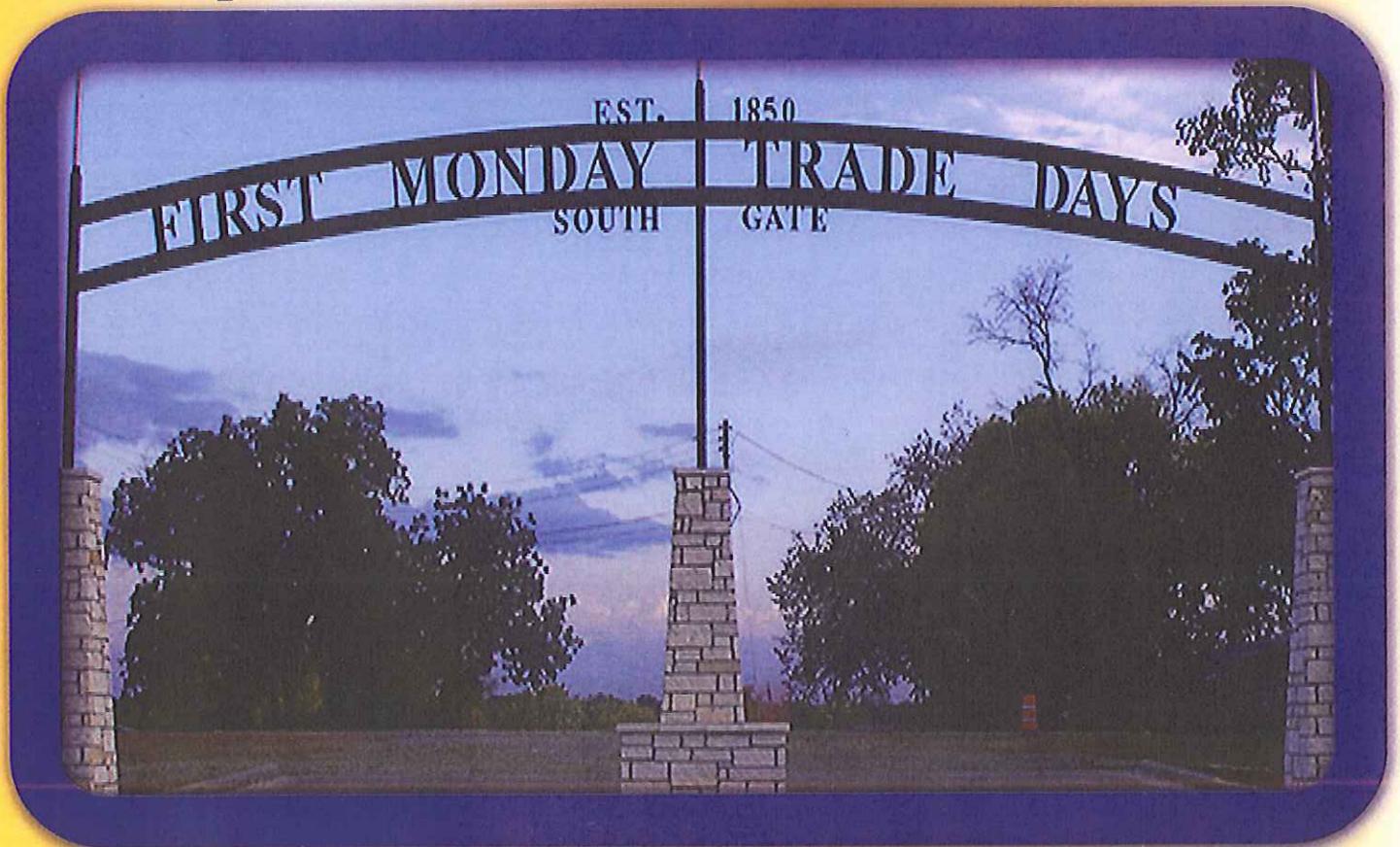


**City of Canton, Texas  
Comprehensive Annual Financial Report**



**Fiscal Year Ended September 30, 2014**



COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF CANTON, TEXAS

*FOR*  
*FISCAL YEAR ENDED*  
*SEPTEMBER 30, 2014*

*City Manager*  
*Lonny Cluck*



**CITY OF CANTON, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**TABLE OF CONTENTS**

	Page
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	v
City Officials.....	viii
Organizational Chart.....	ix
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report.....	1
A. Management Discussion and Analysis.....	5
B. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position.....	19
Statement of Activities.....	20
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	22
Reconciliation of the Governmental Funds	
Balance Sheet to the Statement of Net Position.....	23
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Governmental Funds.....	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in	
Fund Balances of Governmental Funds to the Statement of Activities.....	25
Statement of Revenues, Expenditures, and Changes in	
Fund Balances - Budget to Actual - General Fund.....	26
Proprietary Fund Financial Statements:	
Statement of Net Position - Proprietary Funds.....	27
Statement of Revenues, Expenses, and Changes in	
Fund Net Position - Proprietary Funds.....	28
Statement of Cash Flows - Proprietary Funds.....	29
Notes to the Financial Statements.....	30
C. Required Supplementary Information:	
Schedule of Pension Trust - TMRS Funding Progress and Contributors.....	55

**CITY OF CANTON, TEXAS  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**TABLE OF CONTENTS**

	<u>Page</u>
D. Supplementary Information	
Budgetary Comparison Schedule - Debt Service Fund.....	59

**STATISTICAL SECTION (UNAUDITED)**

Table	
1 Net Position by Component.....	64
2 Changes in Net Position.....	66
3 Governmental Activities Tax Revenues by Source.....	71
4 Fund Balances, Governmental Funds.....	72
5 Changes in Fund Balance of Governmental Funds.....	74
6 Assessed Value and Estimated Actual Value of Taxable Property.....	76
7 Direct and Overlapping Property Tax Rates.....	77
8 Principal Taxpayers.....	78
9 Property Tax Levies and Collections.....	79
10 Ratio of Outstanding Debt by Type.....	80
11 Ratios of Net General Bonded Debt Outstanding.....	81
12 Direct and Overlapping Governmental Activities Debt.....	83
13 Legal Debt Margin Information.....	84
14 Pledged-Revenue Coverage.....	86
15 Demographic and Economic Statistics.....	87
16 Principal Employers.....	88
17 Full-Time Equivalent City Government Employees by Function/Program.....	89
18 Operating Indicators by Function.....	90
19 Capital Asset Statistics by Function.....	91

