



CITY OF CANTON

**City of Canton, Texas**

**Comprehensive Annual  
Financial Report**



**Fiscal Year Ended September 30, 2011**



CITY OF CANTON, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

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CITY OF CANTON, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

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## INTRODUCTORY SECTION



# City of Canton

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P.O. Box 245  
Canton, Texas 75103  
City Hall - 903-567-2826  
First Monday - 903-567-6556

August 6, 2012

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, 2011, 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, 2011. 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**

Fax: 903-567-1753

web site: [www.cantontx.com](http://www.cantontx.com)

e-mail address: [canton@vzinet.com](mailto:canton@vzinet.com)

## ECONOMIC CONDITIONS AND OUTLOOK

Canton, Texas is a commercial center built on tourism, retail, agricultural, light manufacturing, and governmental activity. Given Canton's pro-business attitude, the City continues to prosper economically. Highlights include:

Canton is home to First Monday Trade Days, one of the largest flea markets in the nation, 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.

Canton is also a Texas and National Main Street City, as well as a Certified Retirement Community. As the County seat, Canton's vital downtown district is centered around the Van Zandt County Courthouse and features the Plaza Museum, quaint boutiques, shops, eateries, a bed & breakfast, and professional service businesses. The community is also uniquely qualified and marketed as an excellent retirement community with quality-of-life features desired by retirees.

In addition to the economic activity derived from First Monday Trade Days and as a weekend destination, Canton is a business and retail center for residents throughout the County and area. It supports a wide variety of motels, Bed & Breakfast establishments, restaurants, retail stores, wholesale businesses, financial institutions, healthcare facilities, professional and business services, and manufacturing companies.

## MAJOR INITIATIVES

In FY 2010-2011, several projects affecting the City's economic outlook were initiated and/or completed. A 129-bed care facility/therapy center was completed. The city's first major chain restaurant, Denny's, was built and opened on Interstate 20, as did a major Travel Center featuring two restaurants, fuel, convenience store, trucking fuel and services, etc. Traders Square Shopping Center secured a new Aaron's Furniture Store and initiated a major renovation and marketing project. Bridwell Shopping Center continued to negotiate with new businesses to locate within their shopping Center. Dollar General completed a new larger facility and a new dental clinic/professional office building opened for business. The downtown district also saw new retail/service activities with the opening of the old fashioned soda fountain restaurant and a winery retail shop.

The City continued its own development and preparations for the future. Having just reduced its workforce by nine full-time equivalent positions and significantly reduced its revenue projections and total expenditures in preparation of an extended economic downturn, it continued to plan and budget very conservatively. It looked to grant and economic development sales tax funding options for several major projects including a downtown sidewalk renovation project; a major parks and trails development project featuring disc golf, pavilions, walking/biking trails, exercise stations, restrooms, soccer field improvements, etc; continuation of the East Outfall project, a major sewer trunk line required for new development; and the drilling of a new water well to supplement the city's water resources. The City also continued upgrading its infrastructure and undertook several major street renovation projects.

In FY 2011-12, increased economic development is expected to continue with ongoing negotiations with retail, hotel and restaurant chains. Major improvements will continue on Athens Street, Lisa Circle, Peace, Beard, and Elm, the East Outfall sewer line project, the new water well, and at the wastewater treatment plant. A new sewer line will be installed to service new development along Interstate 20, a new water tower project will be initiated, the fire station will be remodeled to better accommodate walk-in visitors with medical and other service needs; the outdoor warning siren system coverage area will be improved with the installation of new sirens; and a new entrance will be built to First Monday Trade Days to better attract visitors to the City's section, as will other grounds

improvements to structures and roadways.

## 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>
2007-2008	.4252300
2008-2009	.4252300
2009-2010	.4252300
2010-2011	.4252300
2011-2012	.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, 2011, 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,

  
Lonny Cluck  
INTERIM CITY MANAGER

  
Julie H. Seymore  
FINANCE OFFICER

# **CITY OF CANTON, TEXAS**

## **OFFICIALS AND ADMINISTRATIVE STAFF**

**For the Fiscal Year ended September 30, 2011**

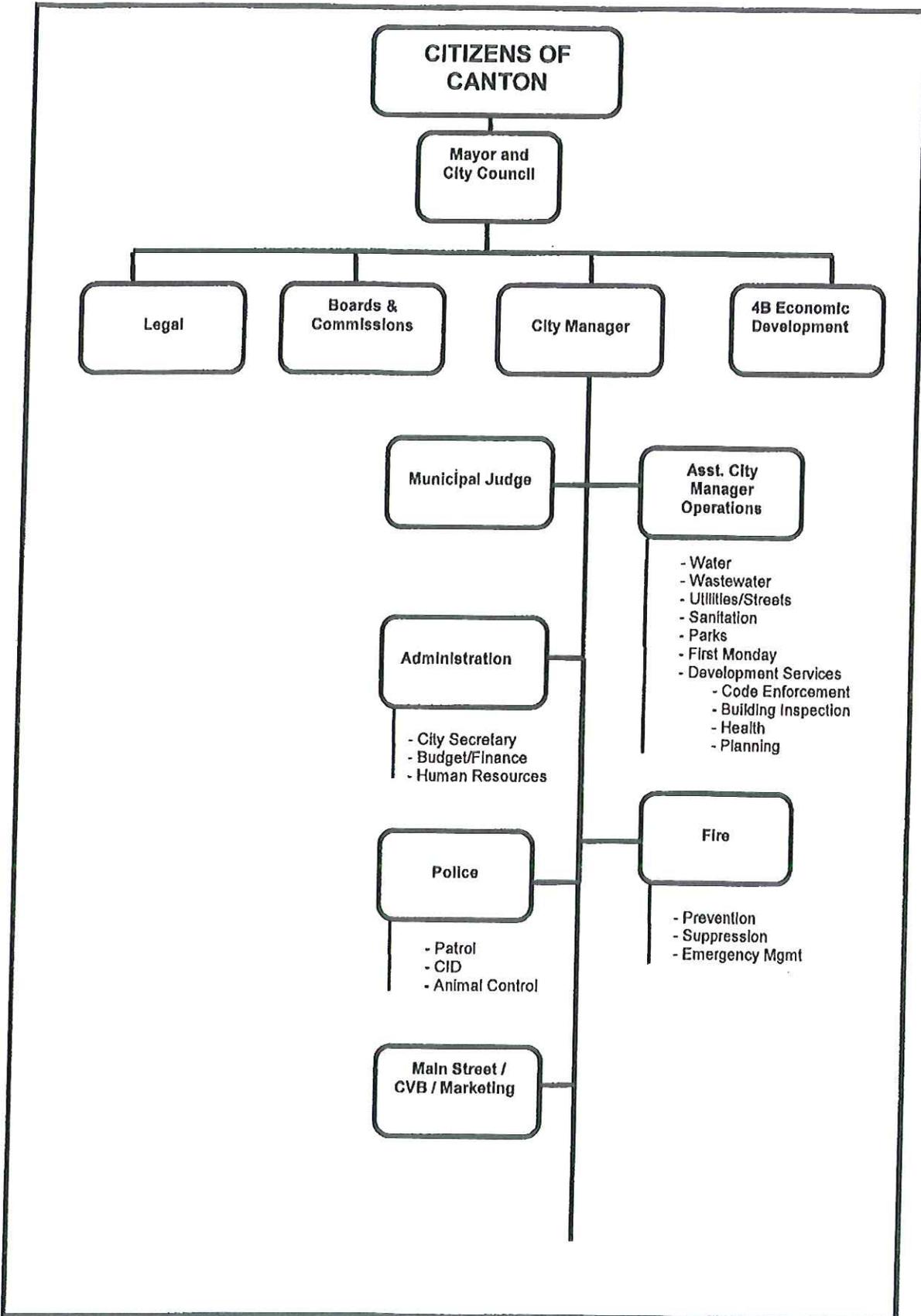
### **Council Members**

**Cary S. Hillard, Mayor**  
**Charles Huddle, Mayor Pro Tem**  
**Candice Benson**  
**Vicki Chambless**  
**Ross Maris**  
**Clay Nicklas**

### **Administrative Staff**

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

# CITY OF CANTON ORGANIZATIONAL CHART



Effective 10/1/2011

## FINANCIAL SECTION





Michael Conway, CPA  
Neil Conway, CPA

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**CONWAY COMPANY CPAs PC**  
**ACCOUNTANTS & ADVISORS**

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*Member*  
American Institute of CPAs  
Texas Society of CPAs

August 6, 2012

**Independent Auditor's Report on Financial Statements**

Mayor and City Council  
City of Canton  
P.O. Box 245  
Canton, TX 75103-0245

Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Canton ("City") as of and for the year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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. 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canton as of September 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated August 6, 2012, 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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Fax (903) 454-3181

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 5 – 15) and the Schedule of Pension Trust – TMRS Funding Progress and Contributions on pages 51 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statement, is required by Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

*Conway Company CPAs, P.C.*

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# CITY OF CANTON, TEXAS

## MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2011

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, 2011. 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 \$24,787,737 (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 \$3,756,994.
- The government's total net assets increased by \$1,767,892, excluding prior period adjustments. The majority of this increase is attributable to capital grants.
- As of the close of the current fiscal year, the City of Canton's governmental funds reported combined ending fund balances of \$2,778,812, an increase of \$743,295 in comparison with the prior year, excluding prior period adjustments. Approximately 42% of this total amount, or \$1,177,088 is available for spending at the government's discretion (unassigned fund balance.)
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,177,088 or, 35%, of total general fund expenditures.
- The City of Canton's total long-term debt decreased by (\$220,178), or 3%, 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.

## 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 22-28) 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 three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the proprietary fund statements; and 3) the fiduciary 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, **required supplemental information** is provided to show details about the City's pension plan.

## 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 statement of net assets presents information on all of the City of Canton's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net assets and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting methods.

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.

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

## Fund Financial Statements

The fund financial statements 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 three categories: governmental funds, proprietary funds and fiduciary funds.

**CITY OF CANTON, TEXAS**  
**MANAGEMENT DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2011**

*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.

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

The City of Canton maintains twenty-seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Debt Service Fund, Bond Fund, Capital Improvements Funds, and Roadway Impact Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report. The Governmental Fund financial statements can be found on pages 22-28 of this report.

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 budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four 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 charges.

*Proprietary Funds* – The City of Canton has one type of enterprise fund which is the Utility Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary Funds are reported in the same way that all activities are reported in the statement of net assets and the statement of activities. Because these services benefit both governmental as well as business type functions, they have been included in both the governmental and business-type activities in the government-wide financial statements.

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 26-28 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 29 – 47 of this report.

**CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2011**

**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.

The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining statements and individual fund statements can be found on pages 59 – 69 of this report.

**Accounting changes** – GASB Statement 54 for the Governmental Accounting Standards Board (GASB) was effective for the City in the fiscal year ending September 30, 2011.

GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. Changes to the government fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures.

**CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2011**

**The City of Canton's Net Assets**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 3,056,250	\$ 2,216,029	\$ 3,106,105	\$ 2,821,735	\$ 6,162,355	\$ 5,037,764
Capital assets	12,435,765	12,169,030	13,465,236	12,942,961	25,901,001	25,111,991
Total assets	<u>15,492,015</u>	<u>14,385,059</u>	<u>16,571,341</u>	<u>15,764,696</u>	<u>32,063,356</u>	<u>30,149,755</u>
Long-term liabilities	4,422,789	4,323,910	2,429,405	2,747,603	6,852,194	7,071,513
Current liabilities	206,863	286,770	216,562	376,194	423,425	662,964
Total liabilities	<u>4,629,652</u>	<u>4,610,680</u>	<u>2,645,967</u>	<u>3,123,797</u>	<u>7,275,619</u>	<u>7,734,477</u>
Net assets:						
Invested in capital assets, net of related debt	8,630,990	7,853,707	11,782,292	9,512,081	20,413,282	17,365,788
Restricted	518,215	1,091,198	99,246	1,121,040	617,461	2,212,238
Unrestricted	1,713,158	829,474	2,043,836	2,007,778	3,756,994	2,837,252
Total net assets	<u>\$ 10,862,363</u>	<u>\$ 9,774,379</u>	<u>\$ 13,925,374</u>	<u>\$ 12,640,899</u>	<u>\$ 24,787,737</u>	<u>\$ 22,415,278</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 \$24,787,737 as of September 30 2011. The City's net assets increased by \$1,767,892, excluding prior period adjustments, for the fiscal year ended September 30, 2011.

*Invested in capital assets, net of related debt*

The largest portion of the City of Canton's net assets, 82.4%, reflects the 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'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.

*Restricted net assets:*

The restricted net assets of \$617,461, or 2.49%, of total net assets represents resources that are subject to external restrictions on their use, or by enabling legislation. Restricted net assets are comprised of state imposed restrictions; namely, 6% of court fees, and obligations for debt from property taxes of 33%.

*Unrestricted net assets:*

Unrestricted net assets of \$3,756,994 are available to fund City programs to citizens and debt obligations to creditors. The majority of unrestricted net assets reside in the General Fund.

CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2011

The City of Canton Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
<b>REVENUE:</b>						
Program Revenues						
Charges for Services	\$ 558,558	\$ 309,506	\$ 5,191,746	\$ 4,813,618	\$ 5,750,304	\$ 5,123,124
Operating Grants and Contributions	-	-	-	20,000	-	20,000
Capital Grants and Contributions	455,437	279,767	85,308	1,069,158	540,745	1,348,925
General Revenues:						
Property Taxes	1,104,103	1,147,211	-	-	1,104,103	1,147,211
Sales Taxes	2,151,471	2,087,499	-	-	2,151,471	2,087,499
Franchise Fees	278,688	229,691	-	-	278,688	229,691
Mixed Drink Taxes	4,742	7,003	-	-	4,742	7,003
Hotel/Motel Tax	-	-	63,410	210,697	63,410	210,697
Donations	7,584	9,095	-	-	7,584	9,095
Investment Income	15,200	11,859	3,926	7,174	19,126	19,033
Miscellaneous	9,701	78,667	30,003	69,182	39,704	147,849
Rental Income	-	18,276	-	-	-	18,276
<b>Total Revenues</b>	<b>4,585,484</b>	<b>4,178,574</b>	<b>5,374,393</b>	<b>6,189,829</b>	<b>9,959,877</b>	<b>10,368,403</b>
<b>EXPENSES:</b>						
Program Expenses:						
General Government	884,368	821,677	-	-	884,368	821,677
Public Safety	1,682,441	1,584,341	-	-	1,682,441	1,584,341
Public Services and operations	301,828	278,595	-	-	301,828	278,595
Public Works	659,366	668,367	-	-	659,366	668,367
Parks and Recreation	276,160	277,565	-	-	276,160	277,565
Interest on Long-Term Debt	203,416	155,545	-	-	203,416	155,545
Water and Sewer	-	-	1,857,049	1,852,580	1,857,049	1,852,580
Sanitation	-	-	573,396	543,142	573,396	543,142
First Monday	-	-	1,753,961	2,087,038	1,753,961	2,087,038
<b>Total Expenses</b>	<b>4,007,579</b>	<b>3,786,090</b>	<b>4,184,406</b>	<b>4,482,760</b>	<b>8,191,985</b>	<b>8,268,850</b>
<b>Increase in Net Assets before Transfers</b>	<b>577,905</b>	<b>392,484</b>	<b>1,189,987</b>	<b>1,707,069</b>	<b>1,767,892</b>	<b>2,099,553</b>
<b>Other Revenues and Financing Sources (uses)</b>						
Transfers	333,035	331,682	(333,035)	(331,682)	-	-
<b>Total Other Financing Sources (uses)</b>	<b>333,035</b>	<b>331,682</b>	<b>(333,035)</b>	<b>(331,682)</b>	<b>-</b>	<b>-</b>
<b>Increase in Net Assets</b>	<b>910,940</b>	<b>724,166</b>	<b>856,952</b>	<b>1,375,387</b>	<b>1,767,892</b>	<b>2,099,553</b>
<b>Net Assets, October 1</b>	<b>9,774,379</b>	<b>8,522,365</b>	<b>12,640,899</b>	<b>11,267,782</b>	<b>22,415,278</b>	<b>19,790,147</b>
<b>Prior Period Adjustments</b>	<b>177,044</b>	<b>527,848</b>	<b>427,523</b>	<b>(2,270)</b>	<b>604,567</b>	<b>525,578</b>
<b>Net Assets, September 30</b>	<b>\$ 10,862,363</b>	<b>\$ 9,774,379</b>	<b>\$ 13,925,374</b>	<b>\$ 12,640,899</b>	<b>\$ 24,787,737</b>	<b>\$ 22,415,278</b>

**CITY OF CANTON, TEXAS  
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
 SEPTEMBER 30, 2011**

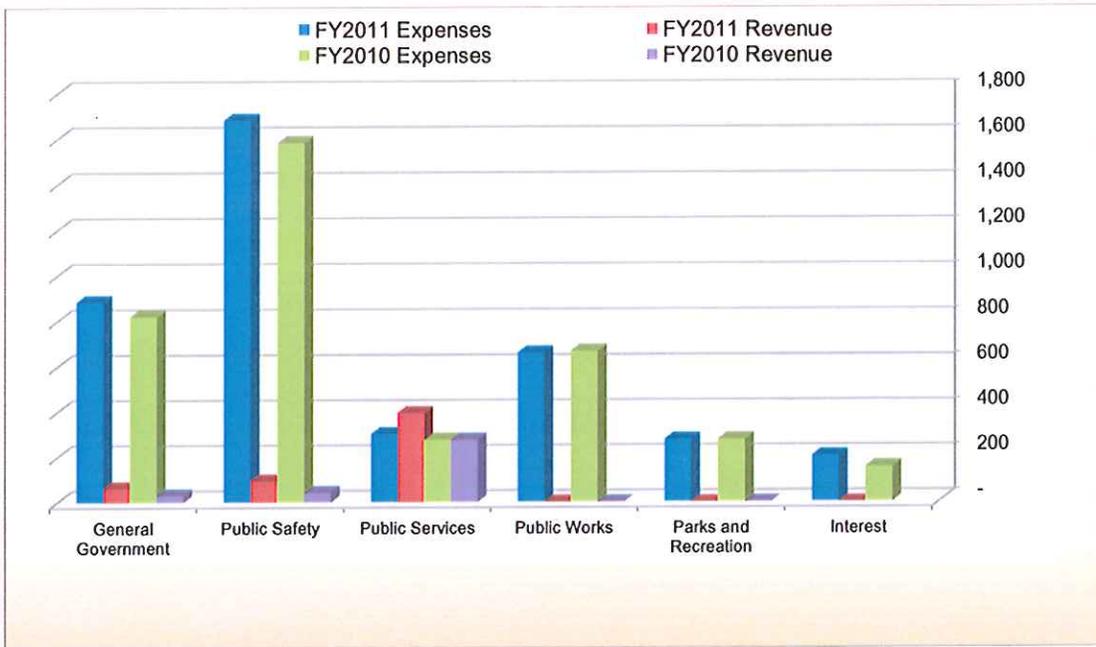
**Governmental-type activities** - Governmental-type activities increased the City's net assets by \$910,940, excluding prior period adjustments. Key elements of this increase are as follows:

Charge for services increased by \$249,052, or 80.46%, due to increase in collections of court fines.

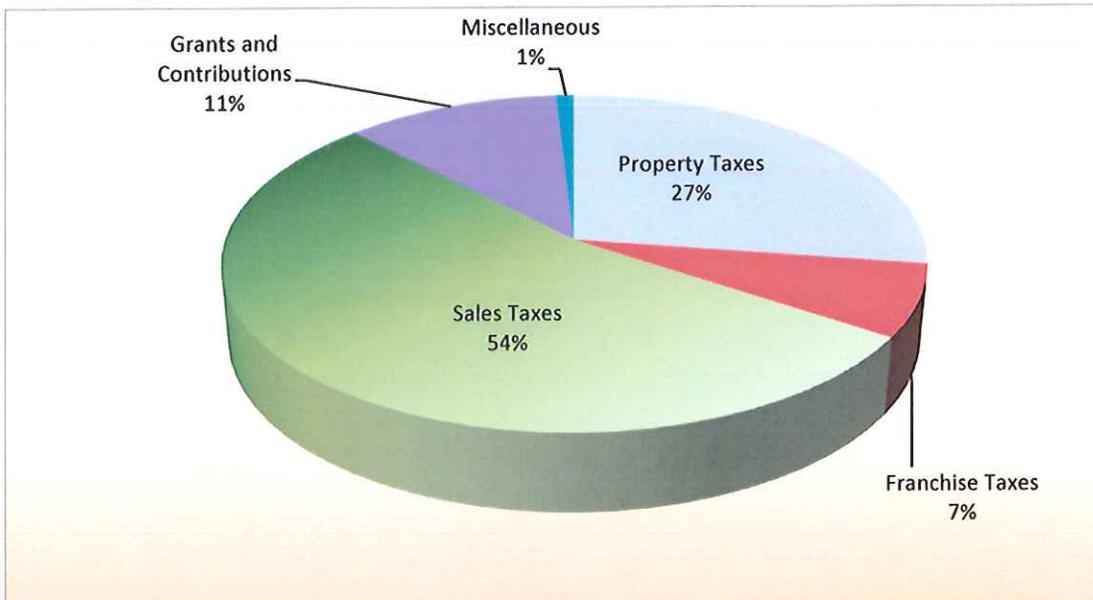
Sales tax increased slightly by \$63,972, or 3%.

**Expenses and Program Revenues - Governmental Activities**

(amounts expressed in thousands)



**Revenues by Source - Governmental Activities**



**CITY OF CANTON, TEXAS  
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
 SEPTEMBER 30, 2011**

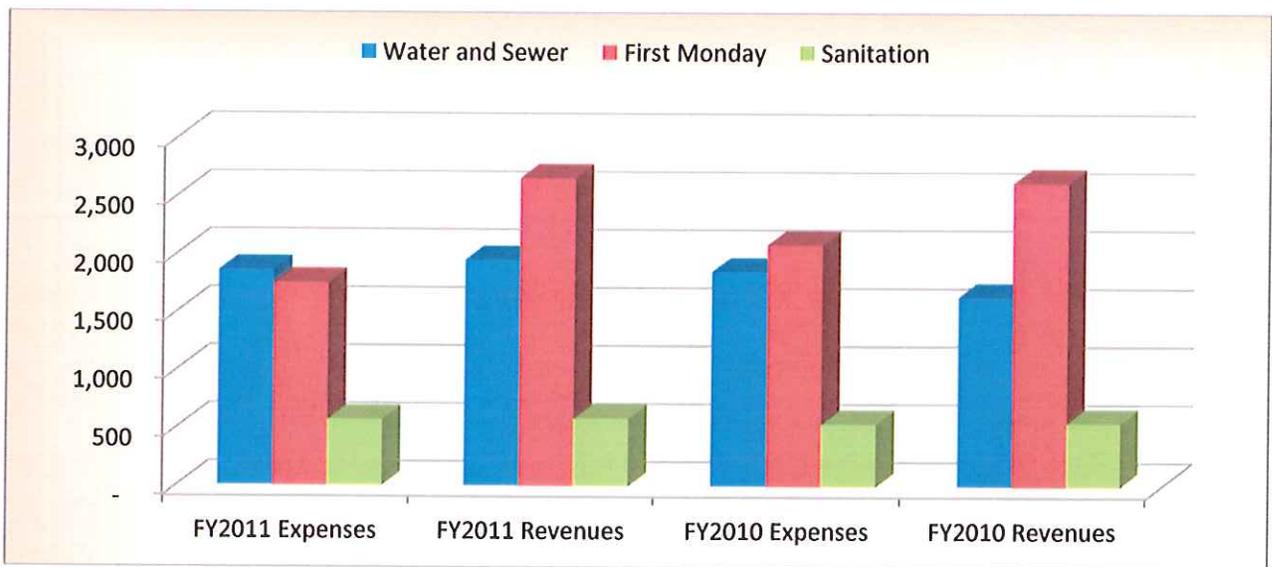
**Business-type Activities** - Business-type activities increased the City of Canton's net assets by \$856,952, excluding prior period adjustments. Key elements of this increase are as follows:

Water and Sewer charge for services increased by \$378,120, or 10%, due to increase in charges to customers.

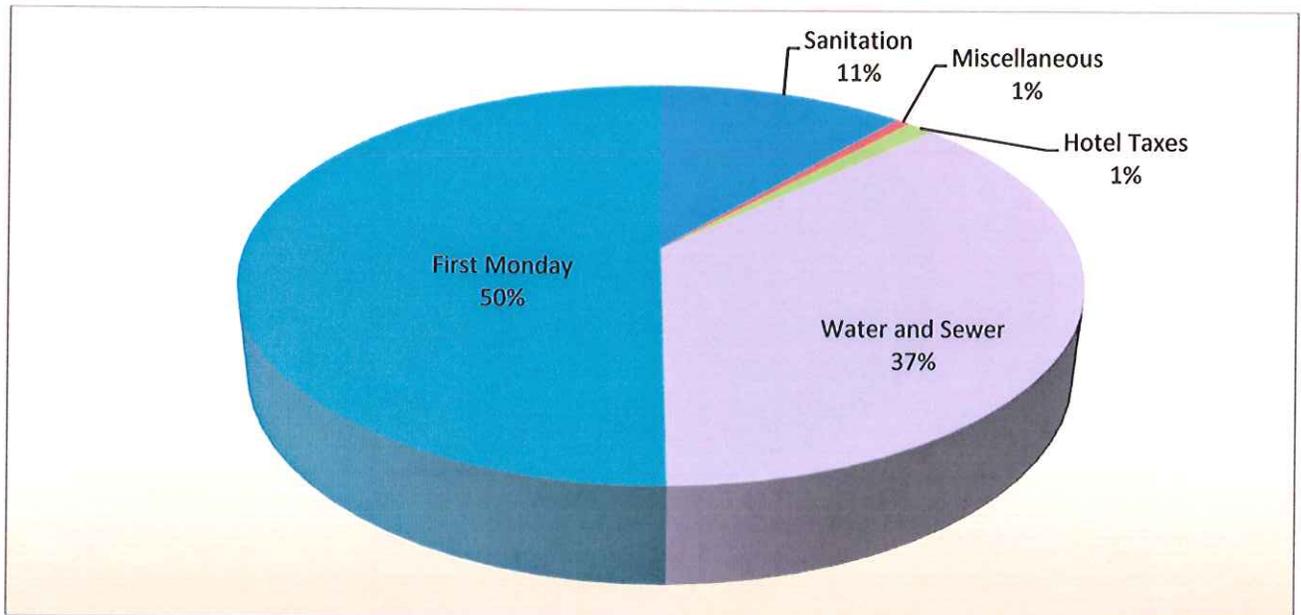
First Monday expenditures decreased by \$333,077, or 16%, due to all advertising being handled by Canton Economic Development Corporation's Visitors Bureau.

**Expenditures and Program Revenues - Business-type Activities**

(amounts expressed in thousands)



**Revenues by Source - Business-type Activities**



**CITY OF CANTON, TEXAS**  
**MANAGEMENT AND DISCUSSION AND ANALYSIS (continued)**  
**SEPTEMBER 30, 2011**

**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, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the governmental funds reported combined ending fund balances of \$2,778,812, an increase of 40% in comparison with the prior year, excluding prior period adjustments. The components of the total fund balance are as follows:

The restricted fund balances of \$1,376,540, consist of amounts with constraints put on their use by externally imposed by creditors, grantors, contributions, laws, regulations or enabling legislation. Obligations for long-term debt is \$960,526, or 70% and debt proceeds for capital expenditures of \$376,559, or 27%, account for the majority of restricted fund balances. Restrictions imposed by legislation amounts to \$39,455, or 3%.

Committed fund balance of \$123,697, is for the public works department as imposed by City Council for street infrastructure improvements.

Unassigned fund balance of \$1,177,088 represents the residual classification for the City's General Fund including prior period adjustments.

It is the City's goal to achieve and maintain an unassigned fund balance in the General Fund equal to 16.67% expenditures. At the end of the current fiscal year, the City achieved 35%.

**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 more than the budgeted amounts in the area of fines and forfeitures. Expenditures were less than budgeted amounts.

**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 \$2,043,836.

**CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2011**

**Capital assets** - The City of Canton's investment in capital assets for its governmental and business-type activities as of September 30, 2011, totals \$25,901,001 (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 3%.

