs	608	-	-	608
Investment Income	-	-	8,652	8,652
Total Non-Operating Revenues (Expenses)	<u>175,865</u>	<u>-</u>	<u>38,618</u>	<u>214,483</u>
Transfers	1,061,237	47,245	(1,549,815)	(441,333)
Change in Net Assets	1,461,680	(10,295)	(766,011)	685,374
Net assets - Beginning, October 1	5,496,009	47,392	5,027,591	10,570,992
Prior Period Adjustments	-	-	11,416	11,416
Net Assets - Ending, September 30	<u>\$ 6,957,689</u>	<u>\$ 37,097</u>	<u>\$ 4,272,996</u>	<u>\$ 11,267,782</u>

The notes to the financial statements are an integral part of these financial statements

CITY OF CANTON, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Proprietary Funds</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 6,111,756
Cash Received from Other Sources	535,205
Cash Paid to Employees	(1,166,753)
Cash Paid to Suppliers	(3,831,844)
Net Cash Provided by Operating Activities	<u>1,648,364</u>
Cash Flows from Non-capital Financing Activities	
Transfers from Primary Government	<u>(297,698)</u>
Net Cash Provided by Non-capital Financing Activities	<u>(297,698)</u>
Cash Flows from Capital and Related Financing Activities:	
Interest Paid on Capital Debt	(90,912)
Principal Paid on Capital Debt	(426,992)
Acquisition or Construction of Capital Assets	(1,227,656)
Disposal of Capital Assets	(118,709)
Net Cash Used for Capital & Related Financing Activities	<u>(1,864,269)</u>
Cash Flows from Investing Activities:	
Interest Income	<u>8,652</u>
Net Cash Provided by Capital & Related Financing Activities	
Net Increase (Decrease) in Cash and Cash Equivalents	(504,951)
Cash and Cash Equivalents at Beginning of Year	<u>1,965,298</u>
Cash and Cash Equivalents at End of Year	<u>\$ 1,460,347</u>

Reconciliation of Operating Income to Net Cash

Provided by Operation Activities:

Operating Income (Loss)	<u>\$ 912,224</u>
Adjustment to Reconcile Operating Income to Net	
Cash Provided by Operating Activities	
Depreciation and Amortization	576,101
Interest Expense	90,912
Sale of Assets	12,461
Miscellaneous Revenue	61,588
Prior Period Adjustment	11,416
Change in Assets and Liabilities	
Decrease (Increase) in Receivables	30,575
Increase (Decrease) in Accounts Payable	(76,483)
Increase (Decrease) in Accrued Expenses	1,322
Increase (Decrease) in Deferred Revenues	1,393
Increase (Decrease) in Other Liabilities	26,855
Total Adjustments	<u>736,140</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,648,364</u>

The notes to the financial statements are an integral part of these financial statements

CITY OF CANTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

A. Summary of Significant Accounting Policies

The combined financial statements of the City of Canton, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental and accounting financial reporting principles.

1. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by Government Accounting Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB 39 "Determining Whether Certain Organizations are Component Units".

Under GASB 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB 39 added clarification to GASB 14 including entities which meet all three of the following requirements:

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.
2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization.
3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to other access, are significant to the primary government.

The financial statements of the following component units have been "discretely presented" in the accompanying report because (i) their governing boards are not substantially the same as the governing body of the City, or (ii) the component unit provides services entirely or almost entirely to the citizenry and not the City.

Discretely presented component units. The City has one component unit, Canton Economic Development Corporation ("CEDC"). The CEDC was incorporated March 12, 1997. The CEDC is governed by a seven-member board appointed by and serving at the pleasure of the City Council. Thus, the CEDC is legally separate, but due to the City appointing the voting majority of the CEDC board, it is classified as a discretely presented component unit. The funding for the CEDC occurs by the City transferring 1/4 of sales tax collected by the City to the CEDC. Adding the creation of the CEDC to the resources currently available will more than double the current ability to assist economic development prospects. All of the CEDC funding can be used for direct assistance to prospects and continued development of infrastructure. The nature and significance of the relationship between the primary government and the organization is such that exclusion would cause the City's financial statement to be misleading or incomplete. Separate financial statements are also issued for the CEDC. These financial statements can be obtained by contacting the the Canton EDC located at 119 N. Buffalo Street, Canton Texas.

CITY OF CANTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

A. Summary of Significant Accounting Policies (continued)

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the statement of net assets and statement of activities. Significantly, the City's statement of net assets include both noncurrent assets and noncurrent liabilities. In addition, the government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resource measurement focus for the governmental funds. The accrual basis of accounting is utilized by proprietary funds. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City's basic financial statements include all accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable.

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

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

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

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. The government-wide and proprietary fund financial statements follow the accounting set forth by the Governmental Accounting Standards Board and all pronouncements of the Financial Accounting Standards Board issued on or before November 30, 1989.

CITY OF CANTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting (continued)

b. Measurement Focus, Basis of Accounting

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of sales taxes and property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financial sources.

Property taxes, franchise fees, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the general operating fund of the City. It is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvements costs that are not paid through other funds are paid from the General Fund.

The *Debt Service Fund* accounts for the resources accumulated and payments made for principal and interest on long-term obligation debt paid from taxes levied by the City.

Proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's water, sewer and environmental waste services are charges to customers for sales and services. Operating expenses for Proprietary fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendment of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

The City reports the following major enterprise funds:

The *Water and Sewer Funds* account for the operations of the water and sanitary sewer utilities which are self-supporting activities rendering services on a user-charge basis. Water and sewer impact fees are also accumulated in these funds.

The *Sanitation Fund* accounts for the solid waste services of the City which is a self-supporting activity rendering services on a user-charge basis.

CITY OF CANTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting

b. Measurement Focus, Basis of Accounting (continued)

The *First Monday Fund* accounts for the operations of the City's First Monday Trade Days, which is a self-supporting activity.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

The City pools cash from all fund types (excluding certain restricted assets that are considered cash and cash equivalents) to increase the amount of funds available for investment. Investments held by the City that have a remaining maturity of greater than one year from purchase are carried at fair value. Interest earnings are allocated to the respective funds based upon each fund's relative balance in the pool. Each fund may liquidate its equity in the pool on demand.

b. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

Trade and property tax receivables are shown net of an allowance for uncollectibles.

c. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised values at 100% for estimated market value. A tax lien attaches to the property on January 1 of each year to secure the payment of all taxes, penalties and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches.

Taxes are due October 1 immediately following the levy date and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at fund level.

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratio. The value of property within the appraisal district must be reviewed every five years; however, the City may, at its own expense, require annual reviews of appraised values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, including tax rates for bonds and other contractual obligations, adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

The statutes of the State of Texas do not prescribe a legal debt limit. However, Article XI, Section 5 of the Texas Constitution applicable to cities of more than 5,000 population limits the ad valorem tax rate to \$2.50 per \$100 assessed valuation. For the current fiscal year, the City had a tax rate of \$0.42523 per \$100 assessed valuation based upon the maximum rates described above.

CITY OF CANTON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

d. Inventories, Prepaid Items and Deferred Charges

The City maintains supplies on hand necessary for repairs and maintenance. Supplies are not reflected as inventory but are recorded as expenditures when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items. The City did not have any prepaid items at the end of the current fiscal year.

Deferred charges reported at the government-wide level and in proprietary funds are comprised of the balance of unamortized debt issuance costs. Issuance costs are amortized over the life of the related debt using a straight-line method.

e. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the governmental funds represent cash and cash equivalents and investments set aside for specific capital additions, returning developer's escrow funds and various bond covenants. Restricted assets in the enterprise funds represent cash and cash equivalents and investments set aside for repayment of deposits to utility customers, specific capital, additions, and various bond covenants.

Impact fees are the capital recovery fees that are, by law, restricted to the projects these funds may be used to support.

Customer deposits received for the water and wastewater service are, by law, to be considered restricted assets. These activities are included in the Water and Sewer Funds.

f. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. The City did not capitalize any interest during the year ended September 30, 2009.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	15 - 40
Building Improvements	10 - 40
Machinery and equipment	5 - 20

CITY OF CANTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

g. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, overtime not paid (comp time) and sick pay benefits. All vacation and comp time is accrued at the close of the fiscal year in the government-wide and proprietary fund financial statements. An employee's sick pay accrual does not begin until they have been employed with the City for ten years and a maximum of 480 hours is accrued.

h. Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financial sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

i. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designation of fund balances represent management plans that are subject to change and are approved by City Council.

j. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statements in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation.

k. Interfund Activity

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

l. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

m. Program Revenues

Certain revenues such as charges for services and impact fees are included in program revenues.

CITY OF CANTON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

n. Program Expenditures

Certain indirect costs such as administrative costs are included in the program expenditures reported for individual functional activities.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>
None reported	Not applicable

3. Budgets and Budgetary Accounting

The City adopts an "appropriated budget" of governmental fund types on the modified accrual basis of accounting by department. The City is required to present the adopted and final amended budgeted revenues and expenditures. The City compares the final amended budget to actual revenues and expenditures.