## INTRODUCTORY SECTION



Richard W. Lawrence, Mayor  
Shawn R. Stewart, Mayor Pro Tem  
Elisa M. Heard, City Council  
Cary S. Hilliard, City Council  
Cindy Malouf, City Council  
Scott Perkins, City Council  
Lonny Cluck, City Manager

24980 Hwy. 64 East, Suite 1  
P.O. Box 245  
Canton, Texas 75103

# City of Canton

Administration - 903.567.1811  
Water Dept. - 903.567.2826  
First Monday - 903.567.6556

March 24, 2015

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, 2014, 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, 2014. 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 and City Attorney. 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 the World Famous First Monday Trade Days  
Begins Thursday Before Each First Monday

## 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 2013-2014, several commercial developments affecting the City's economic outlook were initiated and/or completed: Canton Village Homes, Citizens National Bank, Chicken Express Restaurant, Jalapeno Tree Restaurant and Subway Sandwich Shop. Duke's Travel Plaza expanded its business by initiating the construction of two new additions to its development. Turnover in the Downtown District also resulted in several new eateries, shops and small businesses.

During the fiscal year, the City looked for funding from grants and the economic development sales tax. This type of funding allowed the completion of an additional phase of the East Outfall Sewer Project as well as the 500,000 gallon elevated storage tank on FM 859. Grants were secured to fund another section of the Downtown Sidewalk Renovation Project along Tyler Street from the Texas Block Grant Fund. In addition, the City began construction of the Mill Creek Lake Park Trails due to funding procured from the Texas Parks & Wildlife Division. The City applied for and received notification of a grant awarding funding for the Cherry Creek Lake Park Trails Project from the Texas Parks & Wildlife Division. These trails were symbolic to show support to the community where Canton has been designated as the Walking Capital of Texas by the Texas House of Representatives.

The City continued much of its own development and preparations for the future. In light of the economic downturn several years ago, the City planned and budgeted conservatively. Most of the capital projects were funded by the annual profits from the First Monday Department. High service pumps were installed to accommodate the new water supply from the elevated storage tank to increase water pressure. A 12" water main from Tyler Street to Wynne Road was constructed to relieve static pressure caused by the new tower. Improvements to the sewer system continued as phases of the West and South Outfall were all completed.

In 2014-2015, increased economic development is expected to continue with the completion of the 80 unit affordable housing development, Duke's Travel Expansion, Jalapeno Tree, and Chicken Express. In addition, several businesses have remodels or expansions planned. Ongoing negotiations continue with many businesses, retailers, and hotel and restaurant chains. Major improvements by the City will continue with the renovation of the existing City Hall to make it ADA compliant, the construction of the new City Hall, the preservation of the downtown historic water tower, and construction of a new cellular tower. Other planned improvements to infrastructure include additional phases to the East, West, and South Outfall Sewer Projects, two major waterline projects, and an expansion and remodel of Trade Center IV on the First Monday Grounds.

## 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>Fiscal Year</u>	<u>Tax Rate</u>
2010-2011	.425230
2011-2012	.425230
2012-2013	.425230
2013-2014	.420332
2014-2015	.420332

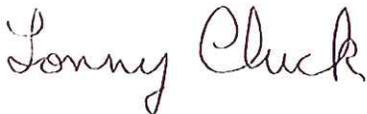
OTHER INFORMATION

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, 2014, 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  
City Manager