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

- Continued improvements to water well #3
- Improvements to the sewer infrastructure
- Continuation of infrastructure for streets and sidewalks
- Completion of the Cherry Creek Park project

**Capital Assets  
As of September 30, 2011  
(net of accumulated depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land & Improvements	\$ 2,756,722	\$ 2,756,722	\$ 653,372	\$ 648,473	\$ 3,410,094	\$ 3,405,195
Machinery & Equipment	572,931	668,899	720,642	884,513	1,293,573	1,553,412
Buildings	454,560	462,515	5,341,896	5,248,236	5,796,456	5,710,751
Infrastructure	8,276,958	7,661,336	5,745,313	5,593,278	14,022,271	13,254,614
Construction in Progress	374,594	619,558	1,004,013	568,461	1,378,607	1,188,019
<b>Total</b>	<b>\$ 12,435,765</b>	<b>\$ 12,169,030</b>	<b>\$ 13,465,236</b>	<b>\$ 12,942,961</b>	<b>\$ 25,901,001</b>	<b>\$ 25,111,991</b>

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

**Long-term Debt** - As of September 30, 2011, the City of Canton had long-term debt outstanding of \$6,305,411. This debt is secured by property taxes and/or revenues. The debt decreased by (\$220,178), or 3%.

**Outstanding Debt  
As of September 30, 2011**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Limited Tax Note Payable	\$ 1,145,411	\$ 450,589	\$ -	\$ -	\$ 1,145,411	\$ 450,589
Certificates of Obligation	1,777,100	1,891,550	1,252,900	1,363,450	3,030,000	3,255,000
Refunding Bonds	1,025,000	1,515,000	95,000	260,000	1,120,000	1,775,000
Revenue Bonds	-	-	1,010,000	1,045,000	1,010,000	1,045,000
<b>Total</b>	<b>\$ 3,947,511</b>	<b>\$ 3,857,139</b>	<b>\$ 2,357,900</b>	<b>\$ 2,668,450</b>	<b>\$ 6,305,411</b>	<b>\$ 6,525,589</b>

During the fiscal year, the City issued a tax note of \$750,000 to be used for infrastructure improvements to streets.

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

**CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2011**

**Economic Factors and Next Year's Budgets and Rates**

The FY 11-12 budget incorporates a property tax rate of \$0.42523 per \$100 valuation. This remains unchanged from the prior year budget. Canton's certified taxable value for fiscal year 2012 is \$262,533,342. This is a 0.05% increase from last year's values, or \$149,598.

In preparation for the economic downturn, the City of Canton previously reduced its workforce by nine full-time equivalent employees, or 10%. Management also reduced its estimated revenues by over \$1 million and its expenditures by over \$3 million in the fiscal year 2011 budget. FY2012 includes conservative revenue projections for two of the largest revenue streams - sales taxes and First Monday revenues. In fact, in year-to-date comparisons, sales tax revenue has increased 4.2% and First Monday revenues have increased 4%. It also continued to be aggressive in seeking alternative funding. Economic development sales tax revenue and grants were secured to complete the water well project, launch a new water tower project,, continue the East Outfall sewer line project, install a new sewer line to service new development along Interstate 20, finish a sidewalk project, develop an updated Emergency Action Plan for First Monday, and replace the Fire Department's SCBA equipment. The City will also continue upgrading its infrastructure, including street, utilities water treatment and wastewater treatment facilities, and First Monday facilities.

In fiscal year 2012, increased economic development is expected to continue which will impact sales tax and property tax revenues. These include the opening of Denny's and the attraction of another major restaurant chain; the opening of a new Travel Center with fuel sales, convenience store, two restaurants, and trucking services; the opening of a 129-bed care/rehab facility, and continued renovations and marketing for the Traders village and Bridwell Shopping centers. Economic negotiations are also ongoing with retail, hotel and restaurant chains.

**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, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	EDC
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,053,728	\$ 1,162,757	\$ 2,216,485	\$ 868,246
Receivables (net of allowance for uncollectible)	415,666	178,091	593,757	126,475
Due from component unit	11,368	3,495	14,863	-
Deferred charges	70,078	26,797	96,875	-
Note receivable from component unit	-	894,328	894,328	-
Restricted assets:				
Cash and cash equivalents	1,505,410	840,637	2,346,047	-
Capital assets, not being depreciated:				
Land & improvements	2,756,722	653,372	3,410,094	1,191,458
Construction in progress	374,594	1,004,013	1,378,607	-
Capital assets, net of accumulated depreciation:				
Buildings and improvements	454,560	5,341,896	5,796,456	51,969
Infrastructure	8,276,958	5,745,313	14,022,271	82,695
Machinery & equipment	572,931	720,642	1,293,573	-
<b>Total Assets</b>	<b>15,492,015</b>	<b>16,571,341</b>	<b>32,063,356</b>	<b>2,320,843</b>
<b>LIABILITIES</b>				
Accounts payable	103,509	91,304	194,813	1,341
Customer deposits	-	65,115	65,115	-
Due to other funds	-	-	-	14,863
Accrued interest payable	52,088	19,291	71,379	-
Accrued expenses	25,235	11,166	36,401	1,770
Other liabilities	26,031	13,193	39,224	-
Unearned revenues	-	16,493	16,493	-
Noncurrent Liabilities:				
Due within one year:				
Compensated absences	12,609	8,317	20,926	-
Notes payable	32,257	-	32,257	98,308
Note payable to primary government	-	-	-	82,923
Limited tax note	52,532	-	52,532	-
Certificates of obligations	127,650	137,350	265,000	-
Bonds payable	505,000	135,000	640,000	-
Due in more than one year:				
Compensated absences	151,243	58,877	210,120	2,819
Notes payable	276,073	-	276,073	394,800
Note payable to primary government	-	-	-	811,405
Limited tax note	1,082,539	-	1,082,539	-
Certificates of obligations	1,640,669	1,115,550	2,756,219	-
Bonds payable	542,217	974,311	1,516,528	-
<b>Total Liabilities</b>	<b>4,629,652</b>	<b>2,645,967</b>	<b>7,275,619</b>	<b>1,408,229</b>
<b>NET ASSETS</b>				
Invested in capital assets (net of related debt)	8,630,990	11,782,292	20,413,282	833,014
Restricted for:				
Debt	102,200	99,246	201,446	-
Capital Improvements	376,560	-	376,560	-
Court use	39,455	-	39,455	-
Unrestricted	1,713,158	2,043,836	3,756,994	79,600
<b>Total Net Assets</b>	<b>\$ 10,862,363</b>	<b>\$ 13,925,374</b>	<b>\$ 24,787,737</b>	<b>\$ 912,614</b>

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

CITY OF CANTON, TEXAS  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
General Government	\$ 884,368	\$ 64,276	\$ -	\$ 105,500
Public Safety	1,682,441	95,932	-	9,768
Public Services and Operations	301,828	396,541	-	-
Public Works	659,366	1,809	-	82,299
Parks and Recreation	276,160	-	-	257,870
Interest on Long-Term Debt	203,416	-	-	-
<b>Total governmental activities</b>	<b>4,007,579</b>	<b>558,558</b>	<b>-</b>	<b>455,437</b>
Business-type Activities:				
Water and Sewer	1,857,049	1,947,269	-	85,308
Sanitation	573,396	587,270	-	-
First Monday	1,753,961	2,657,207	-	-
<b>Total business-type activities</b>	<b>4,184,406</b>	<b>5,191,746</b>	<b>-</b>	<b>85,308</b>
<b>Total primary government</b>	<b>8,191,985</b>	<b>5,750,304</b>	<b>-</b>	<b>540,745</b>
<b>Component unit:</b>				
Economic Development Corporation	765,110	60,698	-	-
<b>Total component unit</b>	<b>\$ 765,110</b>	<b>\$ 60,698</b>	<b>\$ -</b>	<b>\$ -</b>

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

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

**Net (Expense) Revenue and Changes in Net Assets**

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (714,592)	\$ -	\$ (714,592)	\$ -
(1,576,741)	-	(1,576,741)	-
94,713	-	94,713	-
(575,258)	-	(575,258)	-
(18,290)	-	(18,290)	-
(203,416)	-	(203,416)	-
<u>(2,993,584)</u>	<u>-</u>	<u>(2,993,584)</u>	<u>-</u>
-	175,528	175,528	-
-	13,874	13,874	-
-	903,246	903,246	-
-	1,092,648	1,092,648	-
<u>(2,993,584)</u>	<u>1,092,648</u>	<u>(1,900,936)</u>	<u>-</u>
-	-	-	(704,412)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (704,412)</u>
\$ 1,104,103	\$ -	\$ 1,104,103	\$ -
2,151,471	-	2,151,471	714,741
278,688	-	278,688	-
4,742	-	4,742	-
-	63,410	63,410	160,386
7,584	-	7,584	-
15,200	3,926	19,126	4,751
9,701	30,003	39,704	3,638
-	-	-	11,250
333,035	(333,035)	-	-
<u>3,904,524</u>	<u>(235,696)</u>	<u>3,668,828</u>	<u>894,766</u>
910,940	856,952	1,767,892	190,354
9,774,379	12,640,899	22,415,278	942,695
177,044	427,523	604,567	(220,435)
<u>\$ 10,862,363</u>	<u>\$ 13,925,374</u>	<u>\$ 24,787,737</u>	<u>\$ 912,614</u>

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

CITY OF CANTON, TEXAS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Other Governmental	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 885,529	\$ -	\$ 168,199	\$ 1,053,728
Receivables (net of allowances for uncollectible)	397,867	17,799	-	415,666
Due from component unit	11,368	-	-	11,368
Cash - Restricted	74,252	975,670	455,488	1,505,410
<b>Total Assets</b>	<u>1,369,016</u>	<u>993,469</u>	<u>623,687</u>	<u>2,986,172</u>
 <b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	78,900	-	24,610	103,510
Accrued interest payable	-	15,500	-	15,500
Accrued expenses	25,235	-	-	25,235
Other liabilities	26,031	-	-	26,031
Unearned revenues	19,641	17,443	-	37,084
<b>Total Liabilities</b>	<u>149,807</u>	<u>32,943</u>	<u>24,610</u>	<u>207,360</u>
 <b>Fund Balances</b>				
Restricted for:				
Debt	-	960,526	-	960,526
Court Use	39,455	-	-	39,455
Capital Improvements	-	-	376,559	376,559
Committed:				
Public Works	-	-	123,697	123,697
Assigned:				
Police	2,666	-	-	2,666
Equipment replacement	-	-	98,821	98,821
Unassigned:				
General Fund	1,177,088	-	-	1,177,088
<b>Total Fund Balances</b>	<u>1,219,209</u>	<u>960,526</u>	<u>599,077</u>	<u>2,778,812</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,369,016</u>	<u>\$ 993,469</u>	<u>\$ 623,687</u>	<u>\$ 2,986,172</u>

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

**CITY OF CANTON, TEXAS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2011**

Total fund balances - governmental funds balance sheet	\$ 2,778,812
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	15,540,016
Accumulated depreciation has not been included in the governmental fund financial statements.	(3,104,251)
Certain bond related items are expenses at the fund level but are capitalized at the government-wide level and amortized over the life of the asset.	70,078
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an expenditure is reported when due.	(36,588)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements	37,084
Premiums and discounts on issuance of debt were not recognized on the balance sheet for governmental funds.	(3,094)
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(163,852)
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.	(4,255,842)
Net assets of governmental activities - statement of net assets	<u><u>\$ 10,862,363</u></u>

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

CITY OF CANTON, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	General Fund	Debt Service Fund	Other Governmental	Total Governmental Funds
<b>REVENUE</b>				
Property Taxes	\$ 257,355	\$ 846,748	\$ -	\$ 1,104,103
Sales Tax Collected	2,151,471	-	-	2,151,471
Franchise Fees	278,688	-	-	278,688
Licenses and Permits	64,018	-	-	64,018
Fines and Forfeitures	342,061	-	-	342,061
Mixed Drink Taxes	4,742	-	-	4,742
Rental Income	46,697	-	-	46,697
Charge for Services	67,738	-	-	67,738
Grant Revenue	-	-	349,937	349,937
Donations	660	-	6,924	7,584
Intergovernmental - component unit	57,500	-	48,000	105,500
Investment Income	3,439	6,939	4,822	15,200
Miscellaneous	11,600	-	1,807	13,407
<b>Total Revenues</b>	<u>3,285,969</u>	<u>853,687</u>	<u>411,490</u>	<u>4,551,146</u>
<b>EXPENDITURES</b>				
Current:				
General Government	849,814	-	-	849,814
Public Safety	1,498,156	-	9,785	1,507,941
Public Services and Operations	292,968	-	-	292,968
Public Works	393,990	-	-	393,990
Parks and Recreation	238,155	-	-	238,155
Debt Service:				
Principal Retirement	-	690,342	-	690,342
Interest and Fiscal Agent Fees	-	186,381	-	186,381
Cost of debt issuance	-	-	22,100	22,100
Capital Outlay:				
General Government	49,695	-	-	49,695
Public Safety	-	-	55,960	55,960
Public Services and Operations	3,687	-	-	3,687
Public Works	57,500	-	467,730	525,230
Parks and Recreation	6,316	-	102,643	108,959
<b>Total Expenditures</b>	<u>3,390,281</u>	<u>876,723</u>	<u>658,218</u>	<u>4,925,222</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(104,312)	(23,036)	(246,728)	(374,076)
<b>Other Revenues and Financing Sources (uses)</b>				
Tax note proceeds	-	-	750,000	750,000
Insurance reimbursement	34,336	-	-	34,336
Transfers	268,898	(5)	64,142	333,035
<b>Total Other Financing Sources (uses)</b>	<u>303,234</u>	<u>(5)</u>	<u>814,142</u>	<u>1,117,371</u>
<b>Net Change in Fund Balances</b>	198,922	(23,041)	567,414	743,295
<b>Fund Balances, October 1</b>	874,906	983,567	-	1,858,473
<b>Prior Period Adjustments</b>	145,381	-	31,663	177,044
<b>Fund Balances, September 30</b>	<u>\$ 1,219,209</u>	<u>\$ 960,526</u>	<u>\$ 599,077</u>	<u>\$ 2,778,812</u>