The following procedures are followed in establishing the budgetary data:

- No later than the first City Council meeting each August, the City Manager submits to the City Council a proposed budget for the fiscal year commencing October 1. The operating budget includes proposed expenditures and the means of financing them.
- Public hearings are conducted to obtain taxpayer comments.
- Prior to September 30, the budget is legally enacted through passage of an ordinance. If the Council takes no action on or prior to such day, the budget, as submitted by the City Manager, shall be deemed to have been adopted by the City Council.
- Budgets for the General Fund and Debt Service Fund are legally adopted on a basis consistent with GAAP. The majority of the City's Capital Projects Funds are budgeted on an annual basis.
- According to the City Charter, total estimated expenditures of the General Fund and Debt Service Fund are to be budgeted.
- The level of control (the level at which expenditures may not exceed budget) is the fund level. The City Manager and/or Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

CITY OF CANTON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

C. Cash and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect the City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent the depository banks dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance.

Cash Deposits

At September 30, 2009, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,039,319, and the bank balance was \$2,750,503. The City's cash deposits at September 30, 2009 and during the year ended September 30, 2009, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The amount of deposits covered by collateralized securities was \$2,529,464. Cash and investments as of September 30, 2009 consist of and are classified in the accompanying financial statements as follows:

Statement of net assets:

Primary Government	
Cash and cash equivalents	\$ 1,620,344
Restricted assets-cash & cash equivalents	<u>1,418,975</u>
Total cash and cash equivalents	<u>\$ 3,039,319</u>
 Governmental - Restricted cash	
Municipal Court - technology, building security	\$ 31,535
Debt Service	1,030,942
Flex	<u>2,574</u>
	<u>1,065,051</u>
 Business-type - Restricted cash	
Customer Deposits	105,325
Use of Impact Fees	150,361
Capital Projects	36,134
Hotel Tax	<u>62,104</u>
	<u>353,924</u>
 Total Restricted Cash	<u>\$ 1,418,975</u>

Investments:

The Public Funds Investment Act ("Act") (Government Code Chapter 2256) requires the City to have an independent auditor perform test procedures related to investment practices as provided by the Act. The City is in substantial compliance with the requirements of the Act and with local policies.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "non-participating" means that the investments value does not vary with market interest rate changes. Non-negotiable certificates of deposits are examples of nonparticipating interest-earning investment contracts.

CITY OF CANTON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

C. Cash and Investments (continued)

Investment in State Investment Pools

The City is a voluntary participant in Texpool. The Texas Local Investment Pool is a local government investment pool which operates in a manner consistent with SEC's Rule 2a7 of the Investment Company Act of 1940. This type of investment pool uses amortized costs rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool. The Texas Local Government Investment Pool is organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is governed by an Advisory Board composed equally of participants in the Pool and other persons who do not have a business relationship with the Pool who are qualified to advise the Pool.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAAM by Standard and Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard and Poor's, as well as the office of the Comptroller for public review.

Disclosure relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk.

As of September 30, 2009, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
TexPool	\$ 280,496	34 days

At this time, the City does not have any investments inherent to interest rate risk.

Custodial Credit Risk

To control custody and safekeeping risk, State law and the City's adopted investment policy require collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the City and held in the City's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Repurchase agreements and deposits must be collateralized to 102% and be executed under written agreements. Depository agreements are executed under agreements. Depository agreements are executed under the terms of U.S. Financial Institutions Resource and Recovery Enforcement Act (FIRREA). The counter-party of each type transaction is held contractually liable for monitoring and maintaining the required collateral margins on a daily basis.

As of September 30, 2009, the City's deposits with financial instructions in excess of federal depository insurance limits were fully collateralized.

CITY OF CANTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

D. Receivables

Receivables as of year-end for the City's individual major funds and nonmajor funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Proprietary	Debt Service	Total
Receivables				
Taxes	\$ 340,009	\$ -	\$ 17,799	\$ 357,808
Warrants	588,491	-	-	588,491
Fees and Charges	-	225,912	-	225,912
Gross Receivables	928,500	225,912	17,799	1,172,211
Less: Allowance for Uncollectibles	(568,333)	(15,853)	-	(584,186)
Total Net Receivables	<u>\$ 360,167</u>	<u>\$ 210,059</u>	<u>\$ 17,799</u>	<u>\$ 588,025</u>

E. Capital Assets

Capital asset activity for the period ended September 30, 2009 was as follows:

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Governmental Activities:					
Capital assets, not being depreciated					
Land	\$ 2,691,090	\$ -	\$ -	\$ -	\$ 2,691,090
Construction in Progress	700,184	-	1,175,712	(1,430,464)	445,432
Total capital assets, not being depreciated	<u>3,391,274</u>	<u>-</u>	<u>1,175,712</u>	<u>(1,430,464)</u>	<u>3,136,522</u>
Capital assets, being depreciated:					
Buildings & Improvements	684,181	-	367,213	(4,047)	1,047,347
Infrastructure	6,956,508	580,054	1,159,211	-	8,695,773
Machinery & Equipment	1,115,719	-	554,754	(96,339)	1,574,134
Total capital assets being depreciated	<u>8,756,408</u>	<u>580,054</u>	<u>2,081,178</u>	<u>(100,386)</u>	<u>11,317,254</u>
Less accumulated depreciation for:					
Buildings & Improvements	(441,589)	-	(44,459)	4,047	(482,001)
Infrastructure	(655,433)	(19,447)	(215,955)	-	(890,835)
Machinery & Equipment	(791,941)	-	(91,282)	72,303	(810,920)
Total accumulated depreciation	<u>(1,888,963)</u>	<u>(19,447)</u>	<u>(351,696)</u>	<u>76,350</u>	<u>(2,183,756)</u>
Total capital assets, being depreciated, net	<u>6,867,445</u>	<u>560,607</u>	<u>1,729,482</u>	<u>(24,036)</u>	<u>9,133,498</u>
Governmental activities capital assets, net	<u>\$10,258,719</u>	<u>\$ 560,607</u>	<u>\$ 2,905,194</u>	<u>\$ (1,454,500)</u>	<u>\$12,270,020</u>

CITY OF CANTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

E. Capital Assets (continued)

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Business-type Activities:					
Water/Sewer/Sanitation					
Capital assets, not being depreciated					
Land	\$ 248,652	\$ -	\$ -	\$ -	\$ 248,652
Construction in Progress	121,961	-	658,993	-	780,954
Total capital assets, not being depreciated	370,613	-	658,993	-	1,029,606
Capital assets, being depreciated:					
Buildings & Improvements	4,455,749	-	4,900	(595)	4,460,054
Infrastructure	6,623,264	-	109,194	(25,464)	6,706,994
Machinery & Equipment	1,449,444	-	37,478	(21,456)	1,465,466
Total capital assets being depreciated	12,528,457	-	151,572	(47,515)	12,632,514
	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Less accumulated depreciation for:					
Buildings & Improvements	(2,115,211)	-	(129,226)	595	(2,243,842)
Infrastructure	(2,177,540)	-	(185,116)	23,599	(2,339,057)
Machinery & Equipment	(636,433)	-	(50,370)	17,424	(669,379)
Total accumulated depreciation	(4,929,184)	-	(364,712)	41,618	(5,252,278)
Total capital assets, being depreciated, net	7,599,273	-	(213,140)	(5,897)	7,380,236
Business-type activities capital assets, net	\$ 7,969,886	\$ -	\$ 445,853	\$ (5,897)	\$ 8,409,842
	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
First Monday					
Capital assets, not being depreciated					
Land	\$ 349,216	\$ -	\$ -	\$ -	\$ 349,216
Construction in Progress	-	-	32,790	-	32,790
Total capital assets, not being depreciated	349,216	-	32,790	-	382,006
Capital assets, being depreciated:					
Buildings	3,954,750	-	2,784	-	3,957,534
Infrastructure	1,920,174	-	157,799	-	2,077,973
Machinery & Equipment	694,480	-	78,656	(96,804)	676,332
Total capital assets being depreciated	6,569,404	-	239,239	(96,804)	6,711,839

CITY OF CANTON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

E. Capital Assets (continued)

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Less accumulated depreciation for:					
Buildings	(1,234,668)	-	(128,514)	-	(1,363,182)
Infrastructure	(1,682,053)	-	(37,137)	-	(1,719,190)
Machinery & Equipment	(523,030)	-	(45,739)	82,377	(486,392)
Total accumulated depreciation	<u>(3,439,751)</u>	<u>-</u>	<u>(211,390)</u>	<u>82,377</u>	<u>(3,568,764)</u>
Total capital assets, being depreciated, net	<u>3,129,653</u>	<u>-</u>	<u>27,849</u>	<u>(14,427)</u>	<u>3,143,075</u>
Business-type activities capital assets, net	<u>\$ 3,478,869</u>	<u>\$ -</u>	<u>\$ 27,849</u>	<u>\$ (14,427)</u>	<u>\$ 3,525,081</u>