Kimberly Kroha  
Finance Director

**CITY OF CANTON, TEXAS**

**OFFICIALS AND ADMINISTRATIVE STAFF**

**For the Fiscal Year ended September 30, 2014**

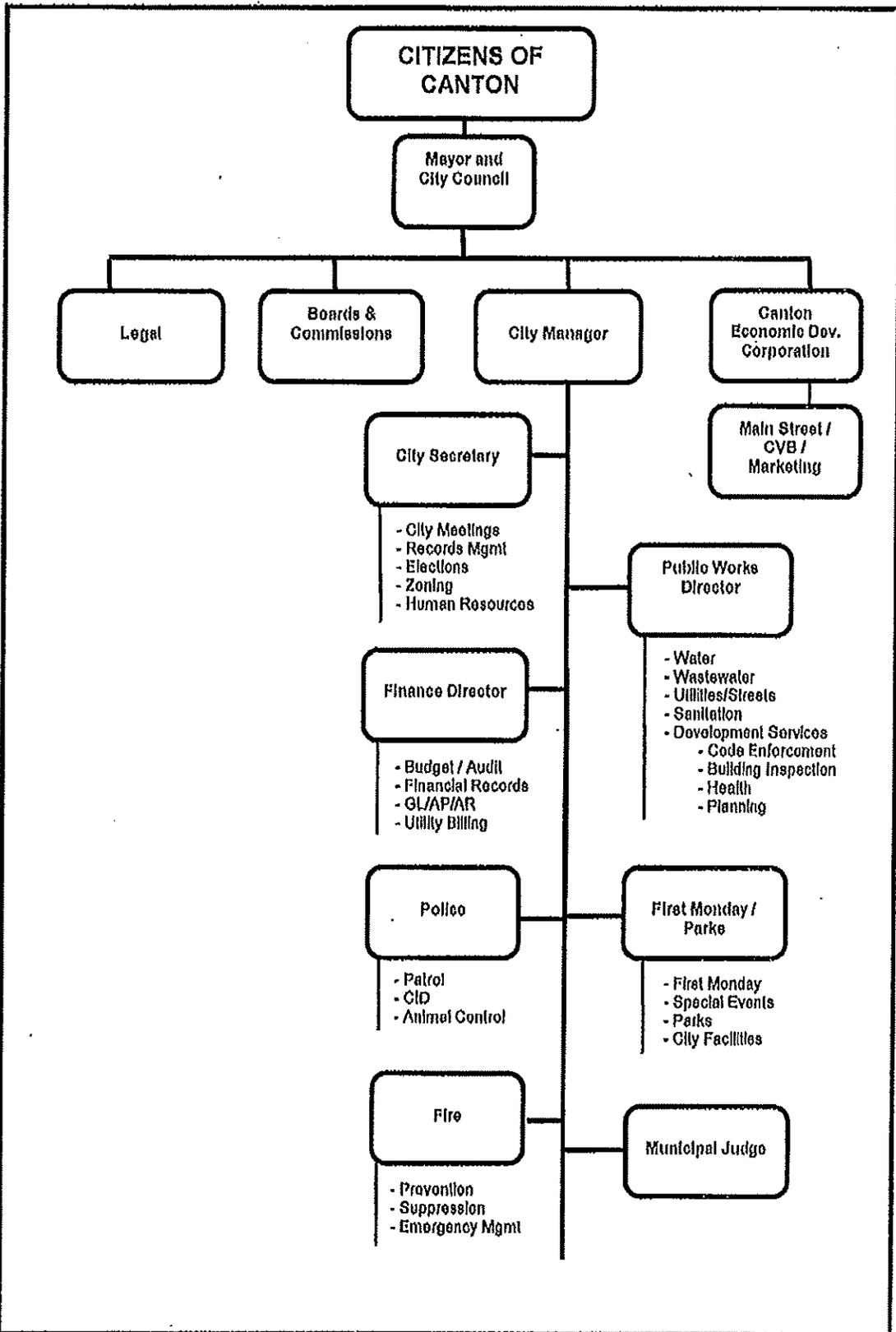
**Council Members**

**Richard W. Lawrence, Mayor  
Shawn R. Stewart, Mayor Pro Tem  
Elisa M. Heard  
Cary S. Hilliard  
Cindy Malouf  
Scott Perkins**

**Administrative Staff**

**Lonny Cluck, City Manager  
Bud Sanford, Fire Chief  
Mike Echols, Police Chief  
Kimberly Kroha, Finance Director  
Debra Johnson, City Secretary  
Lilla Durham, Municipal Court Judge**

# CITY OF CANTON ORGANIZATIONAL CHART



## FINANCIAL SECTION





Michael Conway, CPA  
Neil Conway, CPA

Toll Free (800) 594-7951  
Metro (903) 450-1200

## CONWAY COMPANY CPAs PC ACCOUNTANTS & ADVISORS

[www.conwaycpas.com](http://www.conwaycpas.com)

PO Box 8234  
Greenville, Texas 75404-8234

*Member*  
American Institute of CPAs  
Texas Society of CPAs

March 24, 2015

### Independent Auditor's Report

Mayor and City Council  
City of Canton  
P.O. Box 245  
Canton, Texas 75103

Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Canton, Texas ("City") as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

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

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

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

1021 Park Street  
Commerce, Texas 75428  
Office (903) 886-2123  
Fax (903) 886-6580

8910 Wesley Street  
Greenville, Texas 75402  
Office (903) 455-9898  
Fax (903) 454-3181

603 South Goliad Street  
Rockwall, Texas 75087  
Office (972) 771-1065  
Fax (972) 771-1022

## **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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Canton, Texas, as of September 30, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the TMRS Funding Progress and Contributions on pages 5 – 15 and 55, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canton, Texas' basic financial statements. The introductory section, Debt Service Fund budget schedule, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Debt Service Fund budget comparison schedule is the responsibility of management and was derived from and relate 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 and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with Government Auditing Standards, we have also issued our report dated March 24, 2015, on our consideration of the City of Canton, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Canton, Texas' internal control over financial reporting and compliance.

Respectfully Submitted,  
**CONWAY COMPANY CPAs, P.C.**

*Conway Company CPAs, P.C.*



## CITY OF CANTON, TEXAS

### MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

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, 2014. 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 exceeded its liabilities at the close of the fiscal year by \$34,123,305 (net position). Of this amount \$24,965,895, or 73%, is net investment in capital assets. Net position restricted for specific purposes is \$1,274,913, or 4%, of total net position. The remaining amount of \$7,882,497, or 23%, (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors in accordance with fund designation and fiscal policies.
- The City's total net position increased by \$2,060,699. Revenues exceeded expenditures by 15%. The City continues to improve with good financial management in budgeting of expenditures.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,545,645, an increase of \$658,363, or 23%, in comparison with the prior year's increase of \$373,491, or 13%, excluding prior period adjustments.
- Approximately 67% of this total amount, or \$2,364,908 is available for spending at the City's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,364,908, or 67%, of total general fund expenditures. The increase in fund balance for the General Fund in the amount of \$574,940 is due to a decrease in expenditures.
- The City's total long-term debt decreased by (\$906,645), or 14%, during the current fiscal year due to the refinancing of 2003 Certificate Obligations with the issuance of 2014 Refunding Bonds.

#### 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.

**CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2014**

**Basic Financial Statements**

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

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

The next section of the basic financial statements is the **notes** on pages 30 - 52. 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 on pages 55.

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

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

Thus, revenues and expenses are reported in 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 position and the statement of activities are prepared utilizing the accrual basis of accounting.

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 and sales taxes and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges a fee to customers to help it cover all or most of the cost of certain services provided. The City's water and sewer system, sanitation, and First Monday activities are reported as business-type activities. The final category is the component unit. The City includes one separate legal entity in its report – Canton Economic Development Corporation. Although legally separate, this component unit is important because the City is financially accountable.

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. Some funds are required to be established by state law and bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal requirements for using certain taxes, grants, and other money. The City of Canton, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or noncompliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

**CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2014**

*Governmental Funds* – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing the City's near-term financing requirements.

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 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 schedule uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The schedule 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. This information is found on page 26 of the report.

*Proprietary Funds* – The City has three types of proprietary funds which are the Water and Sewer Fund, Sanitation Fund and First Monday 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 position and the statement of activities. In fact, the City's proprietary funds provide the same type of information as the government-wide financial statements, only in more detail, such as cash flows.

The City of Canton maintains three individual proprietary funds: Water and Sewer Fund, Sanitation Fund, and First Monday Fund. The basic proprietary fund financial statements can be found on pages 27 - 29 of this report.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are on pages 30 – 52 of this report.

**Required Supplementary Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees. This information is on page 55 of this report.

**Supplementary Information** – The Debt Service budget comparison schedule is presented immediately following the required supplementary information on pensions. This schedule can be found on page 59 of this report.

**New GASB Pronouncements** – The following statements for GASB were effective for the City in the fiscal year ending September 30, 2014:

GASB Statement No. 66, "Technical Corrections – 2012 – an amendment of GASB Statement No. 10 and No. 62", will be implemented by the City as required by GASB during the fiscal year ending September 30, 2014. This statement improves financial reporting by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. This

**CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2014**

statement amends Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62 by modifying the specific guidance on accounting and operating leases. The implementation of this statement will not result in any changes to the financial statements.