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

**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, 2011**

Net change in fund balances - total governmental funds	\$ 743,295
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.	743,531
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.	(473,814)
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.	15,177
Premium and discounts are recognized in the fund financial statements as other financing sources or uses but these are amortized over the term of the bonds in the government-wide financial statements.	(4,219)
Current year tax note proceeds are other financing sources in the governmental fund financial statements but are shown as an increase in liabilities in the government-wide financial statements.	(750,000)
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.	690,342
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.	(33,540)
Current year changes in accrued interest payable do not require the use of current resources; therefore, are not reported as expenditures in governmental funds.	(17,035)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	(2,797)
Change in net assets of governmental activities - statement of activities	<u>\$ 910,940</u>

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

CITY OF CANTON, TEXAS  
STATEMENT OF FUNDS NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2011

	Water/Sewer Fund	Sanitation Fund	First Monday Fund	Total
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 167,769	\$ 150,549	\$ 844,439	\$ 1,162,757
Receivables (net of allowances for uncollectible)	173,985	4,106	-	178,091
Due from component unit	-	-	3,495	3,495
Restricted cash and cash equivalents	840,637	-	-	840,637
<b>Total Current Assets</b>	<b>1,182,391</b>	<b>154,655</b>	<b>847,934</b>	<b>2,184,980</b>
Noncurrent Assets:				
Deferred charges	26,797	-	-	26,797
Note receivable from component unit	894,328	-	-	894,328
Capital Assets:				
Land	304,157	-	349,216	653,373
Building & improvements	4,651,715	-	4,768,788	9,420,503
Machinery & equipment	1,479,157	39,912	678,332	2,197,401
Infrastructure	8,156,920	-	2,156,473	10,313,393
Construction In progress	1,004,013	-	-	1,004,013
Less: accumulated depreciation	(6,036,508)	(39,912)	(4,047,027)	(10,123,447)
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b>9,559,454</b>	<b>-</b>	<b>3,905,782</b>	<b>13,465,236</b>
<b>Total Noncurrent Assets</b>	<b>10,480,579</b>	<b>-</b>	<b>3,905,782</b>	<b>14,386,361</b>
<b>Total Assets</b>	<b>11,662,970</b>	<b>154,655</b>	<b>4,753,716</b>	<b>16,571,341</b>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	11,762	40,643	38,899	91,304
Accrued expenses payable	6,684	463	4,019	11,166
Other liabilities	4,476	4,175	4,542	13,193
Payables from restricted funds:				
Customer deposits	65,115	-	-	65,115
Accrued interest payable	19,291	-	-	19,291
Deferred revenues	16,493	-	-	16,493
Compensated absences - current	8,317	-	-	8,317
Certificates of obligation - current	137,350	-	-	137,350
Bonds payable - current	135,000	-	-	135,000
<b>Total Current Liabilities</b>	<b>404,488</b>	<b>45,281</b>	<b>47,460</b>	<b>497,229</b>
Noncurrent Liabilities:				
Compensated absences	43,697	1,368	13,812	58,877
Certificates of obligation	1,115,550	-	-	1,115,550
Bonds payable	974,311	-	-	974,311
<b>Total Non-Current Liabilities</b>	<b>2,133,558</b>	<b>1,368</b>	<b>13,812</b>	<b>2,148,738</b>
<b>Total Liabilities</b>	<b>2,538,046</b>	<b>46,649</b>	<b>61,272</b>	<b>2,645,967</b>
<b>NET ASSETS</b>				
Invested in Capital Assets (net of related debt)	7,876,510	-	3,905,782	11,782,292
Restricted for:				
Debt	99,246	-	-	99,246
Unrestricted	1,149,168	108,006	786,662	2,043,836
<b>Total Net Assets</b>	<b>\$ 9,124,924</b>	<b>\$ 108,006</b>	<b>\$ 4,692,444</b>	<b>\$ 13,925,374</b>

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

CITY OF CANTON, TEXAS  
STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Water/Sewer Fund	Sanitation Fund	First Monday Fund	Total
<b>OPERATING REVENUES:</b>				
Charges for Services	\$ 1,945,594	\$ 587,270	\$ 2,658,882	\$ 5,191,746
Hotel Tax	-	-	63,410	63,410
Miscellaneous income	890	-	29,112	30,002
<b>Total Operating Revenues</b>	<u>1,946,484</u>	<u>587,270</u>	<u>2,751,404</u>	<u>5,285,158</u>
<b>OPERATING EXPENSES:</b>				
Personnel Costs	485,511	31,827	548,400	1,065,738
Supplies and Materials	231,319	82	148,933	380,334
Maintenance and Repair	253,735	10,844	166,275	430,854
Contractual Services	433,944	530,643	618,434	1,583,021
Other	37,669	-	13,628	51,297
Depreciation	419,582	-	258,291	677,873
<b>Total Operating Expenses</b>	<u>1,861,760</u>	<u>573,396</u>	<u>1,753,961</u>	<u>4,189,117</u>
<b>Operating Income (Loss)</b>	<u>84,724</u>	<u>13,874</u>	<u>997,443</u>	<u>1,096,041</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Interest Expense	4,023	-	-	4,023
Bond Issuance Costs	688	-	-	688
Investment Income	140	-	3,786	3,926
<b>Total Non-Operating Revenues (Expenses)</b>	<u>4,851</u>	<u>-</u>	<u>3,786</u>	<u>8,637</u>
<b>Contributions</b>	85,308	-	-	85,308
<b>Transfers</b>	349,536	-	(682,571)	(333,035)
<b>Change in Net Assets</b>	524,419	13,874	318,658	856,951
<b>Net assets - Beginning, October 1</b>	8,278,465	47,404	4,315,031	12,640,900
<b>Prior Period Adjustments</b>	322,040	46,728	58,755	427,523
<b>Net Assets - Ending, September 30</b>	<u>\$ 9,124,924</u>	<u>\$ 108,006</u>	<u>\$ 4,692,444</u>	<u>\$ 13,925,374</u>

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

CITY OF CANTON, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Water/Sewer Fund	Sanitation Fund	First Monday Fund	Total
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 1,905,066	\$ 586,565	\$ 2,720,617	\$ 5,212,248
Cash received from other sources	86,198	-	30,787	116,985
Cash paid to employees	(485,510)	(31,686)	(550,548)	(1,067,744)
Cash paid to suppliers	(712,177)	(520,111)	(933,256)	(2,165,544)
<b>Net cash provided by (used in) operating activities</b>	<u>793,577</u>	<u>34,768</u>	<u>1,267,600</u>	<u>2,095,945</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Due from CEDC	79,410	-	(3,495)	75,915
Transfers to/from other funds	349,536	-	(682,571)	(333,035)
<b>Net Cash Provided by Non-capital Financing Activities</b>	<u>428,946</u>	<u>-</u>	<u>(686,066)</u>	<u>(257,120)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(1,035,960)	-	(164,192)	(1,200,152)
Principal payments on debt obligations	(314,013)	-	-	(314,013)
Interest and fiscal charges on debt	4,023	-	-	4,023
<b>Net cash provided by (used in) capital and related financing activities</b>	<u>(1,345,950)</u>	<u>-</u>	<u>(164,192)</u>	<u>(1,510,142)</u>
<b>Cash Flows from Investing Activities</b>				
Interest Income	140	-	3,786	3,926
<b>Net cash provided by (used in) investing activities</b>	<u>140</u>	<u>-</u>	<u>3,786</u>	<u>3,926</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(123,287)	34,768	421,128	332,609
<b>Cash and Cash Equivalents at Beginning of Year</b>	1,131,693	115,781	423,311	1,670,785
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 1,008,406</u>	<u>\$ 150,549</u>	<u>\$ 844,439</u>	<u>\$ 2,003,394</u>
<b>Reconciliation of operating income to net cash provided by operation activities</b>				
Operating income (loss)	\$ 84,724	\$ 13,874	\$ 997,443	\$ 1,096,041
Adjustment to reconcile operating income to net provided by operating activities:				
Grants, contributions and miscellaneous	85,308	-	-	85,308
Prior period adjustment	322,040	46,728	58,755	427,523
Depreciation	419,582	-	258,291	677,873
Change in Assets and Liabilities				
Decrease (increase) in receivables	(28,459)	(705)	-	(29,164)
Increase (decrease) in accounts payable	(57,693)	(6,288)	(42,791)	(106,772)
Increase (Decrease) in customer deposits	(16,250)	-	-	(16,250)
Increase (Decrease) in accrued expenses	6,684	604	1,871	9,159
Increase (Decrease) in interest payable	(8,286)	-	-	(8,286)
Increase (Decrease) in deferred revenues	4,181	-	-	4,181
Increase (Decrease) in other liabilities	(18,254)	(19,445)	(5,969)	(43,668)
Total Adjustments	<u>708,853</u>	<u>20,894</u>	<u>270,157</u>	<u>999,904</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 793,577</u>	<u>\$ 34,768</u>	<u>\$ 1,267,600</u>	<u>\$ 2,095,945</u>

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

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**A. Summary of Significant Accounting Policies**

The City of Canton ("City") was incorporated in 1919. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety, public works, recreation, and waterworks.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide* and by the Financial Accounting Standards Board when applicable. As allowed in Section P80 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply Financial Accounting Standards Board Statements and Interpretations issued after November 30, 1989. The more significant accounting policies of the City are described below.

**1. Financial Statement 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.

Management's Discussion and Analysis provides an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the original adopted budget and final amended General Fund budget with actual results.

**a. Basis of Presentation**

The City is governed by an elected mayor and five-member council. As required by GAAP, these financial statements present the City (the primary government) and its component unit, entities for which the government is considered to be financially accountable. A discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize it is legally separate from the City. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the City holds corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

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

CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Significant Accounting Policies

1. Financial Statement Presentation

a. Basis of Presentation (continued)

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 unit may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB Statement No. 14 including entities which meet all of the following requirements:

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 Canton EDC located at 119 N. Buffalo Street, Canton Texas.

The financial statements are formatted to allow the user to clearly distinguish between primary government and its discretely presented component unit.

2. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Public Safety, Public Works, Parks, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or program. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues.

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, franchise taxes, and interest income).

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**A. Summary of Significant Accounting Policies**

**2. Government-Wide and Fund Financial Statements (continued)**

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the funds financial statements. The major governmental funds are the general fund and the debt service fund. The major proprietary funds are the water and sewer fund, sanitation fund, and First Monday fund. GASB Statement No. 34 set forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

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 water and wastewater business-type fund and the sanitation business-type fund are charges to customers for sales and services. The water and wastewater fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for business-type funds include the cost of sales and service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting the definition are reported as non-operating revenues and expenses.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

**3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as well as the proprietary fund statements. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

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

Ad valorem, franchise and sales tax revenues recorded in the General Fund and ad valorem tax revenues recorded in the Debt Service Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental grant revenues are recognized when all eligibility requirements have been met. Additionally, funds received in advance for which all eligibility requirements have not been met are considered deferred revenue.

CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Significant Accounting Policies

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Business-type activities and all 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 (revenues) and decreases (expenses) in net total assets. Proprietary funds distinguish operating revenues and expenses from nonoperating 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 and sewer, sanitation, and First Monday funds are charges to customers for sales and services. Operating expenses for the proprietary funds 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 nonoperating revenues and expenses.

The City reports the following major governmental funds:

Governmental Funds:

The focus of Governmental Fund measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial revenues) rather than upon net income. The following is a description of the major Governmental Funds of the City:

The **General Fund** is the operating fund of the City. This fund 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 changes and capital improvements costs that are not paid through other funds are paid from the General Fund.

The **Debt Service Fund** is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid from taxes levied by the City.

Proprietary Funds:

The focus of proprietary funds measurement is upon determination of operating income, changes in net assets, financial position, and cash flows, which is similar to businesses. The following is a description of the major Proprietary Funds of the City:

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.

The **First Monday Fund** accounts for the operations of the City's First Monday Trade Days, which is a self-supporting services on a user-charge basis.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

A. Summary of Significant Accounting Policies

4. Financial Statement Amounts

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

a. Cash and Cash Equivalents (contingued)

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.

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

Activity between funds are reported as due to/from other funds. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

All legally authorized transfers are appropriately treated as transfers and are included in the results of operations of both governmental and proprietary funds. Nonrecurring and non-routine transfers of equity between funds - for example, contribution of capital assets to a proprietary fund or transfers of residual balances of discontinued funds to other funds - are accounted for as transfers.

c. Deferred Charges

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.

d. 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 proprietary 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.

e. 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 \$5,000 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.

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

A. Summary of Significant Accounting Policies

4. Financial Statement Amounts

e. Capital Assets (continued)

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 capitalized interest of \$106,347 in the current fiscal year.

Management elected not to retroactively report infrastructure assets within the scope of GASB 34.

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

f. 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.

g. 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 straight-line 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.

h. Fund Equity

In the fund financial statements, governmental funds report fund balance as nonspendable, restricted, committed, assigned, or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent:

- *Nonspendable fund balance* - includes the portion of net resources that cannot be spent because of their form (i.e. inventory, long-term loans, or prepaids) or because they must remain intact such as the principal of an endowment.
- *Restricted fund balance* - includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors, or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation. Examples include grant awards and bond proceeds.

**CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**A. Summary of Significant Accounting Policies**

**4. Financial Statement Amounts**

**h. Fund Equity (continued)**

- *Committed fund balance* - includes the portion of net resources for which the City Council has imposed limitations of use. Amounts that can be used only for the specific purposes determined by a *formal action* of the City Council. Commitments may be changed or lifted only by the Council taking the same *formal action* that originally imposed the constraint. The formal action must be approved before the end of the year in which the commitment will be reflected on the financial statements.
- *Assigned fund balance* - includes the portion of net resources for which an *intended* use has been established by the City Council or the City Official authorized to do so by the City Council. Assignments of fund balance are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.
- *Unassigned fund balance* - includes the the amounts in the general fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the general fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

**i. 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.

**j. Use of Estimates**

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

**k. Program Revenues**

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

**l. 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

**CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**B. Compliance and Accountability (continued)**

**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 Generally Accepted Accounting Principles ("GAAP") 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 Local Government Code for General Law A cities, 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 is 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.

**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 of the depository banks dollar amount of Federal Deposit Insurance Corporation ("FDIC") Insurance.