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

Governmental activities:	
General Government	\$ 15,295
Public Service	8,327
Public Safety	67,081
Public Works, including depreciation of general infrastructure assets	204,048
Parks and Recreation	56,944
Total depreciation expense - governmental activity	<u>\$ 351,695</u>
Business-type activities:	
Water, Sewer, Sanitation	\$ 364,711
First Monday	211,390
Total depreciation expense - business-type activity	<u>\$ 576,101</u>

F. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2009 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Certificates of Obligation	\$ 2,110,325	\$ -	\$ (104,995)	\$ 2,005,330	\$ 106,150
Refunding Bonds	2,460,000	-	(470,000)	1,990,000	475,000
Limited Tax Note	500,000	-	(30,013)	469,987	25,242
Plus:					
Issuance premiums	12,765	-	(2,553)	10,212	-
Less:					
Issuance discounts	(12,965)	-	1,441	(11,524)	-
Total Bonds Payable	5,070,125	-	(606,120)	4,464,005	606,392
Notes Payable	47,328	380,000	(28,980)	398,348	35,392
Total Bonds/Notes Payable	5,117,453	380,000	(635,100)	4,862,353	641,784
Compensated absences	172,973	80,847	(88,594)	165,226	15,710
Governmental activity					
Long-term Debt	<u>\$ 5,290,426</u>	<u>\$ 460,847</u>	<u>\$ (723,694)</u>	<u>\$ 5,027,579</u>	<u>\$ 657,494</u>

CITY OF CANTON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

F. Long-Term Obligations (continued)

Changes in Governmental Long-Term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding			Amounts Outstanding September 30 2009	Due Within One Year
			September 30 2008	Issued	Retired		
2007 Cert of Oblig	4.00%	\$ 1,400,000	\$ 1,330,000	\$ -	\$ 55,000	\$ 1,275,000	\$ 51,150
2008 Limited Tax Note	4.35%	500,000	500,000	-	30,013	469,987	25,242
2008 Refunding Bond	3.099%	2,460,000	2,460,000	-	470,000	1,990,000	475,000
Series 2003-W/S	4% - 4.4%	1,000,000	780,324	-	49,994	730,330	55,000
ANB Notes	5.5%- 6.27%	195,133	47,328	380,000	28,980	398,348	35,392
		<u>\$ 5,555,133</u>	<u>\$ 5,117,652</u>	<u>\$ 380,000</u>	<u>\$ 633,987</u>	<u>\$ 4,863,665</u>	<u>\$ 641,784</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	Requirements
2010	\$ 641,784	\$ 163,191	\$ 735,901
2011	631,357	143,085	727,812
2012	660,859	122,129	732,338
2013	693,746	100,124	751,233
2014	308,355	76,934	777,766
2015-2018	1,927,564	188,421	2,141,245
Totals	<u>\$ 4,863,665</u>	<u>\$ 793,884</u>	<u>\$ 5,866,294</u>

\$1,400,000 Series 2007 Certificates of Obligation bonds were issued September, 2008 for the purpose of constructing, improving & repairing streets.

\$500,000 Limited Tax Note was issued in November, 2008 for the purpose of purchasing land and construction of improvements for police department, public works office and other city offices.

\$1,000,000 Series 2003 Combination Tax and Revenue Certificate of Obligations were issued for the purpose of street improvements, water/sewer improvements, water treatment plant improvements, ground storage tank and expansion of wastewater treatment plant.

\$2,460,000 Series 2008 Refunding Bonds were issued for the purpose of refinancing the 1995 bonded debt balance and street improvements

The City incurred a notes payable with American National Bank in the amount of \$380,000 for the purchase of a fire truck on August 20, 2009. This note is to be repaid over a period of 10 years with an annual payment of \$47,757.

The City incurred a notes payable with American National Bank in the amount of \$143,700 for the purchase of an EMS building in the year 2005. This note is to be repaid over a period of 5 years with an annual payment of \$19,379.

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Water & Sewer					
Certificate of Obligations	\$ 1,559,676	\$ -	\$ (100,005)	\$ 1,459,671	\$ 103,333
Refunding Bonds	575,000	-	(155,000)	420,000	160,000
Plus:					
Issuance premiums	6,077	-	(608)	5,469	-
Total Bonds Payable	2,140,753	-	(255,613)	1,885,140	263,333
Compensated absences	42,616	21,881	(19,919)	44,578	9,742
Total Water & Sewer	<u>2,183,369</u>	<u>21,881</u>	<u>(275,532)</u>	<u>1,929,718</u>	<u>273,075</u>

CITY OF CANTON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

F. Long-Term Obligations (continued)

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
First Monday Notes Payable	190,007	-	(163,692)	26,315	26,315
Compensated absences	23,961	5,418	(15,068)	14,311	-
Total First Monday Business-type activity Long-term debt	213,968	5,418	(178,760)	40,626	26,315
	<u>\$ 2,397,337</u>	<u>\$ 27,299</u>	<u>\$ (454,292)</u>	<u>\$ 1,970,344</u>	<u>\$ 299,390</u>

Changes in Water Sewer Long-Term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30 2008	Issued	Retired	Amounts Outstanding September 30 2009	Due Within One Year
Series 2003-Refunding	2.5% - 3.5%	\$ 2,230,000	\$ 575,000	\$ -	\$ 155,000	\$ 420,000	\$ 160,000
Series 2003-W/S	4% - 4.4%	2,000,000	1,559,676	-	100,005	1,459,671	103,338
		<u>\$ 4,230,000</u>	<u>\$ 2,134,676</u>	<u>\$ -</u>	<u>\$ 255,005</u>	<u>\$ 1,879,671</u>	<u>\$ 263,338</u>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2009	\$ 263,333	\$ 74,954	\$ 338,287
2010	275,005	65,620	340,625
2011	231,673	55,446	287,119
2012	151,675	46,653	198,328
2013	176,675	40,263	216,938
2014-2018	781,310	85,063	866,373
Totals	<u>\$ 1,879,671</u>	<u>\$ 367,999</u>	<u>\$ 2,247,670</u>

\$2,230,000 Series 2003 Refunding Bonds were issued for the purpose of refinancing 1992 and 1994 bonds.

\$2,000,000 Series 2003 Combination Tax and Revenue Certificate of Obligations were issued for the purpose of street improvements, water/sewer improvements, water treatment plant improvements, ground storage tank and expansion of wastewater treatment plant.

Changes in First Monday Long-Term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30 2008	Issued	Retired	Amounts Outstanding September 30 2009	Due Within One Year
Pavilion #4	3.95%	\$ 528,000	\$ 131,308	\$ -	\$ 131,308	\$ -	\$ -
American National Bank	4.00%	133,000	58,699	-	32,384	26,315	26,315
		<u>\$ 661,000</u>	<u>\$ 190,007</u>	<u>\$ -</u>	<u>\$ 163,692</u>	<u>\$ 26,315</u>	<u>\$ 26,315</u>

CITY OF CANTON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

G. Bond Issuance Costs

The City incurred various bond issuance fees upon issuance of long-term obligation debt. These fees are amortized over the life of the bonds. The following is a schedule of these fees:

General Fund	Fees	Prior Years	Current Year	Balance	Due Within One Year
		Amortization Expense	Amortization Expense		
2008 GO bond issue fees	\$ 41,624	\$ 8,325	\$ 8,325	\$ 24,974	\$ 8,325
2007 CO bond issue fees	48,548	4,855	4,855	38,838	6,296
Totals	\$ 90,172	\$ 13,180	\$ 13,180	\$ 63,812	\$ 14,621

H. Pension Plan

1. Plan Description

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 833 administered by TMRS, an agent multiple-employer public employee retirement system. Benefits depend upon the sum of the employee contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the City granted monetary credits for service rendered before the plan began of a theoretical amount at least equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employees accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employees accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current contribution rate and city matching percent had been in existence and if the employees salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Plan provisions for the City were as follows:

Deposit Rate:	7%
Matching Ratio (City to Employee):	2 to 1
A member is vested after	5 yrs
Members can retire at certain ages, based on the years of service with the City.	
The Service Retirement Eligibilities for the City are: 5 yrs/age 60, 20 yrs/any age.	
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating

2. Contributions

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employees contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarially liability (asset) over the

CITY OF CANTON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

H. Pension Plan

2. Contributions (continued)

remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2008 valuations effective for rates beginning January 2009).

City of Canton			
Schedule of Actuarial Liabilities and Funding Progress			
	<u>12/31/06</u>	<u>12/31/07</u>	<u>12/31/08</u>
Actuarial Valuation Date	\$ 2,133,962	\$ 2,523,956	\$ 2,889,423
Actuarial Value of Assets	3,506,012	4,581,957	4,843,773
Actuarial Accrued Liability	60.9%	55.1%	59.7%
Percentage Funded	1,372,050	2,058,001	1,954,350
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	1,869,660	2,024,862	2,224,830
Annual Covered Payroll	73.4%	101.6%	87.8%
UAAL as a Percentage of Covered Payroll			
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	265,048	290,177	326,248
Contributions Made	(265,048)	(290,177)	(326,248)
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Actuarial cost method	Unit Credit	Unit Credit	Unit Credit
Amortization method	Level %	Level %	Level %
Asset Valuation method	Amortized	Amortized	Amortized
	Cost	Cost	Cost
Amortization period	25-years open	25-years open	25-years open
Actuarial assumptions:			
Investment rate of return	7%	7%	7%
Inflation rate	3.5%	3.5%	3.5%
Projected salary increase	N/A	N/A	N/A

3. Group-term Life Insurance

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit", or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

CITY OF CANTON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

I. Health Care Coverage

During the year ended September 30, 2009, employees of the City were covered by a health insurance plan (the Plan). The City contributed \$380.61 per month per employee and \$100 of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

J. Insurance Coverage

Below is a schedule of insurance in force.