GASB Statement No. 70, "Accounting and Financial Reporting for Nonexchange Financial Guarantees" requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The implementation of this statement will not result in any changes to the financial statements.

The GASB has issued the following statements which will be effective in future years as described below:

GASB Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25 will be implemented as required during fiscal year September 30, 2015. The objective of this statement is to improve financial reporting by state and local government pension plans. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27", will be implemented as required by GASB during the fiscal year September 30, 2015. The objective of this statement is to improve accounting and financial reporting by state and local government pensions and improve the decision-usefulness of information contributing entity financial reports and will enhance its value for assessing accountability and interperiod equity by requiring recognition of the entire net pension liability and a more comprehensive measure of pension expense. This statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. Note disclosure and required supplementary information requirement about pensions also are addressed. This statement requires the liability of employers and nonemployer contributing entities to employees for defined benefit pensions (net pension liability) to be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations" establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This statement will be implemented as required by GASB for period beginning after December 15, 2013. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date" (an amendment to GASB Statement No. 68) requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The City is currently evaluating potential changes to the financial statements as a result of the implementation of this statement.

**CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2014**

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

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 3,676,786	\$ 3,052,583	\$ 6,592,451	\$ 7,310,270	\$ 10,269,237	\$ 10,362,853
Capital assets	12,158,318	12,384,224	18,082,089	16,616,935	30,240,407	29,001,159
Total assets	15,835,104	15,436,807	24,674,540	23,927,205	40,509,644	39,364,012
Long-term liabilities	2,214,543	2,978,421	3,751,667	3,936,944	5,966,210	6,915,365
Current liabilities	118,868	149,942	301,261	236,099	420,129	386,041
Total liabilities	2,333,411	3,128,363	4,052,928	4,173,043	6,386,339	7,301,406
Net position:						
Net investment in capital assets	10,328,448	9,664,211	14,637,447	14,099,071	24,965,895	23,763,282
Restricted	1,188,126	91,213	86,787	98,576	1,274,913	189,789
Unrestricted	1,985,119	2,553,020	5,897,378	5,556,515	7,882,497	8,109,535
Total net position	\$ 13,501,693	\$ 12,308,444	\$ 20,621,612	\$ 19,754,162	\$ 34,123,305	\$ 32,062,606

As noted earlier, net position may serve over time as one useful indicator of a City's financial condition. The net position of the City exceeded liabilities by \$34,123,305 as of September 30, 2014. The City's net position increased by \$2,060,699, or 6.4%, for the fiscal year ended September 30, 2014.

*Net investment in capital assets:*

The largest portion of the City's net position \$24,965,895, or 73%, 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 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 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 position:*

The restricted net position of \$1,274,913, or 4%, of total net position represents resources that are subject to external restrictions on their use, or by enabling legislation. Restricted net position is comprised of state and contractually imposed restrictions which are \$43,650, or 3%, for court fees and obligations for debt of \$1,231,263, or 97%.

*Unrestricted net position:*

Unrestricted net position of \$7,882,497, or 23%, of total net position is available to fund City programs to citizens and debt obligations to creditors. The majority of unrestricted net position resides in the Business-type activities.

CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2014

The City of Canton Changes in Net Position

	Governmental Activities		Business-type Activities		Totals	
	2014	2013	2014	2013	2014	2013
<b>REVENUE:</b>						
Program Revenues						
Charges for Services	\$ 466,114	\$ 571,477	\$ 5,299,397	\$ 5,090,964	\$ 5,765,511	\$ 5,662,441
Operating Grants and Contributions	11,180	191,192	-	-	11,180	191,192
Capital Grants and Contributions	133,666	50,000	108,500	90,000	242,166	140,000
General Revenues:						
Property Taxes	1,121,246	1,114,335	-	-	1,121,246	1,114,335
Sales Taxes	2,461,789	2,393,254	-	-	2,461,789	2,393,254
Franchise Taxes	300,400	227,233	-	-	300,400	227,233
Mixed Drink Taxes	13,220	8,517	-	-	13,220	8,517
Investment Income	8,971	8,407	1,715	1,478	10,686	9,885
Miscellaneous	4,832	7,762	43,144	27,955	47,976	35,717
<b>Total Revenues</b>	<b>4,521,418</b>	<b>4,572,177</b>	<b>5,452,756</b>	<b>5,210,397</b>	<b>9,974,174</b>	<b>9,782,574</b>
<b>EXPENSES:</b>						
Program Expenses:						
General Government	725,581	1,081,452	-	-	725,581	1,081,452
Public Safety	1,776,166	1,712,959	-	-	1,776,166	1,712,959
Public Services and operations	322,669	323,425	-	-	322,669	323,425
Public Works	606,861	642,939	-	-	606,861	642,939
Parks and Recreation	299,906	293,094	-	-	299,906	293,094
Interest on Long-Term Debt	92,575	120,239	-	-	92,575	120,239
Water and Sewer	-	-	1,863,588	1,895,691	1,863,588	1,895,691
Sanitation	-	-	503,897	536,929	503,897	536,929
First Monday	-	-	1,722,232	1,722,955	1,722,232	1,722,955
<b>Total Expenses</b>	<b>3,823,758</b>	<b>4,174,108</b>	<b>4,089,717</b>	<b>4,155,575</b>	<b>7,913,475</b>	<b>8,329,683</b>
<b>Increase in Net Position before Transfers</b>	<b>697,660</b>	<b>398,069</b>	<b>1,363,039</b>	<b>1,054,822</b>	<b>2,060,699</b>	<b>1,452,891</b>
<b>Other Revenues and Financing Sources (uses)</b>						
Transfers	495,589	594,585	(495,589)	(594,585)	-	-
<b>Total Other Financing Sources (uses)</b>	<b>495,589</b>	<b>594,585</b>	<b>(495,589)</b>	<b>(594,585)</b>	<b>-</b>	<b>-</b>
<b>Increase in Net Position</b>	<b>1,193,249</b>	<b>992,654</b>	<b>867,450</b>	<b>460,237</b>	<b>2,060,699</b>	<b>1,452,891</b>
<b>Net Position, October 1</b>	<b>12,308,444</b>	<b>11,278,018</b>	<b>19,754,162</b>	<b>19,322,310</b>	<b>32,062,606</b>	<b>30,600,328</b>
<b>Prior Period Adjustments</b>	<b>-</b>	<b>37,772</b>	<b>-</b>	<b>(28,385)</b>	<b>-</b>	<b>9,387</b>
<b>Net Position, September 30</b>	<b>\$ 13,501,693</b>	<b>\$ 12,308,444</b>	<b>\$ 20,621,612</b>	<b>\$ 19,754,162</b>	<b>\$ 34,123,305</b>	<b>\$ 32,062,606</b>

Governmental activities increased net position by \$1,193,249. This is due, in part, by a decrease in the total expenditures which resulted in a 15% increase in revenues collected over expenditures. The City continues to strive to increase the net position each year with good financial management.