**Cash Deposits**

At September 30, 2011, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$4,562,532, and the bank balance was \$4,483,893. The City's cash deposits at September 30, 2011 and during the year ended September 30, 2011 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 \$3,782,138. Cash and investments as of September 30, 2011 consist of and are classified in the accompanying financial statements as follows:

**CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**C. Cash and Investments  
Cash Deposits (continued)**

**Statement of net assets:**

Primary Government	
Cash and cash equivalents	\$ 2,216,485
Restricted assets-cash & cash equivalents	<u>2,346,047</u>
Total cash and cash equivalents	<u>\$ 4,562,532</u>
Governmental - Restricted cash	
Municipal Court - technology, building security	\$ 39,455
Debt Service	975,670
Capital Projects	455,488
Flex	<u>34,797</u>
	<u>\$ 1,505,410</u>
Business-type - Restricted cash	
Customer Deposits	\$ 65,540
Capital Projects	<u>775,097</u>
	<u>840,637</u>
Total Restricted Cash	<u>\$ 2,346,047</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 currently has a "buy and hold" portfolio strategy. Maturity dates are matched with cash flow requirements and investments are purchased with the intent to be held until maturity. However, investments may be liquidated prior to maturity due to an investment has a declining credit or cash flow needs of the City.

The City has options for investments of City funds: certificates of deposits that are issued by a bank organized under Texas law, the laws of another state, or federal law, that has its main office or a branch office in Texas, or by a savings and loan association or a savings bank organized under Texas law, the laws of another state, or federal law, that has a main office in Texas and that is guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or secured by obligations in a manner and amount provided by law for deposits of the City.

Local government investment pools, which meet the requirement of Chapter 2256.016 of the Public Funds Investment Act, are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, and seek to maintain a \$1.00 net asset value and are authorized by resolution of the City Council.

**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.

**CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**C. Cash and Investments**

Investment in State Investment Pools (continued)

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. Currently, the City does not have any investments inherent to interest rate risk.

As of September 30, 2011, the City had the following investments:

<u>Investment Type</u>	<u>Amount</u>	<u>Weighted Average Maturity</u>
TexPool	<u>\$ 1,152,128</u>	<u>37 days</u>

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 keeping 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.

The City strives to minimize credit risk, the risk of loss due to the failure of the issuer or backer of the investment by limiting investment to the safest types of investments, pre-qualifying the financial institutions in which the City will do business, and diversifying the investment portfolio so that potential losses on individual issuers will be minimized.

As of September 30, 2011, the City's deposits with financial institutions in excess of federal depository insurance limits were fully collateralized.

**D. 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.

Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within sixty days following the close of the fiscal year have been recognized as revenue at the 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 ratios.

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**D. Property Taxes (continued)**

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. The City's 2010 ad valorem tax rate of \$0.42523 is in compliance with the rate limitation.

**E. 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	\$ 365,073	\$ -	\$ 17,799	\$ 382,872
Warrants	693,848	-	-	693,848
Fees and Charges	-	189,338	-	189,338
Gross Receivables	1,058,921	189,338	17,799	1,266,058
Less: Allowance for Uncollectibles	(661,054)	(11,247)	-	(672,301)
Total Net Receivables	<u>\$ 397,867</u>	<u>\$ 178,091</u>	<u>\$ 17,799</u>	<u>\$ 593,757</u>

**F. Capital Assets**

Capital asset activity for the period ended September 30, 2011 was as follows:

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
<b>Governmental Activities:</b>					
Capital assets, not being depreciated					
Land	\$ 2,756,722	\$ -	\$ -	\$ -	\$ 2,756,722
Construction in Progress	619,558	-	275,043	(520,007)	374,594
Total capital assets, not being depreciated	<u>3,376,280</u>	<u>-</u>	<u>275,043</u>	<u>(520,007)</u>	<u>3,131,316</u>
Capital assets, being depreciated:					
Buildings & Improvements	1,023,348	-	53,383	-	1,076,731
Infrastructure	8,772,272	-	869,853	-	9,642,125
Machinery & Equipment	1,627,568	-	62,276	-	1,689,844
Total capital assets being depreciated	<u>11,423,188</u>	<u>-</u>	<u>985,512</u>	<u>-</u>	<u>12,408,700</u>
Less accumulated depreciation for:					
Buildings & Improvements	(574,905)	-	(47,266)	-	(622,171)
Infrastructure	(1,096,864)	-	(268,303)	-	(1,365,167)
Machinery & Equipment	(958,668)	-	(158,245)	-	(1,116,913)
Total accumulated depreciation	<u>(2,630,437)</u>	<u>-</u>	<u>(473,814)</u>	<u>-</u>	<u>(3,104,251)</u>
Total capital assets, being depreciated, net	<u>8,792,751</u>	<u>-</u>	<u>511,698</u>	<u>-</u>	<u>9,304,449</u>
Governmental activities capital assets, net	<u>\$12,169,031</u>	<u>\$ -</u>	<u>\$ 786,741</u>	<u>\$ (520,007)</u>	<u>\$ 12,435,765</u>

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

F. Capital Assets (continued)

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
<b>Business-type Activities:</b>					
<b>Water/Sewer/Sanitation</b>					
Capital assets, not being depreciated					
Land	\$ 299,256	\$ -	\$ 4,900	\$ -	\$ 304,156
Construction in Progress	535,673	220,435	555,721	(307,816)	1,004,013
Total capital assets, not being depreciated	<u>834,929</u>	<u>220,435</u>	<u>560,621</u>	<u>(307,816)</u>	<u>1,308,169</u>
Capital assets, being depreciated:					
Buildings & Improvements	4,484,055	120,854	46,808	-	4,651,717
Infrastructure	7,815,464	(120,854)	462,307	-	8,156,917
Machinery & Equipment	1,465,467	-	53,602	-	1,519,069
Total capital assets being depreciated	<u>13,764,986</u>	<u>-</u>	<u>562,717</u>	<u>-</u>	<u>14,327,703</u>
Less accumulated depreciation for:					
Buildings & Improvements	(2,397,792)	-	(137,515)	-	(2,535,307)
Infrastructure	(2,538,065)	-	(229,537)	-	(2,767,602)
Machinery & Equipment	(720,978)	-	(52,530)	-	(773,508)
Total accumulated depreciation	<u>(5,656,835)</u>	<u>-</u>	<u>(419,582)</u>	<u>-</u>	<u>(6,076,417)</u>
Total capital assets, being depreciated, net	<u>8,108,151</u>	<u>-</u>	<u>143,135</u>	<u>-</u>	<u>8,251,286</u>
Business-type activities capital assets, net	<u>\$ 8,943,080</u>	<u>\$ 220,435</u>	<u>\$ 703,756</u>	<u>\$ (307,816)</u>	<u>\$ 9,559,455</u>
	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
<b>First Monday</b>					
Capital assets, not being depreciated					
Land	\$ 349,216	\$ -	\$ -	\$ -	\$ 349,216
Construction in Progress	32,790	-	-	(32,790)	-
Total capital assets, not being depreciated	<u>382,006</u>	<u>-</u>	<u>-</u>	<u>(32,790)</u>	<u>349,216</u>
Capital assets, being depreciated:					
Buildings	4,655,978	-	112,806	-	4,768,784
Infrastructure	2,077,974	-	78,500	-	2,156,474
Machinery & Equipment	676,332	-	6,500	(4,500)	678,332
Total capital assets being depreciated	<u>7,410,284</u>	<u>-</u>	<u>197,806</u>	<u>(4,500)</u>	<u>7,603,590</u>
Less accumulated depreciation for:					
Buildings	(1,494,008)	-	(49,290)	-	(1,543,298)
Infrastructure	(1,762,093)	-	(38,383)	-	(1,800,476)
Machinery & Equipment	(536,308)	-	(170,618)	3,675	(703,251)
Total accumulated depreciation	<u>(3,792,409)</u>	<u>-</u>	<u>(258,291)</u>	<u>3,675</u>	<u>(4,047,025)</u>
Total capital assets, being depreciated, net	<u>3,617,875</u>	<u>-</u>	<u>(60,485)</u>	<u>(825)</u>	<u>3,556,565</u>
Business-type activities capital assets, net	<u>\$ 3,999,881</u>	<u>\$ -</u>	<u>\$ (60,485)</u>	<u>\$ (825)</u>	<u>\$ 3,905,781</u>

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

Governmental activities:	
General Government	\$ 20,607
Public Services and Operations	8,678
Public Safety	149,277
Public Works, including depreciation of general infrastructure assets	256,249
Parks and Recreation	39,003
Total depreciation expense - governmental activity	<u>\$ 473,814</u>

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

F. Capital Assets (continued)

Business-type activities:	
Water, Sewer, Sanitation	\$ 419,582
First Monday	258,291
Total depreciation expense - business-type activity	<u>\$ 677,873</u>

G. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2011 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Certificates of Obligation	\$ 1,891,550	\$ -	\$ (114,450)	\$ 1,777,100	\$ 127,650
Refunding Bonds	1,515,000	-	(490,000)	1,025,000	505,000
Limited Tax Note	450,589	750,000	(55,178)	1,145,411	52,532
Plus:					
Issuance premiums	7,659	21,963	(7,406)	22,216	(7,406)
Less:					
Issuance discounts	(10,243)	(12,064)	3,187	(19,120)	3,187
Total Bonds Payable	<u>3,854,555</u>	<u>759,899</u>	<u>(663,847)</u>	<u>3,950,607</u>	<u>680,963</u>
Notes Payable	339,044	-	(30,714)	308,330	32,257
Total Bonds/Notes Payable	<u>4,193,599</u>	<u>759,899</u>	<u>(694,561)</u>	<u>4,258,937</u>	<u>713,220</u>
Compensated absences	130,312	75,006	(41,466)	163,852	12,609
Governmental activity					
Long-term Debt	<u>\$ 4,323,911</u>	<u>\$ 834,905</u>	<u>\$ (736,027)</u>	<u>\$ 4,422,789</u>	<u>\$ 725,829</u>

Changes in Governmental Long-Term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30,		Retired	Amounts Outstanding September 30, 2011	Due Within One Year
			2010	Issued			
2007 Cert of Oblig	4.00%	\$ 1,400,000	\$ 1,220,000	\$ -	\$ (60,000)	\$ 1,160,000	\$ 60,000
2008 Limited Tax Note	4.35%	500,000	450,589	-	(30,178)	420,411	27,532
2008 Refunding Bond	3.099%	2,460,000	1,515,000	-	(490,000)	1,025,000	505,000
Series 2003-W/S	4% - 4.4%	1,000,000	671,550	-	(54,450)	617,100	67,650
2010 Tax Note	2% - 3%	750,000	-	750,000	(25,000)	725,000	25,000
Total Bonds Payable		<u>6,110,000</u>	<u>3,857,139</u>	<u>750,000</u>	<u>(659,628)</u>	<u>3,947,511</u>	<u>685,182</u>
ANB Notes	5.5%- 6.27%	380,000	339,044	-	(30,714)	308,330	32,257
		<u>\$ 6,490,000</u>	<u>\$ 4,196,183</u>	<u>\$ 750,000</u>	<u>\$ (690,342)</u>	<u>\$ 4,255,841</u>	<u>\$ 717,439</u>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2012	\$ 717,439	\$ 123,857	\$ 841,296
2013	751,833	115,407	867,240
2014	643,062	106,160	749,222
2015	662,217	131,558	793,775
2016	523,300	58,217	581,517
2017-2019	957,990	58,601	1,016,591
Totals	<u>\$ 4,255,841</u>	<u>\$ 593,800</u>	<u>\$ 4,849,641</u>

\$750,000 Limited Tax Note was issued October, 2010 for the purpose of street improvements including water/sewer infrastructure.

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**G. Long-Term Obligations (continued)**

\$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.

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
<b>Water &amp; Sewer</b>					
Certificate of Obligations	\$ 1,363,450	\$ -	\$ (110,550)	\$ 1,252,900	\$ 137,350
Refunding Bonds	260,000	-	(165,000)	95,000	95,000
Revenue Bonds	1,045,000	-	(35,000)	1,010,000	40,000
Plus:					
Issuance premiums	6,487	-	(2,176)	4,311	2,176
Total Bonds Payable	2,674,937	-	(312,726)	2,362,211	274,526
Compensated absences	56,705	8,440	(8,800)	56,345	8,317
Total Water & Sewer	<u>\$ 2,731,642</u>	<u>\$ 8,440</u>	<u>\$ (321,526)</u>	<u>\$ 2,418,556</u>	<u>\$ 282,843</u>
<b>First Monday</b>					
Compensated absences	\$ 15,960	\$ 1,145	\$ (6,256)	\$ 10,849	\$ -
Total First Monday	<u>\$ 15,960</u>	<u>\$ 1,145</u>	<u>\$ (6,256)</u>	<u>\$ 10,849</u>	<u>\$ -</u>

**Changes in Water Sewer Long-Term Debt**

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30,			Amounts Outstanding September 30, 2011	Due Within One Year
			2010	Issued	Retired		
Series 2003-Ref	2.5% - 3.5%	\$ 2,230,000	\$ 260,000	\$ -	\$ (165,000)	\$ 95,000	\$ 95,000
Series 2003-W/S	4% - 4.4%	2,000,000	1,363,450	-	(110,550)	1,252,900	137,350
Series 2010-Revenue	4.25%-4.4%	1,060,000	1,045,000	-	(35,000)	1,010,000	40,000
		<u>\$ 5,290,000</u>	<u>\$ 2,668,450</u>	<u>\$ -</u>	<u>\$ (310,550)</u>	<u>\$ 2,357,900</u>	<u>\$ 272,350</u>

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**G. Long-Term Obligations (continued)**

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2012	\$ 272,350	\$ 95,300	\$ 367,650
2013	200,800	88,106	288,906
2014	217,550	79,974	297,524
2015	224,250	71,172	295,422
2016	230,950	61,826	292,776
2017-2021	637,000	179,208	816,208
2022-2026	295,000	99,930	394,930
2027-2030	280,000	31,460	311,460
<b>Totals</b>	<b>\$ 2,357,900</b>	<b>\$ 706,976</b>	<b>\$ 3,064,876</b>

\$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.

\$1,060,000 Series 2010 Revenue Bonds were issued for the purpose of acquiring, installing, constructing and equipping additions, improvements and extensions to the City's waterworks and sewer system.