Company	Policy Number	Description of Coverage	Amount of Coverage	Period Covered	Premium	Deductible
Liability Coverage:						
TX Municipal League	4477	General	1,000,000 per occurrence	10/01/08 to 10/01/09	\$ 8,170	\$ -
TX Municipal League	4477	Errors & Omissions	1,000,000 per occurrence	10/01/08 to 10/01/09	\$ 11,853	\$ 1,000
TX Municipal League	4477	Automobile	1,000,000 per claim	10/01/08 to 10/01/09	\$ 14,101	\$ -
TX Municipal League	4477	Law Enforcement	1,000,000 per occurrence	10/01/08 to 10/01/09	\$ 6,936	\$ 5,000
Property Coverage:						
TX Municipal League	4477	Real and Personal	1,000,000 per accident	10/01/08 to 10/01/09	\$ 23,627	\$ 1,000
TX Municipal League	4477	Airport	1,000,000 per occurrence	10/01/08 to 10/01/09	\$ 1,684	\$ -
TX Municipal League	4477	Mobile Equipment	391,300	10/01/08 to 10/01/09	\$ 1,731	\$ 500
TX Municipal League	4477	Boiler	1,000,000	10/01/08 to 10/01/09	included	\$ 1,000
TX Municipal League	4477	Automobile-Phys. Dm.	Comprehensive Scheduled	10/01/08 to 10/01/09	\$ 5,974	\$ 1,000

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims up to \$125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2007, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

K. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reimbursement. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

CITY OF CANTON, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

L. Litigation

Currently, management is unaware of significant pending litigation against the City of Canton, Texas.

M. Additional Water and Sewer Information

The following information is included at the request of the Texas Water Development Board for the year under audit. Water Accountability Report:

Gallons Pumped	257,931,000
Gallons Billed	206,907,293

N. Prior Period Adjustments

Prior period adjustments were made in the governmental type funds in the amount of \$190,426 to correct the accrual for sales tax revenue. The prior period adjustment made in the business-type funds in the amount of \$11,416 is to correct interest expense on long-term debt.

O. Interfund Transfers

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 66,692	\$ -
Debt Service Fund	-	508,026
Water/Sewer Funds	-	1,061,236
Sanitation Fund	-	47,245
First Monday Fund	1,549,815	-
Total Transfers	<u>\$ 1,616,507</u>	<u>\$ 1,616,507</u>

P. New Accounting Pronouncements

In August 2004, GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which provides guidance on all aspects of OPEB reporting by employers. The requirements of this statements are effective for fiscal periods beginning after December 15, 2007 for governments that were phase 2 for the implementation of SGAS 34 and after December 15, 2008 for governments that were phase 3 for the implementation of SGAS 34. The City is phase 3 and will include this information beginning fiscal year ending September 30, 2010.

In June 2005, GASB issued Statement No. 47, *Accounting for Termination Benefits*. GASB No. 47 gives accounting and reporting guidance for early retirement incentives, severance payments for involuntary terminations and termination benefits affecting defined benefit postemployment benefits. The adoption of this statement has no impact on the City's financial statements.

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts. The requirements of the new statement become effective for fiscal periods beginning after December 15, 2007. The City does not have any pollution remediation to report at this time.

In May 2007, GASB issued Statement No. 50, *Pension Disclosures*. This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits. The requirements of this new statement become effective for fiscal periods beginning after June 15, 2007, except for the requirement for plans that use the aggregate actuarial cost method to present a schedule of funding progress using the entry age actuarial cost method which is effective for the actuarial valuations as of June 15, 2007. The City is currently complying with this requirement.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial for Intangible Assets*. This statement establishes accounting and financial reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2009. The City is in the process of reviewing and evaluating this statement and its potential impact on the City's financial statements.

CITY OF CANTON, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2009

P. New Accounting Pronouncements (continued)

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investment by Endowments*, requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The requirements of the new statements become effective for fiscal period beginning after June 15, 2008. The City does not have any real estate as investments by endowments at this time.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. This statement requires governments to measure most derivative instruments at fair value in their financial statements that are prepared using the economic resources measurement focus and the accrual basis of accounting. The requirements of the statement are effective for financial statements for reporting periods beginning after June 15, 2009. The adoption of this statement has no impact on the financial statements.

Q. Subsequent Events

The City is in the process of finalizing new debt of \$1,060,000 in Utility Revenue Bonds for the construction of a water well and utility improvements. Grant requests are being submitted to SECO and Oncor for energy conservation.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF CANTON, TEXAS
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

SCHEDULE OF PENSION TRUST - TMRS FUNDING PROGRESS AND CONTRIBUTIONS
 LAST THREE FISCAL YEARS (UNAUDITED)

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Unit Credit	(Over-funded) Actuarial Accrued Liability UAAL	Funded Percent	Covered Payroll	UAAL as Percent of Covered Payroll	Annual Required Contributions	Actual Contributions	Percent Contributed
2007	12/31/2006	2,133,962	3,506,012	1,372,050	60.87%	1,869,660	73.39%	265,048	265,048	100%
2008	12/31/2007	2,523,956	4,581,957	2,058,001	55.10%	2,024,862	101.6%	290,177	290,177	100%
2009	12/31/2008	2,889,423	4,843,773	1,954,350	59.70%	2,224,830	87.80%	326,248	326,248	100%





CITY OF CANTON, TEXAS
GENERAL FUND
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
<u>Administrative Services</u>				
Payroll Costs	\$ 535,185	\$ 535,185	\$ 450,904	\$ 84,281
Supplies	62,150	62,150	61,700	450
Contract Services	286,015	274,615	367,003	(92,388)
Maintenance	36,620	36,620	43,286	(6,666)
Capital Outlay	68,325	103,325	194,890	(91,565)
Other Disbursements	19,950	19,950	14,938	5,012
Total Expenditures	<u>1,008,245</u>	<u>1,031,845</u>	<u>1,132,721</u>	<u>(100,876)</u>
<u>Police</u>				
Payroll Costs	773,360	773,360	800,714	(27,354)
Supplies	96,700	79,700	80,175	(475)
Contract Services	166,190	166,190	151,757	14,433
Maintenance	23,300	23,300	33,568	(10,268)
Sundry	2,450	6,950	1,476	5,474
Capital Outlay	21,400	16,900	17,204	(304)
Total Expenditures	<u>1,083,400</u>	<u>1,066,400</u>	<u>1,084,894</u>	<u>(18,494)</u>
<u>Animal Control</u>				
Payroll Costs	69,380	69,380	66,006	3,374
Supplies	22,070	22,070	13,842	8,228
Contract Services	37,450	37,450	27,820	9,630
Maintenance	3,200	3,200	5,826	(2,626)
Sundry	300	300	133	167
Capital Outlay	3,500	3,500	3,500	-
Total Expenditures	<u>135,900</u>	<u>135,900</u>	<u>117,127</u>	<u>18,773</u>
<u>Municipal Court</u>				
Payroll Costs	61,800	61,800	62,003	(203)
Supplies	22,410	22,410	10,649	11,761
Contract Services	69,325	69,325	70,601	(1,276)
Maintenance	2,960	2,960	1,000	1,960
Sundry	1,600	1,600	1,715	(115)
Capital Outlay	2,500	2,500	2,551	(51)
Total Expenditures	<u>160,595</u>	<u>160,595</u>	<u>148,519</u>	<u>12,076</u>

The notes to the financial statements are an integral part of these financial statements

CITY OF CANTON, TEXAS
GENERAL FUND
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
<u>Fire</u>				
Payroll Costs	232,840	232,840	228,356	4,484
Supplies	43,550	33,550	28,454	5,096
Contract Services	91,225	91,225	67,226	23,999
Maintenance	38,695	38,695	28,280	10,415
Sundry	3,200	3,200	1,975	1,225
Capital Outlay	10,000	115,360	495,636	(380,276)
Total Expenditures	<u>419,510</u>	<u>514,870</u>	<u>849,927</u>	<u>(335,057)</u>
<u>Street</u>				
Payroll Costs	161,925	161,925	146,580	15,345
Supplies	20,250	20,250	26,939	(6,689)
Contract Services	176,190	176,190	193,052	(16,862)
Maintenance	70,500	70,500	75,420	(4,920)
Sundry	900	900	293	607
Capital Outlay	354,500	1,076,500	1,039,913	36,587
Total Expenditures	<u>784,265</u>	<u>1,506,265</u>	<u>1,482,197</u>	<u>24,068</u>
<u>Parks and Recreation</u>				
Payroll Costs	132,240	132,240	143,390	(11,150)
Supplies	31,000	31,000	21,115	9,885
Contract Services	61,210	61,210	51,865	9,345
Maintenance	109,000	114,000	106,045	7,955
Sundry	500	500	92	408
Capital Outlay	515,000	522,500	240,784	281,716
Total Expenditures	<u>848,950</u>	<u>861,450</u>	<u>563,291</u>	<u>298,159</u>
Total Expenditures	<u>\$ 4,440,865</u>	<u>\$ 5,277,325</u>	<u>\$ 5,378,676</u>	<u>\$ (101,351)</u>