Business-type activities increased net position by \$867,450. The revenues collected were 25% more than expenditures compared to the prior year of 20% revenues over expenditures.

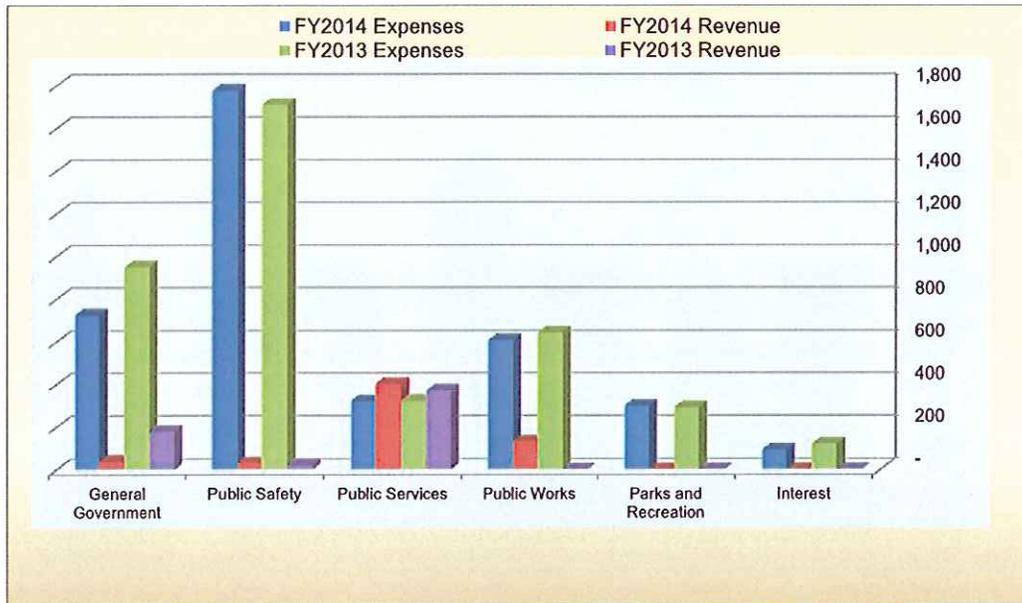
**CITY OF CANTON, TEXAS  
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
 SEPTEMBER 30, 2014**

**Governmental-type activities** - Governmental-type activities increased the City's net position \$1,193,249. Key elements of this increase are as follows:

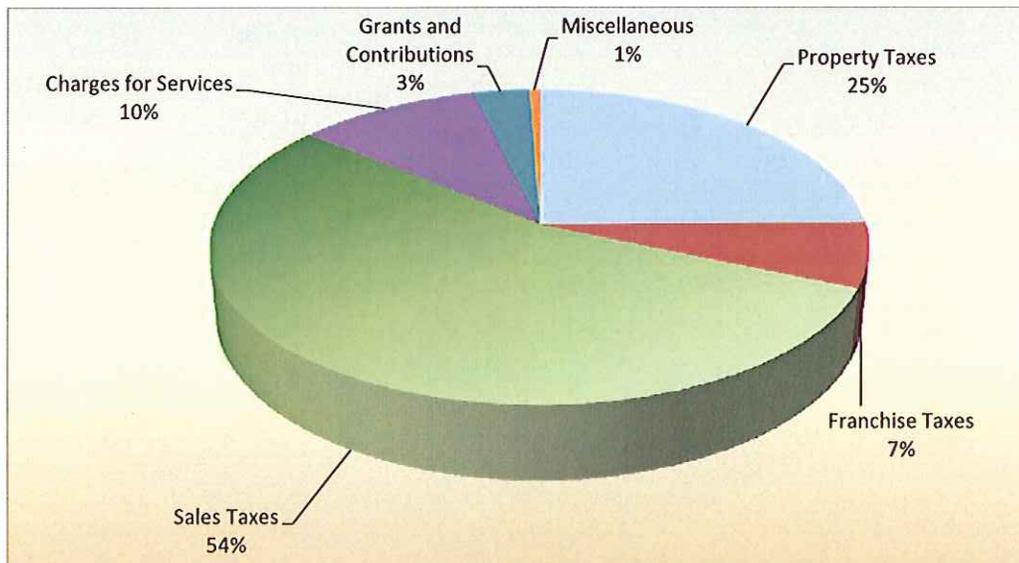
Total expenditures decreased \$350,350, or 8%, which resulted in an increase of revenues over expenditures of \$697,660 - an increase of 15%.

**Expenses and Program Revenues - Governmental Activities**

(amounts expressed in thousands)