**H. 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:

	Fees	Prior Years Amortization Expense	Current Year Amortization Expense	Balance	Due Within One Year
<b>General Fund</b>					
2010 Tax Note	\$ 32,000	\$ -	\$ 4,000	\$ 28,000	\$ 4,000
2008 GO bond issue fees	41,624	22,892	6,245	12,487	6,244
2007 CO bond issue fees	48,548	14,025	4,932	29,591	4,932
<b>Totals</b>	<b>\$ 122,172</b>	<b>\$ 36,917</b>	<b>\$ 15,177</b>	<b>\$ 70,078</b>	<b>\$ 15,176</b>
	Fees	Prior Years Amortization Expense	Current Year Amortization Expense	Balance	Due Within One Year
<b>Proprietary Fund</b>					
2010 Revenue Bonds	\$ 29,700	\$ 1,489	\$ 1,414	\$ 26,797	\$ 1,414
<b>Totals</b>	<b>\$ 29,700</b>	<b>\$ 1,489</b>	<b>\$ 1,414</b>	<b>\$ 26,797</b>	<b>\$ 1,414</b>

**I. Pension Plan**

**1. Plan Description**

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

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

**CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**I. Pension Plan**

**1. Plan Description (continued)**

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

Plan provisions for the City were as follows:

Employee Deposit Rate:	7%
Matching Ratio (City to Employee):	2 to 1
Years required for vesting	5 yrs
Service retirements eligibility (expressed as age/years of service)	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers
Annuity Increase (to retirees)	30% of CPI Repeating

**2. Contributions**

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

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

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

**Schedule of Actuarial Liabilities and Funding Progress**

	<u>12/31/08</u>	<u>12/31/09</u>	prior to restructuring <u>12/31/10</u>	Restructured <u>12/31/10</u>
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level % of payroll	Level % of payroll	Level % of payroll	Level % of payroll
GASB25 Equivalent Single Amortization period	29 years; closed	28 years; closed	27.1 years; closed	27.1 years; closed
Amortization period for new gains/losses	30 years	30 years	30 years	30 years
Asset Valuation method	amortized cost	10-yr smoothed market	10-yr smoothed market	10-yr smoothed market
Actuarial assumptions:				
Investment rate of return *	7.5%	7.5%	7.5%	7.0%
Projected Salary Increases *	varies by age & service	varies by age & service	varies by age & service	varies by age & service
* Includes Inflation of Cost-of-Living adjustments	3% 2.1%	3% 2.1%	3% 0.9%	3% 0.9%

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

I. Pension Plan  
 2. Contributions (continued)

**Funded Status and Funding Progress** - In June, 2011, SB 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed, as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure, based on an actuarial experience study that was adopted by the TMRS Board at their May, 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS city rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report ("CAFR").

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

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

	12/31/08	12/31/09	prior to restructuring 12/31/10	Restructured 12/31/10
Actuarial Valuation Date				
Actuarial Value of Assets	\$ 2,889,423	\$ 3,152,021	\$ 3,577,269	\$ 4,478,926
Actuarial Accrued Liability	4,843,733	4,694,409	5,130,800	5,938,320
Percentage Funded	59.7%	67.1%	69.7%	75.4%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	1,954,350	1,542,388	1,553,531	1,459,394
Annual Covered Payroll	2,224,830	2,276,555	2,120,124	2,120,124
UAAL as a Percentage of Covered Payroll	87.8%	67.8%	73.3%	68.8%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -	\$ -
Annual Pension Cost:				
Annual required contribution (ARC) Plus	326,248	353,628	302,456	302,456
Contributions Made Less	(326,248)	(353,628)	(302,456)	(302,456)
NPO at the end of the period	\$ -	\$ -	\$ -	\$ -

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.

The City's contributions to the TMRS SDBF for the years ended 2011, 2010 and 2009 were \$910, \$954 and \$997, respectively, which equaled the required contributions each year.

**CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**J. Health Care Coverage**

During the year ended September 30, 2011, employees of the City were covered by a health insurance plan (the Plan). The City contributed \$467.70 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 the insurance carrier. The Plan was authorized by article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

**K. Insurance Coverage**

Below is a schedule of insurance in force.

Company	Policy Number	Description of Coverage	Amount of Coverage	Period Covered	Premium	Deductible
<b>Liability Coverage:</b>						
TX Municipal League	4477	General	1,000,000 per occurrence	10/01/10 to 10/01/11	\$ 7,873	\$ -
TX Municipal League	4477	Errors & Omissions	1,000,000 per occurrence	10/01/10 to 10/01/11	12,916	\$ 1,000
TX Municipal League	4477	Automobile	1,000,000 per claim	10/01/10 to 10/01/11	10,828	\$ -
TX Municipal League	4477	Law Enforcement	1,000,000 per occurrence	10/01/10 to 10/01/11	7,617	\$ 5,000
<b>Property Coverage:</b>						
TX Municipal League	4477	Real and Personal	1,000,000 per accident	10/01/10 to 10/01/11	21,124	\$ 1,000
TX Municipal League	4477	Airport	1,000,000 per occurrence	10/01/10 to 10/01/11	1,367	\$ -
TX Municipal League	4477	Mobile Equipment	391,300	10/01/10 to 10/01/11	2,052	\$ 500
TX Municipal League	4477	Boiler	1,000,000	10/01/10 to 10/01/11	included	\$ 1,000
TX Municipal League	4477	Automobile-Phys. Dm.	Comprehensive Scheduled	10/01/10 to 10/01/11	7,341	\$ 500

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by 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, 2010, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

**L. 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.

**M. Litigation**

The City is party to a legal proceeding arising in the ordinary course of its operations. It is believed by management that a favorable outcome to the City is likely.

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**N. 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	329,590,000
Gallons Billed	248,188,800

**O. Prior Period Adjustments**

Governmental	<u>\$ 177,044</u>	To correct beginning balance of accounts payable in prior year
Business-type	\$ 207,088	To correct beginning balance of accounts payable in prior year
	220,435	To transfer prior years CIP from Canton EDC
	<u>\$ 427,523</u>	

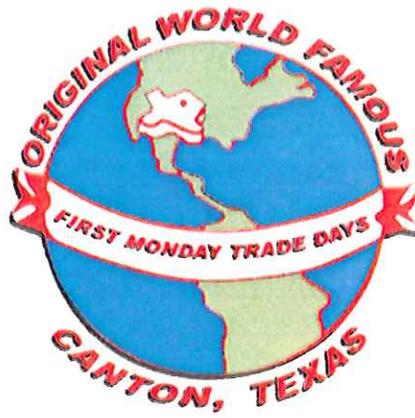
**P. Interfund Transfers**

Transfers between funds during the year were as follows:

<u>Transfers Out</u>	<u>Transfers in</u>			
	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Gov Funds</u>	<u>Water and Sewer Funds</u>
First Monday	\$ 320,000	\$ -	\$ -	\$ -
Nonmajor governmental	606,773	-	-	-
Debt Service	690,342	-	-	-
General Fund	-	-	803,000	-
Nonmajor governmental	-	-	-	53,326
Debt Service	-	-	-	341,450
First Monday	-	380,105	-	-
	<u>\$ 1,617,115</u>	<u>\$ 380,105</u>	<u>\$ 803,000</u>	<u>\$ 394,776</u>

**Q. Subsequent Events**

The City has evaluated all events or transactions that occurred after September 30, 2011 up through August 6, 2012, the date the financial statements were issued. On November 30, 2011, the City issued \$2,000,000 Combination Tax & Revenue Certificate of Obligations bonds to finance water infrastructure improvements and construction of water storage tower.



**REQUIRED SUPPLEMENTARY INFORMATION**



CITY OF CANTON, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

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

Fiscal Year *	Actuarial Valuation Date	Actuarial Value** of Assets	Actuarial Liability (AAL) -Unit Credit	(Over-funded) Actuarial Liability UAAL	Funded Percent	Covered Payroll	UAAL as Percent of Covered Payroll		Actual Contributions	Percent Contributed
							Annual Required Contributions	Actual Contributions		
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%
2010	12/31/2009	\$3,152,021	\$ 4,694,409	\$ 1,542,388	67.10%	\$2,276,555	67.80%	\$ 353,628	\$ 353,628	100%
2011	12/31/2010 <sup>1</sup>	\$3,577,269	\$ 5,130,800	\$ 1,553,531	69.70%	\$2,120,124	73.30%	\$ 302,456	\$ 302,456	100%
2011	12/31/2010 <sup>2</sup>	\$4,478,926	\$ 5,938,320	\$ 1,459,394	75.40%	\$2,120,124	68.84%	\$ 302,456	\$ 302,456	100%

<sup>1</sup> Actual valuation performed under the original fund structure  
<sup>2</sup> Actual valuation performed under the new fund structure  
<sup>\*</sup> As of December 31, of the preceding year, the date of the actuarial valuation  
<sup>\*\*</sup> Information is from appropriate year supplements to TMRS annual reports.  
 NOTE: See accompanying notes to these financial statements for more detail.

CITY OF CANTON, TEXAS  
GENERAL FUND - SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Mixed Drink Tax	\$ 7,000	\$ 7,000	\$ 4,742	\$ (2,258)
Property Tax	260,275	260,275	257,355	(2,920)
Fines and Forfeitures	230,000	300,250	342,061	41,811
Licenses and Permits	58,500	58,500	64,018	5,518
Sales Tax Collected	2,025,000	2,160,000	2,151,471	(8,529)
Franchise Fees	250,000	278,000	278,688	688
Charge for Services	61,000	61,000	67,738	6,738
Rental Income	51,275	51,275	46,697	(4,578)
Donations	1,000	1,000	660	(340)
Investment Income	4,000	4,000	3,439	(561)
Miscellaneous	3,200	3,200	11,600	8,400
<b>Total Revenues</b>	<u>2,951,250</u>	<u>3,184,500</u>	<u>3,228,469</u>	<u>43,969</u>
<b>EXPENDITURES</b>				
General Government	923,805	953,255	849,814	103,441
Public Safety	1,441,760	1,521,270	1,498,156	23,114
Municipal Court	165,775	191,050	178,791	12,259
Public Works	387,880	390,525	451,490	(60,965)
Parks and Recreation	211,205	238,450	238,155	295
Animal Shelter	116,330	116,330	114,177	2,153
Capital Outlay:				
General Government	30,000	25,700	49,695	(23,995)
Parks and Recreation	-	19,000	6,316	12,684
Animal Shelter	4,000	4,000	3,687	313
<b>Total Expenditures</b>	<u>3,280,755</u>	<u>3,459,580</u>	<u>3,390,281</u>	<u>69,299</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(329,505)	(275,080)	(161,812)	113,268
<b>Other Revenues and Financing Sources (uses)</b>				
Transfers	267,000	248,000	268,898	20,898
Insurance Reimbursement	-	32,590	34,336	1,746
Intergovernmental Revenues	94,050	121,200	57,500	(63,700)
<b>Total Other Financing Sources (uses)</b>	<u>361,050</u>	<u>401,790</u>	<u>360,734</u>	<u>(41,056)</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	31,545	126,710	198,922	72,212
<b>Fund Balances/Equity, October 1</b>	874,906	874,906	874,906	
<b>Prior Period Adjustment</b>	145,381	145,381	145,381	
<b>Fund Balances/Equity, September 30</b>	<u>\$ 906,451</u>	<u>\$ 1,001,616</u>	<u>\$ 1,219,209</u>	

**SUPPLEMENTARY INFORMATION**



CITY OF CANTON, TEXAS  
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Property Taxes	\$ 839,830	\$ 839,830	\$ 846,748	\$ 6,918
Investment Income	5,100	5,100	6,939	1,839
<b>Total Revenues</b>	<u>844,930</u>	<u>844,930</u>	<u>853,687</u>	<u>8,757</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal Retirement	962,075	962,075	690,342	271,733
Interest and Fiscal Agent Fees	244,260	244,260	186,381	57,879
<b>Total Expenditures</b>	<u>1,206,335</u>	<u>1,206,335</u>	<u>876,723</u>	<u>329,612</u>
<b>Excess (deficiency) of revenues over</b>	<b>(361,405)</b>	<b>(361,405)</b>	<b>(23,036)</b>	<b>338,369</b>
<b>Other Revenues and Financing Sources (uses)</b>				
Transfers	361,445	341,445	(5)	(341,450)
<b>Total Other Financing Sources (uses)</b>	<u>361,445</u>	<u>341,445</u>	<u>(5)</u>	<u>(341,450)</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	<b>40</b>	<b>(19,960)</b>	<b>(23,041)</b>	<b>(3,081)</b>
<b>Fund Balances/Equity, October 1</b>	<u>983,567</u>	<u>983,567</u>	<u>983,567</u>	
<b>Fund Balances/Equity, September 30</b>	<u>\$ 983,607</u>	<u>\$ 963,607</u>	<u>\$ 960,526</u>	

**CITY OF CANTON, TEXAS  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2011**

	<u>Capital Improvements</u>	<u>Special Revenue</u>	<u>Equipment Replacement</u>	<u>Total</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 65,826	\$ 3,552	\$ 98,821	\$ 168,199
Cash - Restricted	451,066	4,422	-	455,488
<b>Total Assets</b>	<u>516,892</u>	<u>7,974</u>	<u>98,821</u>	<u>623,687</u>

**LIABILITIES AND FUND BALANCES**

<b>LIABILITIES</b>				
Accounts payable	23,725	885	-	24,610
<b>Total Liabilities</b>	<u>23,725</u>	<u>885</u>	<u>-</u>	<u>24,610</u>

**Fund Balances**

Restricted for:

Capital Improvements 369,470 7,089 - 376,559

Committed:

Public Works 123,697 - - 123,697

Assigned:

Equipment Replacement - - 98,821 98,821

**Total Fund Balances** 493,167 7,089 98,821 599,077

**Total Liabilities and Fund Balances** \$ 516,892 \$ 7,974 \$ 98,821 \$ 623,687

CITY OF CANTON, TEXAS  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCE-NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Capital Improvements	Special Revenue	Equipment Replacement	Total
<b>REVENUE</b>				
Grant Revenue	\$ -	\$ 349,937	\$ -	\$ 349,937
Donations	-	6,924	-	6,924
Intergovernmental - component unit	-	48,000	-	48,000
Investment Income	4,820	-	-	4,820
Miscellaneous	-	-	1,809	1,809
<b>Total Revenues</b>	<b>4,820</b>	<b>404,861</b>	<b>1,809</b>	<b>411,490</b>
<b>EXPENDITURES</b>				
Current:				
Public Safety	-	9,785	-	9,785
Debt Service:				
Cost of debt issuance	22,100	-	-	22,100
Capital Outlay:				
Public Safety	-	-	55,960	55,960
Public Works	352,830	114,900	-	467,730
Parks and Recreation	-	102,643	-	102,643
<b>Total Expenditures</b>	<b>374,930</b>	<b>227,328</b>	<b>55,960</b>	<b>658,218</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(370,110)</b>	<b>177,533</b>	<b>(54,151)</b>	<b>(246,728)</b>
<b>Other Revenues and Financing Sources (uses)</b>				
Tax note proceeds	750,000	-	-	750,000
Transfers	(71,685)	82,827	53,000	64,142
<b>Total Other Financing Sources (uses)</b>	<b>678,315</b>	<b>82,827</b>	<b>53,000</b>	<b>814,142</b>
<b>Net Change in Fund Balances</b>	<b>308,205</b>	<b>260,360</b>	<b>(1,151)</b>	<b>567,414</b>
<b>Fund Balances, October 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Prior Period Adjustments</b>	<b>184,962</b>	<b>(253,271)</b>	<b>99,972</b>	<b>31,663</b>
<b>Fund Balances, September 30</b>	<b>\$ 493,167</b>	<b>\$ 7,089</b>	<b>\$ 98,821</b>	<b>\$ 599,077</b>



**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.

<b><u>Contents</u></b>	<b>Table #s</b>
<b>Financial Trends</b> 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
<b>Revenue Capacity</b> 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
<b>Debt Capacity</b> 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
<b>Economic and Demographic Information</b> 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
<b>Operating Information</b> 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 EIGHT FISCAL YEARS  
(accrual basis of accounting)**

	<b>FISCAL YEAR</b>			
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>
Governmental activities				
Invested in capital assets, net of related debt	\$ 3,239,307	\$ 3,392,419	\$ 4,052,709	\$ 4,780,990
Restricted	3,149,064	2,564,366	1,749,141	1,068,338
Unrestricted	874,067	394,235	773,952	1,228,978
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>
Business-type activities				
Invested in capital assets, net of related debt	3,593,216	5,099,501	7,246,782	8,049,798
Restricted	-	-	-	-
Unrestricted	869,072	1,368,354	1,057,221	1,182,662
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>
Primary government				
Invested in capital assets, net of related debt	6,832,523	8,491,920	11,299,491	12,830,788
Restricted	3,149,064	2,564,366	1,749,141	1,068,338
Unrestricted	1,743,139	1,762,589	1,831,173	2,411,640
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>

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

Table 1

FISCAL YEAR			
2008	2009	2010	2011
\$ 8,917,364	\$ 6,879,822	\$ 7,853,707	\$ 8,630,990
1,439,063	1,088,389	1,091,198	518,215
(2,628,049)	554,154	829,474	1,713,158
<u>7,728,378</u>	<u>8,522,365</u>	<u>9,774,379</u>	<u>10,862,363</u>
8,847,997	10,025,715	9,512,081	11,782,292
-	130,509	1,121,040	99,246
<u>1,722,995</u>	<u>1,111,558</u>	<u>2,007,778</u>	<u>2,043,836</u>
<u>10,570,992</u>	<u>11,267,782</u>	<u>12,640,899</u>	<u>13,925,374</u>
17,765,361	16,905,537	17,365,788	20,413,282
1,439,063	1,218,898	2,212,238	617,461
(905,054)	1,665,712	2,837,252	3,756,994
<u>\$ 18,299,370</u>	<u>\$ 19,790,147</u>	<u>\$ 22,415,278</u>	<u>\$ 24,787,737</u>

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

	FISCAL YEAR			
	2004	2005	2006	2007
<b>EXPENSES</b>				
Government activities:				
General government	\$ 770,401	\$ 621,221	\$ 834,783	\$ 695,308
Public Safety	1,056,838	921,820	1,124,601	1,297,739
Public Works	271,479	260,624	311,485	466,698
Public Services and Operations	124,044	122,250	164,485	215,320
Parks and Recreation	74,091	111,339	197,652	171,891
Interest Expense	119,474	238,810	266,110	210,684
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>
Business-type activities:				
Water and Sewer	2,095,020	2,154,148	2,260,908	2,231,605
Sanitation	-	-	-	-
First Monday	2,284,470	2,420,318	2,769,036	2,884,669
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>
Total primary government expenses	<u>6,983,534</u>	<u>7,107,142</u>	<u>8,193,056</u>	<u>8,446,175</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charge for services:				
General government	190,378	259,736	245,698	121,906
Public Safety	194,064	140,869	188,708	294,643
Public Works	222,459	243,319	5,071	2,055
Public Services and Operations	36,160	27,209	61,016	61,591
Total governmental activities program revenues	<u>643,061</u>	<u>671,133</u>	<u>500,493</u>	<u>480,195</u>
Business-type activities				
Charge for services:				
Water and Sewer	1,575,445	1,900,319	2,102,690	2,036,062
Sanitation	-	-	-	-
First Monday	3,375,221	3,281,485	3,385,051	3,515,950
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>
Total primary government program revenue	<u>5,593,727</u>	<u>5,852,937</u>	<u>5,988,234</u>	<u>6,032,207</u>
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	(1,960,983)	(1,861,543)	(2,662,619)	(2,849,706)
Business-type activities	571,176	607,338	457,797	435,738
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>

Table 2

FISCAL YEAR			
2008	2009	2010	2011
\$ 706,877	\$ 975,534	\$ 821,677	\$ 884,368
1,473,409	1,463,891	1,584,341	1,682,441
596,873	765,471	668,367	659,366
344,222	276,339	278,595	301,828
293,487	381,200	277,565	276,160
298,690	186,529	155,545	203,416
-	-	-	-
<u>3,713,558</u>	<u>4,048,964</u>	<u>3,786,090</u>	<u>4,007,579</u>
1,851,540	2,133,803	1,852,580	1,857,049
577,327	614,118	543,142	573,396
<u>2,911,402</u>	<u>2,891,481</u>	<u>2,087,038</u>	<u>1,753,961</u>
<u>5,340,269</u>	<u>5,639,402</u>	<u>4,482,760</u>	<u>4,184,406</u>
9,053,827	9,688,366	8,268,850	8,191,985
129,515	32,957	30,325	64,276
-	55,081	42,465	95,932
-	-	-	1,809
<u>202,404</u>	<u>314,253</u>	<u>276,852</u>	<u>396,541</u>
<u>331,919</u>	<u>402,291</u>	<u>349,642</u>	<u>558,558</u>
1,747,927	1,873,195	1,636,119	1,947,269
602,820	556,578	553,448	587,270
<u>3,332,549</u>	<u>3,428,312</u>	<u>2,624,051</u>	<u>2,657,207</u>
<u>5,683,296</u>	<u>5,858,085</u>	<u>4,813,618</u>	<u>5,191,746</u>
<u>6,015,215</u>	<u>6,260,376</u>	<u>5,163,260</u>	<u>5,750,304</u>
(3,381,639)	(3,646,673)	(3,436,448)	(3,449,021)
<u>343,027</u>	<u>218,683</u>	<u>330,858</u>	<u>1,007,340</u>
<u>\$ (3,038,612)</u>	<u>\$ (3,427,990)</u>	<u>\$ (3,105,590)</u>	<u>\$ (2,441,681)</u>

(continued)

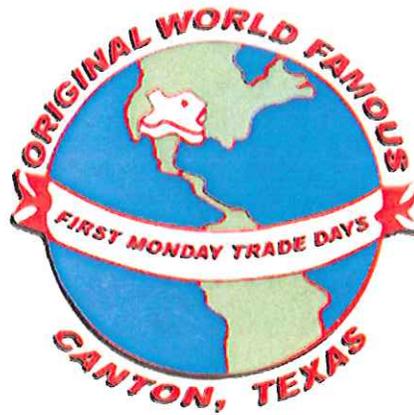
**CITY OF CANTON, TEXAS  
CHANGES IN NET ASSETS  
LAST EIGHT FISCAL YEARS  
(accrual basis of accounting)**

	FISCAL YEAR				
	2004	2005	2006	2007	2008
<b>GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS</b>					
Government activities:					
Taxes:					
Property	\$ -	\$ -	\$ 847,126	\$ 961,661	\$ 1,055,951
Sales	1,258,338	1,230,662	1,937,551	1,994,083	2,157,257
Franchise	588,183		264,934	313,342	258,808
Beverage	-	6,112	6,908	6,766	6,354
Hotel/Motel	8,528	3,273	-	-	-
Investment Income	43,060	95,892	115,021	78,512	111,716
Insurance Reimbursement			126,660	322	8,776
FEMA Reimbursement	-	-	-	-	56,873
Donations	-	-	-	-	169,654
Miscellaneous	86,980	669,834	78,581	39,750	20,862
Extraordinary Loss				(300,000)	-
Operating & Capital Grants				312,144	446,870
Intergovernmental	(44,870)	11,772	86,744	-	115,000
Transfers	427,996	(1,115,968)	(793,876)	(43,517)	(365,390)
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>
Business-type activities:					
Investment Income	-	12,295	41,829	94,252	46,819
Hotel/Motel	125,425	207,757	131,989	157,477	183,557
Miscellaneous	-	18,559	-	-	74,567
Donations	-	-	-	-	-
Sale of Assets	-	-	12,646	-	(205)
Operating & Capital Grants	-	-	-	28,000	-
Intergovernmental	-	50,000	386,214	125,000	80,000
Transfers	(427,996)	1,115,968	793,876	43,517	365,390
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>
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>
<b>CHANGE IN NET ASSETS</b>					
Governmental activities	407,232	(959,966)	7,030	513,357	661,092
Business-type activities	268,605	2,011,917	1,824,351	883,984	1,093,155
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>

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

Table 2

FISCAL YEAR		
2009	2010	2011
\$ 1,058,246	\$ 1,147,211	\$ 1,104,103
2,112,512	2,087,499	2,151,471
213,261	229,691	278,688
4,968	7,003	4,742
-	-	-
16,717	11,859	15,200
-	-	-
-	-	-
3,373	9,095	7,584
52,605	56,807	9,701
-	-	-
98,531	279,767	455,437
248,688	-	-
441,333	331,682	333,035
<u>4,250,234</u>	<u>4,160,614</u>	<u>4,359,961</u>
8,652	7,174	3,926
220,532	210,697	63,410
31,588	69,182	30,003
30,000	-	-
-	-	-
473,617	1,069,158	85,308
143,635	20,000	-
(441,333)	(331,682)	(333,035)
<u>466,691</u>	<u>1,044,529</u>	<u>(150,388)</u>
<u>4,716,925</u>	<u>5,205,143</u>	<u>4,209,573</u>
603,561	724,166	910,940
<u>685,374</u>	<u>1,375,387</u>	<u>856,952</u>
<u>\$ 1,288,935</u>	<u>\$ 2,099,553</u>	<u>\$ 1,767,892</u>



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

**Table 3**

<b>Fiscal Year</b>	<b>Property Tax</b>	<b>Sales Tax</b>	<b>Franchise Tax</b>	<b>Total</b>
2004	\$ -	\$ 1,258,338	\$ 207,599	\$ 1,465,937
2005	-	1,230,662	241,779	1,472,441
2006	847,126	1,937,551	264,934	3,049,611
2007	961,661	1,994,083	313,342	3,269,086
2008	1,055,951	2,157,257	258,808	3,472,016
2009	1,058,246	2,112,512	213,261	3,384,019
2010	1,147,211	2,087,499	229,691	3,464,401
2011	1,104,103	2,151,471	278,688	3,534,262

**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 OF GOVERNMENTAL FUNDS  
 LAST EIGHT FISCAL YEARS  
 (modified accrual basis of accounting)**

	FISCAL YEAR				
	2004	2005	2006	2007	2008
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,073,842	1,425,190	1,148,056	960,626	1,192,632
	<u>\$ 1,073,842</u>	<u>\$ 1,425,190</u>	<u>\$ 1,148,056</u>	<u>\$ 960,626</u>	<u>\$ 1,192,632</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
	<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>

**NOTE1:** Years will continue to be added until there are 10 years for comparison

**NOTE2:** Implementation of GASB54 restructured the fund balance detail in 2011

Table 4

FISCAL YEAR		
2009	2010	2011
\$ 79,650	\$ 158,819	\$ 39,455
635,926	716,087	1,179,754
<u>\$ 715,576</u>	<u>\$ 874,906</u>	<u>\$ 1,219,209</u>

\$ -	\$ -	\$ 599,077
1,034,399	983,567	960,526
<u>\$ 1,034,399</u>	<u>\$ 983,567</u>	<u>\$ 1,559,603</u>

	2011
General Fund	
Restricted for:	
Court Use	\$ 39,455
Assigned for:	
Police	2,666
Unassigned	1,177,088
	<u>1,219,209</u>

All other governmental funds:	
Restricted for:	
Debt	\$ 960,526
Capital improvements	376,560
Committed for:	
Public Works	123,697
Assigned for:	
Equipment replacement	98,820
	<u>\$ 1,559,603</u>