The notes to the financial statements are an integral part of these financial statements

CITY OF CANTON, TEXAS
WATER SEWER FUND
SCHEDULE OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
Water				
Payroll Costs	\$ 409,490	\$ 409,490	\$ 402,425	\$ 7,065
Supplies	219,150	189,150	188,531	619
Contract Services	237,145	212,145	194,853	17,292
Maintenance	597,800	509,800	103,883	405,917
Sundry	3,550	75,185	71,857	3,328
Capital Outlay	517,800	429,800	38,667	391,133
Total Expenditures	<u>1,984,935</u>	<u>1,825,570</u>	<u>1,000,216</u>	<u>825,354</u>
Sewer				
Payroll Costs	147,990	147,990	148,685	(695)
Supplies	79,515	54,515	44,909	9,606
Contract Services	171,085	156,085	151,760	4,325
Maintenance	194,000	360,000	290,707	69,293
Sundry	500	36,355	36,039	316
Total Expenditures	<u>593,090</u>	<u>754,945</u>	<u>672,100</u>	<u>82,845</u>
Total Expenditures	<u><u>\$2,578,025</u></u>	<u><u>\$2,580,515</u></u>	<u><u>\$1,672,316</u></u>	<u><u>\$ 908,199</u></u>

Note: The City of Canton, Texas, prepares the Water and Sewer Fund annual budget on a basis (modified accrual basis) which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (modified accrual basis) in the above schedule to provide a meaningful comparison of actual results with the budget.

Adjustments necessary to convert the Water and Sewer Fund's expenditures on the modified accrual basis to a GAAP basis are provided below:

Expenditures - Modified Accrual Basis	\$1,672,316
Expenditures recognized for GAAP:	
Depreciation and Amortization	364,711
Interest Expense	84,924
Operating Expenditures - GAAP Basis	<u><u>\$2,121,951</u></u>

CITY OF CANTON, TEXAS
 FIRST MONDAY FUND
 SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
Payroll Costs	\$ 675,155	\$ 675,155	\$ 583,926	\$ 91,229
Supplies	190,100	190,100	203,174	(13,074)
Contract Services	876,165	836,165	892,549	(56,384)
Maintenance	291,300	344,500	265,665	78,835
Other Disbursements	740,000	740,000	714,916	25,084
Sundry	12,400	12,400	13,873	(1,473)
Total Expenditures	<u>\$2,785,120</u>	<u>\$2,798,320</u>	<u>\$2,674,103</u>	<u>\$ 124,217</u>

Note: The City of Canton, Texas, prepares the First Monday Fund annual budget on a basis (modified accrual basis) which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (modified accrual basis) in the above schedule to provide a meaningful comparison of actual results with the budget.

Adjustments necessary to convert the First Monday Fund's expenditures on the modified accrual basis to a GAAP basis are provided below:

Expenditures - Modified Accrual Basis	\$2,674,103
Expenditures recognized for GAAP:	
Depreciation and Amortization	211,390
Interest Expense	5,988
Operating Expenditures - GAAP Basis	<u>\$2,891,481</u>

CITY OF CANTON, TEXAS
 SANITATION
 SCHEDULE OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
Payroll Costs	\$ 29,955	\$ 29,955	\$ 31,719	\$ (1,764)
Supplies	4,650	4,650	337	4,313
Contract Services	560,740	560,740	570,173	(9,433)
Maintenance	16,000	16,000	11,889	4,111
Other Disbursements	100	100	-	100
Total Expenditures	<u>\$ 611,445</u>	<u>\$ 611,445</u>	<u>\$ 614,118</u>	<u>\$ (2,673)</u>

Note: The City of Canton, Texas, prepares the Sanitation Fund annual budget on a basis (modified accrual basis) which differs from generally accepted accounting principles (GAAP basis). The budget and all transactions are presented in accordance with the City's method (modified accrual basis) in the above schedule to provide a meaningful comparison of actual results with the budget.

No adjustments were necessary to convert the Sanitation Fund's expenditures on the modified accrual basis to a GAAP basis.

CITY OF CANTON, TEXAS
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Property Taxes	\$ 795,990	\$ 795,990	\$ 805,650	\$ 9,660
Investment Income	15,000	15,000	4,905	(10,095)
Total Revenues	<u>810,990</u>	<u>810,990</u>	<u>810,555</u>	<u>(435)</u>
EXPENDITURES				
Debt Service				
Principal Retirement	1,021,525	1,021,525	633,988	387,537
Interest and Fiscal Agent Fees	270,435	270,435	143,426	127,009
Total Expenditures	<u>1,291,960</u>	<u>1,291,960</u>	<u>777,414</u>	<u>514,546</u>
Excess (deficiency) of revenues over	(480,970)	(480,970)	33,141	514,111
Other Revenues and Financing Sources (uses)				
Miscellaneous Income	18,300	18,300	18,276	(24)
Transfers	507,630	999,740	508,026	(491,714)
Total Other Financing Sources (uses)	<u>525,930</u>	<u>1,018,040</u>	<u>526,302</u>	<u>(491,738)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	44,960	537,070	559,443	22,373
Fund Balances/Equity, October 1	447,921	447,921	447,921	
Prior Period Adjustments	-	-	27,035	
Fund Balances/Equity, September 30	<u>\$ 492,881</u>	<u>\$ 984,991</u>	<u>\$ 1,034,399</u>	

CITY OF CANTON, TEXAS
 BUDGETARY COMPARISON SCHEDULE - ECONOMIC DEVELOPMENT CORPORATION
 FOR THE YEAR ENDED SEPTEMBER 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUE				
Sales Tax	\$ 743,300	\$ 743,300	\$ 704,171	\$ (39,129)
Rental Income	-	-	3,250	3,250
Miscellaneous	254	254	979	725
Total Revenues	<u>743,554</u>	<u>743,554</u>	<u>708,400</u>	<u>(35,154)</u>
EXPENDITURES				
Current:				
Development	799,230	799,230	420,262	378,968
Personal Services	47,100	47,100	60,228	(13,128)
Contractual Services	29,520	29,520	44,609	(15,089)
Advertising and Marketing	66,650	66,650	59,070	7,580
Supplies	13,400	13,400	18,033	(4,633)
Association Dues	1,000	1,000	1,092	(92)
Repairs and Maintenance	39,500	39,500	5,372	34,128
Rent	1,800	1,800	1,800	-
Travel and Seminars	10,000	10,000	5,583	4,417
Debt Service				
Principal	49,100	49,100	50,766	(1,666)
Interest	-	-	29,551	(29,551)
Total Expenditures	<u>1,057,300</u>	<u>1,057,300</u>	<u>696,366</u>	<u>360,934</u>
Excess (deficiency) of revenues over (under) expenditures	(313,746)	(313,746)	12,034	325,780
Other Revenues and Financing Sources (uses)				
Investment Income	14,000	14,000	9,063	(4,937)
Note Proceeds	-	-	325,000	325,000
Intergovernmental	-	-	(334,852)	(334,852)
Total Other Financing Sources (uses)	<u>14,000</u>	<u>14,000</u>	<u>(789)</u>	<u>(14,789)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(299,746)	(299,746)	11,245	310,991
Fund Balances/Equity, October 1	917,215	917,215	917,215	
Prior Period Adjustments	-	-	63,585	
Fund Balances/Equity, September 30	<u>\$ 617,469</u>	<u>\$ 617,469</u>	<u>\$ 992,045</u>	



STATISTICAL SECTION
(UNAUDITED)



STATISTICAL SECTION

This part of the City of Canton's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, notes, disclosures, and required supplementary information says about the City's overall financial health. This information has not been audited by the independent auditor.

<u>Contents</u>	Table #s
Financial Trends These tables contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	1,2,3,4,5
Revenue Capacity These tables contain information to help the reader assess the City's two most significant local revenue sources, the property, and sales taxes.	6,7,8,9
Debt Capacity These tables present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	10,11,12,13,14
Economic and Demographic Information These tables offer economic and demographic indicators to help the reader understand the environment within which the City's financial activities take place.	15,16
Operating Information These tables contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides.	17,18,19

Source: Unless otherwise noted, the information in these tables is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement 34 in fiscal year 2004: tables presenting government-wide information include information beginning that year.