**Revenues by Source - Governmental Activities**



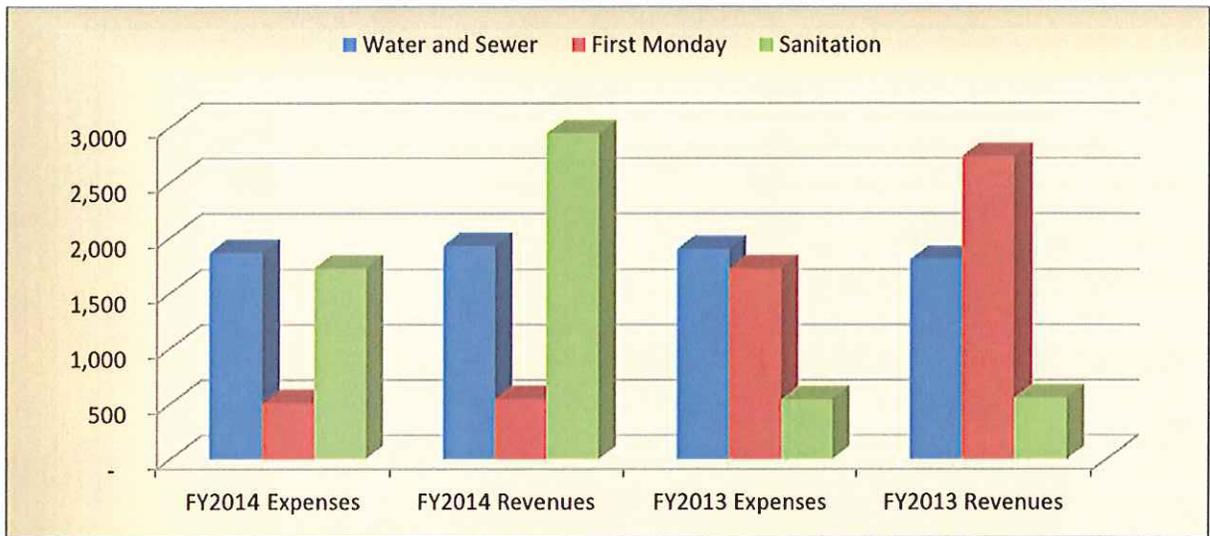
**CITY OF CANTON, TEXAS  
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
 SEPTEMBER 30, 2014**

**Business-type Activities** - Business-type activities increased the City of Canton's net position by \$867,450, Key elements of this increase are as follows:

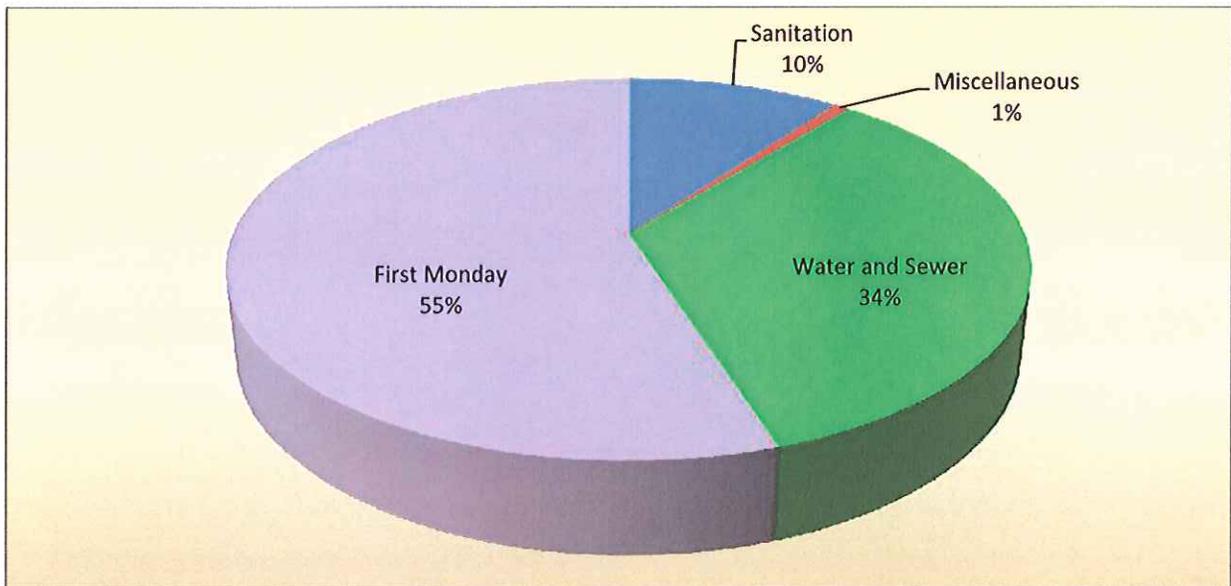
Charge for services revenues increased \$208,433, or 4%, which resulted in an increase of revenues over total expenditures of \$4,089,171, or 25%.

**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, 2014

**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 spendable resources. Such information is useful in assessing the City's financing requirements. Specifically, unassigned fund balance serves as a useful measure of a City's resources available for spending at the end of the fiscal year.

At September 30, 2014, the City's governmental funds reported total fund balances of \$3,545,645, a 23% increase in comparison with the prior year's total ending fund balances. The components of total fund balances are as follows:

- Restricted fund balances of \$1,180,737, consisting of amounts restricted by external laws or contractual obligations are as follows: \$1,137,087, or 96%, for debt requirements \$43,650, or 4%, for court use.
- Unassigned fund balance of \$2,364,908, or 67%, of total fund balance represents residual available fund balances that have not been restricted, committed, or assigned by management, City Council or otherwise.

At the end of the current fiscal year, General Fund unassigned fund balance of \$2,364,908, is a 32% increase when compared to \$1,795,405, at the end of the prior fiscal year. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total General Fund expenditures. Unassigned fund balance represents 67% of total General Fund expenditures.

**General Fund Budgetary Highlights:** During the fiscal year, the City revised the budget. 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 more than the budgeted amounts in most classifications. Expenditures were also less than budgeted amounts at the fund level.

**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 position of the proprietary funds at the end of the fiscal year amounted to \$5,897,378.

**CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2014**

**Capital assets** - The City of Canton's investment in capital assets for its governmental and business-type activities as of September 30, 2014, totals \$30,240,407 (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 4%.

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

- Completion of water main projects and different phases of outfall projects
- Completion of sidewalk improvements
- Ongoing water tower improvements

**Capital Assets  
As of September 30, 2014  
(net of accumulated depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land & Improvements	\$ 2,762,321	\$ 2,762,321	\$ 666,608	\$ 666,608	\$ 3,428,929	\$ 3,428,929
Machinery & Equipment	438,851	529,677	442,970	533,839	881,821	1,063,516
Buildings	396,232	402,829	4,941,365	5,239,730	5,337,597	5,642,559
Infrastructure	8,529,968	8,661,473	10,118,066	9,225,163	18,648,034	17,886,636
Construction in Progress	30,946	27,924	1,913,080	951,595	1,944,026	979,519
<b>Total</b>	<u>\$ 12,158,318</u>	<u>\$ 12,384,224</u>	<u>\$ 18,082,089</u>	<u>\$ 16,616,935</u>	<u>\$ 30,240,407</u>	<u>\$ 29,001,159</u>

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

**Long-term Debt** - As of September 30, 2014, the City had long-term debt outstanding of \$5,737,93. This debt is secured by property taxes and/or revenues. The debt decreased by (\$906,645), or (14%).