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

	FISCAL YEAR				
	2004	2005	2006	2007	2008
<b>REVENUES</b>					
Property Taxes	\$ -	\$ -	\$ 847,126	\$ 961,660	\$ 1,055,951
Non-Property Taxes	1,855,049	1,851,396	2,209,393	2,314,191	2,422,419
License and permits	287,705	283,359	65,757	33,114	90,420
Charge for Services	62,042	70,676	12,556	17,321	23,693
Fines and Forfeitures	125,673	111,274	129,011	275,099	178,711
Capital & Operating Grants	-	127,143	29,679	312,144	446,870
Rental Income	-	-	43,145	32,755	39,095
Donations	-	-	-	-	169,654
Investment Income	6,851	95,893	115,022	78,511	111,715
<b>Total Revenues</b>	<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>
<b>EXPENDITURES</b>					
General government	773,383	610,816	1,117,052	993,892	891,451
Public Safety	1,125,963	1,023,107	1,072,538	1,348,594	2,038,530
Public Works	271,479	316,410	350,402	715,880	1,589,888
Public Services and Operations	129,677	122,250	285,309	269,968	292,341
Parks and Recreation	125,285	159,035	287,619	246,987	319,171
Capital Outlay	695,160	67,491	29,548	-	-
Debt Service					
Principal	216,070	230,885	244,663	253,142	556,193
Interest and other charges	119,474	238,810	265,990	208,712	329,062
Issuance costs	-	-	-	-	-
<b>Total Expenditures</b>	<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>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of Assets	36,209	-	-	-	-
Debt Proceeds	-	-	-	-	1,900,000
Intergovernmental	93,639	11,772	-	-	195,000
FEMA Reimbursements	-	-	-	-	56,873
Insurance Reimbursement	-	-	126,660	322	8,776
Extraordinary Loss	-	-	-	(300,000)	-
Miscellaneous	227,143	264,305	328,603	189,355	20,863
Transfers	427,996	(1,115,969)	(793,876)	(71,220)	(445,390)
<b>Total other financing sources (uses)</b>	<u>784,987</u>	<u>(839,892)</u>	<u>(338,613)</u>	<u>(181,543)</u>	<u>1,736,122</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (334,184)</u>	<u>\$ (1,068,955)</u>	<u>\$ (540,045)</u>	<u>\$ (193,923)</u>	<u>\$ 258,014</u>
Debt service as a percentage of noncapital expenditures	13.83%	21.05%	16.40%	12.92%	17.25%

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

Table 5

FISCAL YEAR		
2009	2010	2011
\$ 1,068,738	\$ 1,147,211	\$ 1,104,103
2,330,741	2,324,193	2,434,901
49,565	43,873	64,018
74,221	67,565	67,738
196,187	167,744	342,061
98,531	279,767	349,937
32,957	48,601	46,697
3,373	9,095	7,584
16,717	11,860	15,200
<u>3,871,030</u>	<u>4,099,909</u>	<u>4,432,239</u>
1,132,721	795,167	849,814
1,934,821	1,459,063	1,507,941
1,482,197	436,294	393,990
265,646	271,826	292,968
563,291	221,869	238,155
-	369,691	743,531
633,988	667,482	690,342
143,426	180,367	186,381
-	-	22,100
<u>6,156,090</u>	<u>4,401,759</u>	<u>4,925,222</u>
29,487	-	-
380,000	-	750,000
248,688	-	105,500
-	-	-
49,361	40,136	34,336
-	-	-
52,605	38,531	13,407
448,279	331,681	333,035
<u>1,208,420</u>	<u>410,348</u>	<u>1,236,278</u>
<u>\$ (1,076,640)</u>	<u>\$ 108,498</u>	<u>\$ 743,295</u>
14.45%	26.63%	27.38%

CITY OF CANTON, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 LAST FIVE FISCAL YEARS

Table 6

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 <sup>a</sup> as a Percentage of Actual Value
	Residential Property	Commercial Property					
2007	\$ 132,898,480	\$ 129,840,220	\$ 35,614,780	\$ 260,257,660	\$ 0.39000	295,872,440	87.96%
2008	134,823,670	102,566,320	27,361,518	243,234,892	0.42523	270,596,410	89.89%
2009	184,651,730	85,766,718	45,556,942	253,145,298	0.42523	298,702,240	84.75%
2010	139,534,250	179,636,930	42,279,716	286,782,684	0.42523	329,062,400	87.15%
2011	139,947,640	164,330,874	53,090,014	262,165,440	0.42523	315,255,454	83.16%

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

<sup>a</sup> Includes tax-exempt property

**CITY OF CANTON, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 LAST FIVE FISCAL YEARS  
 (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
2010	0.12713	0.29810	0.42523	1.471	0.42696
2011	0.09823	0.32700	0.42523	1.471	0.47010

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, 2011**

**Table 8**

<b>Taxpayer</b>	<b>Assessed Taxable Value 2011 Fiscal Year</b>	<b>Rank</b>	<b>Percentage of Assessed Taxable Value</b>
Henry Lewis	\$ 9,896,656	1	3.77%
WalMart Stores Texas	7,392,070	2	2.82%
WalMart Real Estate Business Trust	6,779,040	3	2.59%
Brookshire Grocery Co	4,931,920	4	1.88%
Bridwell Center Dev Partnership	4,721,720	5	1.80%
Starship League City, LP	3,829,000	6	1.46%
Kingdom Perspectives GP LTD	3,096,560	7	1.18%
Traders Square Investments LTD	2,717,830	8	1.04%
Brookshire Grocery Co	2,285,000	9	0.87%
Oncor Electric	<u>2,123,968</u>	10	<u>0.81%</u>
	<u>\$ 47,773,764</u>		<u>18.22%</u>
 Total Assessed Valuation	 <u>\$ 262,165,440</u>		

Source: Van Zandt County Appraisal District

**CITY OF CANTON, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST SIX FISCAL YEARS**

**Table 9**

Sept 30	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%
2010	1,125,108	1,100,715	97.83%	9,279	1,109,994	98.66%
2011	1,097,291	1,071,619	97.66%	16,653	1,088,272	99.18%

**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

CITY OF CANTON, TEXAS  
 RATIO OF OUTSTANDING DEBT BY TYPE  
 LAST EIGHT FISCAL YEARS

Table 10

SEPT 30	Governmental Activities			Business-Type Activities			Total Primary Government	Per Capita (1)		
	Limited Tax Notes	Certificates of Obligation	Other Obligations	Refunding Bonds	Certificates of Obligation	Other Obligations			Refunding Bonds	Revenue Bonds
2004	\$ -	\$ 961,670	\$ 99,238	\$ 3,360,000	\$ 1,923,329	\$ -	\$ 1,730,000	\$ -	\$ 8,074,237	n/a
2005	-	920,321	84,603	3,185,000	1,839,680	580,048	1,405,000	-	8,014,652	n/a
2006	-	875,320	69,940	3,000,000	1,749,680	463,684	1,070,000	-	7,228,624	n/a
2007	-	828,623	80,684	2,810,000	1,656,347	314,449	725,000	-	6,415,103	\$ 1,246
2008	500,000	2,110,325	47,328	2,460,000	1,559,676	190,007	575,000	-	7,442,336	1,446
2009	469,987	2,005,330	398,348	1,990,000	1,459,671	26,315	420,000	-	6,769,651	1,315
2010	450,588	1,891,550	339,044	1,515,000	1,363,450	-	260,000	1,045,000	6,864,632	1,334
2011	1,145,411	1,777,100	308,330	1,025,000	1,252,900	-	95,000	1,010,000	6,613,741	1,847

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  
LAST FIVE FISCAL YEARS

Table 11

Sept 30	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
2010	5,147	286,782,684	3,857,138	983,567	2,873,571	1.00%	749
2011	3,581	262,165,440	3,947,511	975,670	2,971,841	1.13%	1,102

**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, 2011

Table 12

Governmental Subdivision	Gross Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Van Zandt County	\$ 10,384,000	11.31%	\$ 1,174,430
Canton Independent School District	<u>39,532,546</u>	40.85%	<u>16,149,045</u>
	<u>\$49,916,546</u>		17,323,475
City of Canton			<u>3,947,511</u>
			<u>\$21,270,986</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>8.11%</u>
Per capita overlapping bonded debt			<u>\$5,940</u>

**Source:** "Texas Municipal Report" as of September 30, 2011, 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 SIX FISCAL YEARS**

**Table 13**

	<b>FISCAL YEAR ENDED SEPTEMBER 30</b>					
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Tax Rate Limit	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
Current Tax Rate	<u>0.4000</u>	<u>0.3900</u>	<u>0.42523</u>	<u>0.42523</u>	<u>0.42523</u>	<u>0.42523</u>
Available Tax Rate	<u>\$ 2.1000</u>	<u>\$ 2.1100</u>	<u>\$ 2.0748</u>	<u>\$ 2.0748</u>	<u>\$ 2.0748</u>	<u>\$ 2.0748</u>

**Legal Debt Margin Calculation for Fiscal Year 2011**

Assessed value	\$ 262,165,440
Add back exempt real property	<u>53,090,014</u>
	<u>\$ 315,255,454</u>
 Debt limit (10% of total assessed value)	 \$ 31,525,545
 Debt applicable to limit:	
Bonded Debt	3,947,511
Less: Amount set aside for repayment of general obligation debt	 <u>975,670</u>
	<u>\$ 2,971,841</u>
 Legal debt margin	 <u>9.43%</u>

**NOTE1:** FYE 9.30.2006 was the first year for property tax

**NOTE2:** Years will continue to be added until there are 10 years for comparison

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

Table 14

Water and Sewer Revenue Bonds					
Sept 30	Total Revenues <sup>a</sup>	Less: Operating Expenses <sup>b</sup>	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	2,371,358	532,032	338,287	1.57
2010	2,189,567	1,919,886	269,681	420,859	0.64
2011	2,534,539	2,430,445	104,094	367,650	0.28

**Note:** <sup>a</sup> Total Revenues does not include non-operating revenues  
<sup>b</sup> Operating Expenses only - not transfers or depreciation

**Note 2:** Years will continue to be added until there are 10 years for comparison

**CITY OF CANTON, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 SEPTEMBER 30, 2011  
 LAST FIVE FISCAL YEARS**

**Table 15**

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Personal Income <sup>2</sup></u>	<u>Per Capita Income <sup>2</sup></u>	<u>Average Age <sup>2</sup></u>	<u>Grade School Enrollment <sup>3</sup></u>	<u>Unemployment Rate <sup>4</sup></u>
2007	5147 (5)	\$ 103,727,491	\$ 20,153	42.4	908	8.20%
2008	5147 (5)	107,829,650	20,950	43.4	956	7.20%
2009	5147 (5)	89,305,597	17,351	43.4	942	7.40%
2010	5147 (5)	110,557,560	21,480	40	948	7.20%
2011	3581 (6)	72,751,596	20,316	42	926	8.00%

**Sources:**

- 1 City of Canton
- 2 Canton Economic Development Corporation
- 3 Canton ISD
- 4 Texas Workforce Commission
- 5 Per 2005 MPRG Inc estimation
- 6 2012 Census

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

**CITY OF CANTON, TEXAS  
PRINCIPAL EMPLOYERS  
SEPTEMBER 30, 2011**

**Table 16**

<u>Name of Employer</u>	<u>No. of Employees</u>
WalMart Supercenter	350
Canton ISD	258
Van Zandt County	215
Winning Strategies	150
Canton Oaks	125
Brookshire Grocery Co	105
Splash Kingdom	100
City of Canton	70
Duke's Travel Plaza	66
Mill Creek RV Park & Cottage Resort	42

Source: Canton Economic Development Corporation Research

**CITY OF CANTON, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT  
 EMPLOYEES BY FUNCTION/PROGRAM  
 LAST FIVE FISCAL YEARS**

**Table 17**

Function / Program	FISCAL YEAR ENDED SEPTEMBER 30				
	2007	2008	2009	2010	2011
General Government	7	7	6.5	8	9
Public Safety					
Police	18	18	18.5	18.5	18.5
Municipal Court	1.5	1.5	2	2	2
Fire	3	4	5	5	5
Public Works	11	11	10.5	7	7
Streets	2	2	3	2	2
Parks and Recreation	2	2	5	3	2
Animal Control	2.5	2.5	2.5	2	2
Utility Administration	2	2	2	2	2
Water, Wastewater	10	9	9	8	8
First Monday	15	15	12	9.5	9.5
	<u>74</u>	<u>74</u>	<u>76</u>	<u>67</u>	<u>67</u>

**Source:** City Staff

CITY OF CANTON, TEXAS  
 OPERATING INDICATORS BY FUNCTION  
 LAST FIVE FISCAL YEARS

Table 18

Function/Program	FISCAL YEAR ENDING SEPTEMBER 30				
	2007	2008	2009	2010	2011
<b>Police</b>					
Number of police officers	13	13	13	13	13
Number of violations (citations)	1,731	1,505	1,811	1,488	1,610
<b>Fire</b>					
Number of firefighters	20	21	23	20	19
Number of fire service runs	96	164	105	NA	80
Number of Medical assist runs	173	199	606	NA	398
<b>Development Services</b>					
Construction permits issued <sup>1</sup>	170	206	255	210	47
Estimated valuation <sup>1</sup>	\$ 1,543,844	\$ 3,313,192	\$ 4,603,990	\$ 3,493,399	\$ 6,088,662
<b>Public Works</b>					
Streets paved (miles)	26	26	26	26	26
<b>Parks and Recreation</b>					
Park land and municipal acreage maintained	236	236	257	257	257
<b>Water and Wastewater</b>					
Number of water customers	1,983	2,043	1,988	2,016	2,106
Average daily water consumption (millions of gallons)	0.607	0.702	0.788	0.750	0.900
Maximum storage capacity (millions of gallons)	1.39	1.39	1.39	1.39	1.39
<b>Solid Waste</b>					
Solid waste collected (tons)	5,000	5,000	5,000	5,000	5,000

Source: City Departments

<sup>1</sup>Includes residential, commercial, and miscellaneous (e.g., pools, fences) permits

CITY OF CANTON, TEXAS  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 LAST FIVE FISCAL YEARS

Table 19

Function/Program	FISCAL YEAR ENDING SEPTEMBER 30				
	2007	2008	2009	2010	2011
Police					
Stations	1	1	1	1	1
Patrol Units	10	10	10	10	10
Fire					
Stations	1	1	1	1	1
Public Works					
Streets-Paved (miles)	26	26	26	26	26
Street Lights	501	501	501	501	501
Parks and Recreation					
Park Acreage	150	150	150	150	150
Public Parks	3	3	3	3	3
Community Centers	1	1	1	1	1
Senior Centers	1	1	1	1	1
Tennis Courts	4	4	4	4	4
Soccer Fields	5	5	5	5	5
Baseball Fields	7	7	7	7	7
Library	1	1	1	1	1
Water and Wastewater					
Water Mains (miles)	47	47	49	49	49
Fire Hydrants	231	231	245	245	245
Storm Sewers (miles)	0.75	0.75	1.25	1.25	1.25
Sanitary Sewers (miles)	38.5	38.5	45	45	45
First Monday (acres)	100	100	100	100	100

Source: City Departments