CITY OF CANTON, TEXAS
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(accrual basis of accounting)

	FISCAL YEAR					
	2004	2005	2006	2007	2008	2009
Governmental activities						
Invested in capital assets, net of related debt	\$ 3,239,307	\$ 3,392,419	\$ 4,052,709	\$ 4,780,990	\$ 8,917,364	6,879,822
Restricted	3,149,064	2,564,366	1,749,141	1,068,338	1,439,063	1,088,389
Unrestricted	874,067	394,235	773,952	1,228,978	(2,628,049)	554,154
Total governmental activities net assets	<u>7,262,438</u>	<u>6,351,020</u>	<u>6,575,802</u>	<u>7,078,306</u>	<u>7,728,378</u>	<u>8,522,365</u>
Business-type activities						
Invested in capital assets, net of related debt	3,593,216	5,099,501	7,246,782	8,049,798	8,847,997	10,025,715
Restricted	-	-	-	-	-	130,509
Unrestricted	869,072	1,368,354	1,057,221	1,182,662	1,722,995	1,111,558
Total business-type activities net assets	<u>4,462,288</u>	<u>6,467,855</u>	<u>8,304,003</u>	<u>9,232,460</u>	<u>10,570,992</u>	<u>11,267,782</u>
Primary government						
Invested in capital assets, net of related debt	6,832,523	8,491,920	11,299,491	12,830,788	17,765,361	16,905,537
Restricted	3,149,064	2,564,366	1,749,141	1,068,338	1,439,063	1,218,898
Unrestricted	1,743,139	1,762,589	1,831,173	2,411,640	(905,054)	1,665,712
Total primary government net assets	<u>\$ 11,724,726</u>	<u>\$ 12,818,875</u>	<u>\$ 14,879,805</u>	<u>\$ 16,310,766</u>	<u>\$ 18,299,370</u>	<u>\$ 19,790,147</u>

Note: Accrual-basis financial information for the city as a whole is only available back to 2004, the year GASB Statement 34 was implemented. Years will continue to be added until there are 10 years for comparison

CITY OF CANTON, TEXAS
 CHANGES IN NET ASSETS
 LAST SIX FISCAL YEARS
 (accrual basis of accounting)

	2004	2005	2006	2007	2008	2009
EXPENSES						
Government activities:						
General government	\$ 770,401	\$ 621,221	\$ 834,783	\$ 695,308	\$ 706,877	\$ 975,534
Public Safety	1,056,838	921,820	1,124,601	1,297,739	1,473,409	1,463,891
Public Works	271,479	260,624	311,485	466,698	596,873	765,471
Public Services and Operations	124,044	122,250	164,485	215,320	344,222	276,339
Cultural and Recreation	74,091	111,339	197,652	171,891	293,487	381,200
Interest Expense	119,474	238,810	266,110	210,684	298,690	186,529
Unallocated Depreciation	187,717	256,612	263,996	272,261	-	-
Total governmental activities expenses	<u>2,604,044</u>	<u>2,532,676</u>	<u>3,163,112</u>	<u>3,329,901</u>	<u>3,713,558</u>	<u>4,048,964</u>
Business-type activities:						
Water and Sewer	2,095,020	2,154,148	2,260,908	2,231,605	1,851,540	2,133,803
Sanitation	-	-	-	-	577,327	614,118
First Monday	2,284,470	2,420,318	2,769,036	2,884,669	2,911,402	2,891,481
Total business-type activities expenses	<u>4,379,490</u>	<u>4,574,466</u>	<u>5,029,944</u>	<u>5,116,274</u>	<u>5,340,269</u>	<u>5,639,402</u>
Total primary government expenses	<u>6,983,534</u>	<u>7,107,142</u>	<u>8,193,056</u>	<u>8,446,175</u>	<u>9,053,827</u>	<u>9,688,366</u>
PROGRAM REVENUES						
Governmental activities:						
Charge for services:						
General government	190,378	259,736	245,698	121,906	129,515	32,957
Public Safety	194,064	140,869	188,708	294,643	-	55,081
Public Works	222,459	243,319	5,071	2,055	-	-
Public Services and Operations	36,160	27,209	61,016	61,591	202,404	314,253
Total governmental activities program revenues	<u>643,061</u>	<u>671,133</u>	<u>500,493</u>	<u>480,195</u>	<u>331,919</u>	<u>402,291</u>
Business-type activities						
Charge for services:						
Water and Sewer	1,575,445	1,900,319	2,102,690	2,036,062	1,747,927	1,873,195
Sanitation	-	-	-	-	602,820	556,578
First Monday	3,375,221	3,281,485	3,385,051	3,515,950	3,332,549	3,428,312
Total business-type activities program revenues	<u>4,950,666</u>	<u>5,181,804</u>	<u>5,487,741</u>	<u>5,552,012</u>	<u>5,683,296</u>	<u>5,858,085</u>
Total primary government program revenues	<u>5,593,727</u>	<u>5,852,937</u>	<u>5,988,234</u>	<u>6,032,207</u>	<u>6,015,215</u>	<u>6,260,376</u>
NET (EXPENSE) REVENUES						
Governmental activities	(1,960,983)	(1,861,543)	(2,662,619)	(2,849,706)	(3,381,639)	(3,646,673)
Business-type activities	571,176	607,338	457,797	435,738	343,027	218,683
Total primary government program net expenses	<u>\$ (1,389,807)</u>	<u>\$ (1,254,205)</u>	<u>\$ (2,204,822)</u>	<u>\$ (2,413,968)</u>	<u>\$ (3,038,612)</u>	<u>\$ (3,427,990)</u>

(continued)

Table 2

CITY OF CANTON, TEXAS
 CHANGES IN NET ASSETS
 LAST SIX FISCAL YEARS
 (accrual basis of accounting)

	2004	2005	2006	2007	2008	2009
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS						
Government activities:						
Taxes:						
Property	\$ -	\$ -	\$ 847,126	\$ 961,661	\$ 1,055,951	\$ 1,058,246
Sales	1,258,338	1,230,662	1,937,551	1,994,083	2,157,257	2,112,512
Franchise	588,183		264,934	313,342	258,808	213,261
Beverage	-	6,112	6,908	6,766	6,354	4,968
Hotel/Motel	8,528	3,273	-	-	-	-
Investment Income	43,060	95,892	115,021	78,512	111,716	16,717
Insurance Reimbursement	-	-	126,660	322	8,776	-
FEMA Reimbursement	-	-	-	-	56,873	-
Donations	-	-	-	-	169,654	3,373
Miscellaneous	86,980	669,834	78,581	39,750	20,862	52,605
Extraordinary Loss	-	-	-	(300,000)	-	-
Operating & Capital Grants	-	-	-	312,144	446,870	98,531
Intragovernmental	(44,870)	11,772	86,744	-	115,000	248,688
Transfers	427,996	(1,115,968)	(793,876)	(43,517)	(365,390)	441,333
Total governmental activities	<u>2,368,215</u>	<u>901,577</u>	<u>2,669,649</u>	<u>3,363,063</u>	<u>4,042,731</u>	<u>4,250,234</u>
Business-type activities:						
Investment Income	-	12,295	41,829	94,252	46,819	8,652
Hotel/Motel	125,425	207,757	131,989	157,477	183,557	220,532
Miscellaneous	-	18,559	-	-	74,567	31,588
Donations	-	-	-	-	-	30,000
Sale of Assets	-	-	12,646	-	(205)	-
Operating & Capital Grants	-	-	-	28,000	-	473,617
Intergovernmental	-	50,000	386,214	125,000	80,000	143,635
Transfers	(427,996)	1,115,968	793,876	43,517	365,390	(441,333)
Total business-type activities	<u>(302,571)</u>	<u>1,404,579</u>	<u>1,366,554</u>	<u>448,246</u>	<u>750,128</u>	<u>466,691</u>
Total primary government revenues	<u>2,065,644</u>	<u>2,306,156</u>	<u>4,036,203</u>	<u>3,811,309</u>	<u>4,792,859</u>	<u>4,716,925</u>
CHANGE IN NET ASSETS						
Governmental activities	407,232	(959,966)	7,030	513,357	661,092	603,561
Business-type activities	268,605	2,011,917	1,824,351	883,984	1,093,155	685,374
Total primary government program net expenses	<u>\$ 675,837</u>	<u>\$ 1,051,951</u>	<u>\$ 1,831,381</u>	<u>\$ 1,397,341</u>	<u>\$ 1,754,247</u>	<u>\$ 1,288,935</u>

Note: Accrual-basis financial information for the city as a whole is only available back to 2004, the year GASB Statement 34 was implemented. Years will continue to be added until there are 10 years for comparison

CITY OF CANTON, TEXAS
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 LAST SIX FISCAL YEARS
 (accrual basis of accounting)

Table 3

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Hotel/Motel</u>	<u>Total</u>
2004	\$ -	\$ 1,258,338	\$ 207,599	\$ 125,425	1,591,362
2005	\$ -	\$ 1,230,662	\$ 241,779	\$ 136,507	\$ 1,608,948
2006	\$ 847,126	\$ 1,937,551	\$ 264,934	\$ 131,989	\$ 3,181,600
2007	\$ 961,661	\$ 1,994,083	\$ 313,342	\$ 157,477	\$ 3,426,563
2008	\$ 1,055,951	\$ 2,157,257	\$ 258,808	\$ 183,557	\$ 3,655,573
2009	\$ 1,058,246	\$ 2,112,512	\$ 213,261	\$ 220,532	\$ 3,604,551