**Outstanding Debt  
As of September 30, 2014**

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Limited Tax Note Payable	\$ 707,372	\$ 1,041,006	\$ -	\$ -	\$ 707,372	\$ 1,041,006
Certificates of Obligation	842,137	1,502,209	-	954,750	842,137	2,456,959
Refunding Bonds	298,750	-	896,250	-	1,195,000	-
Revenue Bonds	-	-	2,786,819	2,904,426	2,786,819	2,904,426
Notes Payable	206,611	242,193	-	-	206,611	242,193
<b>Total</b>	<u>\$ 2,054,870</u>	<u>\$ 2,785,408</u>	<u>\$ 3,683,069</u>	<u>\$ 3,859,176</u>	<u>\$ 5,737,939</u>	<u>\$ 6,644,584</u>

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

**CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2014**

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

The FY 2014-15 budget incorporates a property tax rate of \$0.420332 per \$100 valuation. This is slightly higher than the effective tax rate but it is the same tax rate as the previous year keeping the property tax rates steady. Canton's certified taxable value for fiscal year 2015 is \$271,740,466, a \$7,197,910, or 2.65%, increase over last year's values.

In light of the economic downturn a few years ago, the City has been budgeting conservatively. FY2015 continues the trend of conservative flat revenue projections in tow of the largest revenue streams - sales taxes and revenues from First Monday. The maintenance and operations budgets are built from a zero line-item basis and justified from the ground up. The City continues to operate with a lean budget that accurately reflects the operational needs of the City. Most capital projects are funded on a pay-as-you-go basis using profits from First Monday which is about \$1 million annually. The City continues to aggressively seek alternative funding for projects. Grants have been secured for the development of a new walking/running trail around Mill Creek Lake, adding another section of walking trails at Cherry Creek Park, emergency sirens/PA System for First Monday grounds, the renovation of the existing City Hall to remove the architectural barriers and make the building ADA compliant, and the final phase of the East Outfall sewer line project. In FY2015, construction will begin on a new City Hall and the old historic water tower will be preserved and painted. Also, in FY2015, the City will install a 14" water main from the water treatment plant to Hwy 243, and a 10" water line from CR 1101 to Wynne Road North. The combination of the investment in these projects will provide better water pressure and volume, and enhance firefighting capabilities. The City will continue to upgrade its infrastructure, streets and utilities, and plans to rehabilitate the City's airport. The City plans to build a new cellular tower that will accommodate multiple cellular providers and enhance existing cellular service. In addition, the City will continue to invest in First Monday by expanding an already existing revenue-generating building for vendors by adding additional space and building new restrooms.

In FY2015, increased economic development is expected to continue which will impact sales tax and property tax revenues. In addition to the recently opened Chicken Express and Subway restaurants, developers should complete a Jalapeno Tree restaurant, an expansion of Duke's Travel Plaza, a sports clothing retail establishment and an 80-unit affordable housing development. Negotiations are continuously ongoing with businesses, retailers, and hotels and restaurants.

**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 POSITION  
SEPTEMBER 30, 2014**

	Primary Government			Component
	Governmental Activities	Business-type Activities	Total	Unit EDC
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,966,172	\$ 2,733,366	\$ 4,699,538	\$ 671,602
Receivables (net of allowance for uncollectible)	452,714	211,238	663,952	196,732
Note receivable from component unit	-	3,218,086	3,218,086	43,500
Restricted assets:				
Cash and cash equivalents	1,257,900	429,761	1,687,661	12,137
Capital assets, not being depreciated:				
Land & improvements	2,762,321	666,608	3,428,929	1,178,958
Construction in progress	30,946	1,913,080	1,944,026	-
Capital assets, net of accumulated depreciation:				
Buildings and improvements	396,232	4,941,365	5,337,597	10,938
Infrastructure	8,529,968	10,118,066	18,648,034	78,225
Machinery & equipment	438,851	442,970	881,821	3,059
<b>Total Assets</b>	<u>15,835,104</u>	<u>24,674,540</u>	<u>40,509,644</u>	<u>2,195,151</u>
<b>LIABILITIES</b>				
Accounts payable	28,157	150,740	178,897	1,237
Customer deposits	-	66,596	66,596	-
Accrued interest payable	22,500	27,619	50,119	-
Accrued expenses	42,983	19,656	62,639	1,858
Other liabilities	25,228	36,650	61,878	-
Noncurrent Liabilities:				
Due within one year:				
Compensated absences	14,166	1,746	15,912	-
Notes payable	37,371	-	37,371	102,321
Note payable to primary government	-	-	-	215,261
Tax notes	332,103	-	332,103	-
Certificates of obligations	200,000	-	200,000	-
Bonds payable	73,750	336,250	410,000	-
Due in more than one year:				
Compensated absences	145,507	66,852	212,359	16,776
Notes payable	169,240	-	169,240	132,871
Note payable to primary government	-	-	-	3,002,824
Tax notes	375,269	-	375,269	-
Certificates of obligations	642,137	-	642,137	-
Bonds payable	225,000	3,346,819	3,571,819	-
<b>Total Liabilities</b>	<u>2,333,411</u>	<u>4,052,928</u>	<u>6,386,339</u>	<u>3,473,148</u>
<b>NET POSITION</b>				
Net investment in capital assets	10,328,448	14,637,447	24,965,895	1,271,180
Restricted for:				
Debt	1,144,476	86,787	1,231,263	-
Court use	43,650	-	43,650	-
Hotel tax use	-	-	-	12,137
Unrestricted	1,985,119	5,897,378	7,882,497	(2,561,314)
<b>Total Net Position</b>	<u>\$ 13,501,693</u>	<u>\$ 20,621,612</u>	<u>\$ 34,123,305</u>	<u>\$ (1,277,997)</u>