Note: 2006 was the first year to collect property taxes since 1992.
 Years will continue to be added until there are 10 years for comparison

CITY OF CANTON, TEXAS
 FUND BALANCES, GOVERNMENTAL FUNDS
 LAST SIX FISCAL YEARS
 (modified accrual basis of accounting)

	FISCAL YEAR					
	2004	2005	2006	2007	2008	2009
General Fund						
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 79,650
Unreserved	1,073,842	1,425,190	1,148,056	960,626	1,192,632	635,926
	<u>\$ 1,073,842</u>	<u>\$ 1,425,190</u>	<u>\$ 1,148,056</u>	<u>\$ 960,626</u>	<u>\$ 1,192,632</u>	<u>\$ 715,576</u>
All Other Government Funds						
Reserved						
Capital Improvements	\$ 3,149,064	\$ 1,319,582	\$ 1,068,340	\$ -	\$ 991,143	\$ -
Debt Service	50,272	429,560	394,909	1,466,971	447,920	1,034,399
	<u>\$ 3,199,336</u>	<u>\$ 1,749,142</u>	<u>\$ 1,463,249</u>	<u>\$ 1,466,971</u>	<u>\$ 1,439,063</u>	<u>\$ 1,034,399</u>

NOTE: Years will continue to be added until there are 10 years for comparison

CITY OF CANTON, TEXAS
 CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 LAST SIX FISCAL YEARS
 (modified accrual basis of accounting)

Table 5

	2004	2005	2006	2007	2008	2009
REVENUES						
Property Taxes	\$ -	\$ -	\$ 847,126	\$ 961,660	\$ 1,055,951	\$ 1,068,738
Non-Property Taxes	1,855,049	1,851,396	2,209,393	2,314,191	2,422,419	2,330,741
License and permits	287,705	283,359	65,757	33,114	90,420	49,565
Charge for Services	62,042	70,676	12,556	17,321	23,693	74,221
Fines/Court	125,673	111,274	129,011	275,099	178,711	196,187
Capital & Operatings Grants	-	127,143	29,679	312,144	446,870	98,531
Rental Income	-	-	43,145	32,755	39,095	32,957
Donations	-	-	-	-	169,654	3,373
Investment Income	6,851	95,893	115,022	78,511	111,715	16,717
Total Revenues	<u>2,337,320</u>	<u>2,539,741</u>	<u>3,451,689</u>	<u>4,024,795</u>	<u>4,538,528</u>	<u>3,871,030</u>
EXPENDITURES						
General government	773,383	610,816	1,117,052	993,892	891,451	1,132,721
Public Safety	1,125,963	1,023,107	1,072,538	1,348,594	2,038,530	1,934,821
Public Works	271,479	316,410	350,402	715,880	1,589,888	1,482,197
Public Services and Operations	129,677	122,250	285,309	269,968	292,341	265,646
Parks and Cultural	125,285	159,035	287,619	246,987	319,171	563,291
Capital Outlay	695,160	67,491	29,548	-	-	-
Debt Service						
Principal	216,070	230,885	244,663	253,142	556,193	633,988
Interest and other charges	119,474	238,810	265,990	208,712	329,062	143,426
Total Expenditures	<u>3,456,491</u>	<u>2,768,804</u>	<u>3,653,121</u>	<u>4,037,175</u>	<u>6,016,636</u>	<u>6,156,090</u>
OTHER FINANCING SOURCES (USES):						
Sale of Assets	36,209	-	-	-	-	29,487
Debt Proceeds	-	-	-	-	1,900,000	380,000
Intergovernmental	93,639	11,772	-	-	195,000	248,686
FEMA Reimbursements	-	-	-	-	56,873	-
Insurance Reimbursement	-	-	126,660	322	8,776	49,361
Extraordinary Loss	-	-	-	(300,000)	-	-
Miscellaneous	227,143	264,305	328,603	189,355	20,863	52,605
Transfers	427,996	(1,115,969)	(793,876)	(71,220)	(445,390)	448,279
Total other financing sources (uses)	<u>784,987</u>	<u>(839,892)</u>	<u>(338,613)</u>	<u>(181,543)</u>	<u>1,736,122</u>	<u>1,208,426</u>
NET CHANGE IN FUND BALANCES	<u>\$ (334,184)</u>	<u>\$ (1,068,955)</u>	<u>\$ (540,045)</u>	<u>\$ (193,923)</u>	<u>\$ 258,014</u>	<u>\$ (1,076,640)</u>
Debt service as a percentage of noncapital expenditures	13.83%	21.05%	16.40%	12.92%	17.25%	14.45%

NOTE: Years will continue to be added until there are 10 years for comparison

Table 6

CITY OF CANTON, TEXAS
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 SEPTEMBER 30, 2009

Fiscal Year Ended Sept. 30	Real Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value ^a as a Percentage of Actual Value
	Residential Property	Commercial Property					
2007	\$ 132,898,480	\$ 129,840,220	\$ 33,133,740	\$ 260,257,660	\$ 0.39000	\$ 101,500,487	39.00%
2008	\$ 134,823,670	\$ 102,566,320	\$ 33,206,420	\$ 243,234,892	\$ 0.42523	\$ 103,430,773	42.52%
2009	\$ 184,651,730	\$ 85,766,718	\$ 28,283,792	\$ 253,145,298	\$ 0.42523	\$ 107,644,975	42.52%

Source: Van Zandt County Appraisal District

Note: Property is reassessed annually. Property is assessed at actual value; therefore, the assessed values are equal to actual value.

Tax rates are per \$100 of assessed value.

Residential: includes single family, vacant lots, acreage, farm and ranch

Commercial: includes real property, industrial and utilities

Years will continue to be added until there are 10 years for comparison

^a Includes tax-exempt property

CITY OF CANTON, TEXAS
 DIRECT AND OVERLAPPING PROPERTY TAX RATES
 SEPTEMBER 30, 2009
 (PER \$100 OF ASSESSED VALUE)

Table 7

Fiscal Year Ended Sept. 30	City Direct Rates			Canton Independent School District	Van Zandt County
	Operating/ General Rate	General Obligation Debt Service	Total Direct		
2007	\$ 0.18514	\$ 0.20486	\$ 0.39000	\$ 1.471	\$ 0.35533
2008	\$ 0.22523	\$ 0.20000	\$ 0.42523	\$ 1.471	\$ 0.38689
2009	\$ 0.10119	\$ 0.32404	\$ 0.42523	\$ 1.471	\$ 0.38689

Source: Van Zandt County Appraisal District

Note: The City's basic property tax rate may be increased over the rollback tax rate only by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements. Years will continue to be added until there are 10 years for comparison

* Overlapping rates are those of local and county governments that apply to property owners within the City of Canton

CITY OF CANTON, TEXAS
 PRINCIPAL TAXPAYERS
 SEPTEMBER 30, 2009

Table 8

Taxpayer	Assessed Taxable Value 2009 Fiscal Year	Rank	Percentage of Assessed Taxable Value
Lewis, Henry	\$ 9,667,760	1	23.51%
Wal Mart Real Est Business	6,365,470	2	15.48%
Wal Mart Stores Texas LP #827	5,880,280	3	14.30%
Starship League City LP	3,440,330	4	8.36%
Kingdom Perspectives GP LTD	3,240,280	5	7.88%
Traders Square Investments LTD	2,930,000	6	7.12%
Michels, Gary E	2,716,250	7	6.60%
Oncor Electric Delivery Co LLC	2,471,750	8	6.01%
Norrell, Gary & Marcelyn Revocable Trust	2,423,290	9	5.89%
Jensen, Steven & Bobby Family LMT Partnership	1,994,280	10	4.85%
	<u>\$ 41,129,690</u>		<u>100.00%</u>
 Total Assessed Valuation	 <u>\$ 253,145,298</u>		

Source: Van Zandt County Appraisal District

CITY OF CANTON, TEXAS
 PROPERTY TAX LEVIES AND COLLECTIONS
 SEPTEMBER 30, 2009

Table 9

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2006	\$ 863,978	\$ 847,126	98.05%	\$ 2,288	\$ 849,414	98.31%
2007	\$ 938,869	\$ 921,761	98.18%	\$ 11,141	\$ 932,902	99.36%
2008	\$ 1,012,035	\$ 998,167	98.63%	\$ 11,459	\$ 1,009,626	99.76%
2009	\$ 1,076,450	\$ 1,023,609	95.09%	\$ 37,844	\$ 1,061,453	98.61%

Note: First year property taxes collected was in FYE 9.30.2006 since 1992
 Years will continue to be added until there are 10 years for comparison

Table 10

CITY OF CANTON, TEXAS
 RATIO OF OUTSTANDING DEBT BY TYPE
 SEPTEMBER 30, 2009

FISCAL YEAR	Governmental Activities			Business-Type Activities			Total Primary Government	Per Capita (1)
	Limited Tax Note	Certificates of Obligation	Other Obligations	Certificates of Obligation	Other Obligations	Refunding Bonds		
2004	\$ -	\$ 961,670	\$ 99,238	\$ 1,923,329	\$ -	\$ 1,730,000	\$ 8,074,237	n/a
2005	\$ -	\$ 920,321	\$ 84,603	\$ 1,839,680	\$ 580,048	\$ 1,405,000	\$ 8,014,652	n/a
2006	\$ -	\$ 875,320	\$ 69,940	\$ 1,749,680	\$ 463,684	\$ 1,070,000	\$ 7,228,624	n/a
2007	\$ -	\$ 828,623	\$ 80,684	\$ 1,656,347	\$ 314,449	\$ 725,000	\$ 6,415,103	\$ 1,246
2008	\$ 500,000	\$ 2,110,325	\$ 47,328	\$ 1,559,676	\$ 190,007	\$ 575,000	\$ 7,442,336	\$ 1,446
2009	\$ 469,987	\$ 2,005,330	\$ 398,348	\$ 1,459,671	\$ 26,315	\$ 420,000	\$ 6,769,651	\$ 1,315

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

(1) See Table 15 for personal income and population data.

Years will continue to be added until there are 10 years for comparison

CITY OF CANTON, TEXAS
 RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
 SEPTEMBER 30, 2009

Table 11

Fiscal Year	Estimated Population	Assessed Property Value (1)	Gross Bonded Debt (2)	Less Debt Service Funds (3)	Net Bonded Debt	% of Net Bonded Debt to Assessed Property Value	Net Bonded Debt per Capita
2007	5,147	\$ 283,276,940	\$ 3,719,337	\$ 487,252	\$ 3,232,085	1.14%	\$ 723
2008	5,147	\$ 243,234,892	\$ 5,070,325	\$ 447,920	\$ 4,622,405	1.90%	\$ 985
2009	5,147	\$ 253,145,298	\$ 4,465,317	\$ 1,034,399	\$ 3,430,918	1.36%	\$ 868

Source: City Staff

(1) Van Zandt County Appraisal District

(2) Schedule of Bonds Payable

(3) Notes to the Financial Statement

Note: Years will continue to be added until there are 10 years for comparison

CITY OF CANTON, TEXAS
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
 SEPTEMBER 30, 2009

Table 12

Governmental Subdivision	Gross Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Van Zandt County	\$ 7,170,000	11.03%	\$ 790,851
Canton Independent School District	<u>40,784,610</u>	40.23%	<u>16,407,649</u>
	<u>\$47,954,610</u>		17,198,500
City of Canton			<u>4,465,317</u>
			<u>\$21,663,817</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>8.56%</u>
Per capita overlapping bonded debt			<u>\$4,209</u>

Source: "Texas Municipal Report" as of September 30, 2009, prepared by the Municipal Advisory Council

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Canton. This process recognizes that, when considering the City of Canton's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using the taxable assessed property values. Applicable percentages were estimated by determining the portion of the overlapping government's taxable assessed value that is within the City of Canton's boundaries and dividing it by the overlapping government's total taxable assessed value.

CITY OF CANTON, TEXAS
 LEGAL DEBT MARGIN INFORMATION
 LAST THREE FISCAL YEARS

Table 13

	FISCAL YEAR			
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Tax Rate Limit	\$ 1.50	\$ 1.50	\$ 1.50	\$ 1.50
Current Tax Rate	<u>0.4000</u>	<u>0.3900</u>	<u>0.42523</u>	<u>0.42523</u>
Available Tax Rate	<u>\$ 1.1000</u>	<u>\$ 1.1100</u>	<u>\$ 1.0748</u>	<u>\$ 1.0748</u>

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 253,145,298
Add back exempt real property	<u>45,556,942</u>
	<u>\$ 298,702,240</u>
Debt limit (10% of total assessed value)	\$ 29,870,224
Debt applicable to limit:	
Bonded Debt	4,465,317
Less: Amount set aside for repayment of general obligation debt	<u>606,392</u>
	<u>\$ 3,858,925</u>
Legal debt margin	<u>12.92%</u>

NOTE: FYE 9.30.2006 was the first year for property tax

CITY OF CANTON, TEXAS
 PLEDGED-REVENUE COVERAGE
 LAST SIX FISCAL YEARS

Table 14

Water and Sewer Revenue Bonds					
Fiscal Year	Total Revenues ^a	Less: Operating Expenses ^b	Net Available Revenue	Annual Requirement	Times Coverage
2004	\$ 1,575,445	\$ 2,095,020	\$ (519,575)	\$ 391,671	(1.33)
2005	\$ 1,900,319	\$ 2,154,148	\$ (253,829)	\$ 556,219	(0.46)
2006	\$ 2,102,690	\$ 2,260,908	\$ (158,218)	\$ 557,584	(0.28)
2007	\$ 2,064,062	\$ 2,231,605	\$ (167,543)	\$ 246,666	(0.68)
2008	\$ 2,350,747	\$ 2,428,867	\$ (78,120)	\$ 255,000	(0.31)
2009	\$ 2,903,390	\$ 2,675,163	\$ 228,227	\$ 263,850	0.86

Note: ^a Total Revenues does not include non-operating revenues
^b Operating Expenses only - not transfers or depreciation

Years will continue to be added until there are 10 years for comparison

CITY OF CANTON, TEXAS
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 SEPTEMBER 30, 2009
 LAST THREE FISCAL YEARS

Table 15

<u>Fiscal Year</u>	<u>Estimated Population ¹</u>	<u>Personal Income ²</u>	<u>Per Capita Income ²</u>	<u>Average Age ²</u>	<u>Grade School Enrollment ³</u>	<u>Unemployment Rate ²</u>
2007	5,147	\$ 41,626	\$ 20,153	42.4	908	8.20%
2008	5,147	\$ 37,510	\$ 20,950	43.4	956	7.20%
2009	5,147	\$ 42,500	\$ 17,351	43.4	942	7.40%

Sources:

- 1 City of Canton
- 2 Texas Workforce Commission
- 3 Canton ISD

Note: Years will continue to be added until there are 10 years for comparison

CITY OF CANTON, TEXAS
PRINCIPAL EMPLOYERS
SEPTEMBER 30, 2009

Table 16

<u>Name of Employer</u>	<u>No. of Employees</u>
Wal-Mart Supercenter	350
Canton ISD	258
Van Zandt County	215
Brookshire's	105
Splash Kingdom	100
Winning Strategies	100
City of Canton	72
Homemade Gourmet	50
Mill Creek RV Park & Resort	42
Trinity Mother Frances Clinic	34

Source: Canton Economic Development Corporation Research

CITY OF CANTON, TEXAS
 FULL-TIME EQUIVALENT CITY GOVERNMENT
 EMPLOYEES BY FUNCTION/PROGRAM
 SEPTEMBER 30, 2009

Table 17

<u>Function / Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General Government	6.5	8.5	7.5
Public Safety			
Police	18	18.5	18.5
Municipal Court	1.5	3	2
Fire	3	4	5
Public Works	7.5	10	10
Streets	5.5	2	2
Parks and Recreation	2	5	5
Utility Administration	2	2	2
Water, Wastewater	11	9	8
First Monday	14	12	12

Source: City Staff

CITY OF CANTON, TEXAS
 OPERATING INDICATORS BY FUNCTION
 SEPTEMBER 30, 2009

Table 18

Function/Program	2007	2008	2009
Police			
Number of police officers	13	13	13
Number of violations (citations)	1,731	1,505	1,811
Fire			
Number of firefighters	20	21	23
Number of fire suppression runs	96	164	105
Number of EMS assist runs	173	199	606
Development Services			
Construction permits issued ¹	170	206	255
Estimated valuation ¹	\$ 1,543,844	\$ 3,313,192	\$ 4,603,990
Public Works			
Streets paved (miles)	26	26	26
Parks and Recreation			
Park land and municipal acreage maintained	236	236	257
Water and Wastewater			
Number of water customers	1,983	2,043	1,988
Average daily water consumption (millions of gallons)	0.607	0.702	0.788
Maximum storage capacity (millions of gallons)	1.39	1.39	1.39
Solid Waste			
Solid waste collected (tons)	5,000	5,000	5,000

Source: City Departments

¹Includes residential, commercial, and miscellaneous (e.g., pools, fences) permits

CITY OF CANTON, TEXAS
 CAPITAL ASSET STATISTICS BY FUNCTION
 SEPTEMBER 30, 2009

Table 19

Function/Program	<u>2007</u>	<u>2008</u>	<u>2009</u>
Police			
Stations	1	1	1
Patrol Units	10	10	10
Fire			
Stations	1	1	1
Public Works			
Streets-Paved (miles)	26	26	26
Street Lights	501	501	501
Parks and Recreation			
Park Acreage	150	150	150
Public Parks	3	3	3
Community Centers	1	1	1
Senior Centers	1	1	1
Tennis Courts	4	4	4
Soccer Fields	5	5	5
Baseball Fields	7	7	7
Library	1	1	1
Water and Wastewater			
Water Mains (miles)	47	47	49
Fire Hydrants	231	231	245
Storm Sewers (miles)	0.75	0.75	1.25
Sanitary Sewers (miles)	38.5	38.5	45
First Monday (acres)	100	100	100

Source: City Departments