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, 2014

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	\$ 725,581	\$ 36,046	\$ 3,625	\$ -
Public Safety	1,776,166	26,455	5,335	-
Public Services and Operations	322,669	403,613	432	-
Public Works	606,861	-	-	133,666
Parks and Recreation	299,906	-	1,788	-
Interest on Long-Term Debt	92,575	-	-	-
<b>Total governmental activities</b>	<b>3,823,758</b>	<b>466,114</b>	<b>11,180</b>	<b>133,666</b>
Business-type Activities:				
Water and Sewer	1,863,588	1,815,831	-	108,500
Sanitation	503,897	542,756	-	-
First Monday	1,722,232	2,940,810	-	-
<b>Total business-type activities</b>	<b>4,089,717</b>	<b>5,299,397</b>	<b>-</b>	<b>108,500</b>
<b>Total primary government</b>	<b>7,913,475</b>	<b>5,765,511</b>	<b>11,180</b>	<b>242,166</b>
<b>Component unit:</b>				
Economic Development Corporation	637,390	43,500	36,410	40,000
Interest on Long-Term Debt	9,527	-	-	-
<b>Total component unit</b>	<b>\$ 646,917</b>	<b>\$ 43,500</b>	<b>\$ 36,410</b>	<b>\$ 40,000</b>

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

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

<b>Net (Expense) Revenue and Changes in Net Position</b>			
<b>Primary Government</b>			<b>Component Unit</b>
<b>Governmental Activities</b>	<b>Business Activities</b>	<b>Total</b>	
\$ (685,910)	\$ -	\$ (685,910)	\$ -
(1,744,376)	-	(1,744,376)	-
81,376	-	81,376	-
(473,195)	-	(473,195)	-
(298,118)	-	(298,118)	-
(92,575)	-	(92,575)	-
<u>(3,212,798)</u>	<u>-</u>	<u>(3,212,798)</u>	<u>-</u>
-	60,743	60,743	-
-	38,859	38,859	-
-	<u>1,218,578</u>	<u>1,218,578</u>	-
-	<u>1,318,180</u>	<u>1,318,180</u>	-
<u>(3,212,798)</u>	<u>1,318,180</u>	<u>(1,894,618)</u>	<u>-</u>
-	-	-	(517,480)
-	-	-	(9,527)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (527,007)</u>
\$ 1,121,246	\$ -	\$ 1,121,246	\$ -
2,461,789	-	2,461,789	817,452
300,400	-	300,400	-
13,220	-	13,220	-
-	-	-	252,634
8,971	1,715	10,686	1,200
4,832	43,144	47,976	-
-	-	-	7,200
<u>495,589</u>	<u>(495,589)</u>	<u>-</u>	<u>-</u>
<u>4,406,047</u>	<u>(450,730)</u>	<u>3,955,317</u>	<u>1,078,486</u>
1,193,249	867,450	2,060,699	551,479
12,308,444	19,754,162	32,062,606	(1,829,476)
<u>\$ 13,501,693</u>	<u>\$ 20,621,612</u>	<u>\$ 34,123,305</u>	<u>\$ (1,277,997)</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, 2014

	General Fund	Debt Service Fund	Capital Improvements	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,966,172	\$ -	\$ -	\$ 1,966,172
Receivables (net of allowances for uncollectible)	433,037	19,677	-	452,714
Cash - Restricted	110,601	1,147,299	-	1,257,900
<b>Total Assets</b>	<u>2,509,810</u>	<u>1,166,976</u>	<u>-</u>	<u>3,676,786</u>
<b>LIABILITIES</b>				
Accounts payable	28,157	-	-	28,157
Accrued interest payable	-	10,386	-	10,386
Accrued expenses	42,983	-	-	42,983
Other liabilities	25,228	-	-	25,228
<b>Total Liabilities</b>	<u>96,368</u>	<u>10,386</u>	<u>-</u>	<u>106,754</u>
<b>DEFERRED INFLOW OF RESOURCES</b>				
Unavailable revenue-property taxes	4,884	19,503	-	24,387
<b>Total Deferred Inflow of Resources</b>	<u>4,884</u>	<u>19,503</u>	<u>-</u>	<u>24,387</u>
<b>FUND BALANCES</b>				
Restricted for:				
Debt	-	1,137,087	-	1,137,087
Court Use	43,650	-	-	43,650
Unassigned:				
General Fund	2,364,908	-	-	2,364,908
<b>Total Fund Balances</b>	<u>2,408,558</u>	<u>1,137,087</u>	<u>-</u>	<u>3,545,645</u>
<b>Total Liabilities, Deferred Inflow of Resources, and Fund Balances</b>	<u>\$ 2,509,810</u>	<u>\$ 1,166,976</u>	<u>\$ -</u>	<u>\$ 3,676,786</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 POSITION  
SEPTEMBER 30, 2014**

Total fund balances - governmental funds balance sheet	\$ 3,545,645
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	16,835,736
Accumulated depreciation has not been included in the governmental fund financial statements.	(4,677,418)
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.	(12,114)
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements	24,388
Premiums and discounts on issuance of debt were not recognized on the balance sheet for governmental funds.	2,595
Accrued liabilities for compensated absences have not been reflected in the fund financial statements.	(159,674)
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.	(2,057,465)
Net position of governmental activities - statement of net position	<u>\$ 13,501,693</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, 2014**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Improvements</u>	<u>Total Governmental Funds</u>
<b>REVENUE</b>				
Property Taxes	\$ 281,002	\$ 856,992	\$ -	\$ 1,137,994
Sales Tax Collected	2,461,789	-	-	2,461,789
Franchise Taxes	300,400	-	-	300,400
Licenses and Permits	109,307	-	-	109,307
Fines and Forfeitures	242,171	-	-	242,171
Mixed Drink Taxes	13,220	-	-	13,220
Rental Income	54,346	-	-	54,346
Charge for Services	58,648	-	-	58,648
Grant Revenue	141,830	-	-	141,830
Donations	7,555	-	-	7,555
Investment Income	2,272	6,684	15	8,971
Miscellaneous	6,472	-	-	6,472
<b>Total Revenues</b>	<u>3,679,012</u>	<u>863,676</u>	<u>15</u>	<u>4,542,703</u>
<b>EXPENDITURES</b>				
Current:				
General Government	710,861	-	-	710,861
Public Safety	1,637,044	-	-	1,637,044
Public Services and Operations	312,516	-	-	312,516
Public Works	285,186	-	-	285,186
Parks and Recreation	262,257	-	-	262,257
Debt Service:				
Principal Retirement	-	627,604	-	627,604
Interest Expense	-	107,670	-	107,670
Issuance costs	-	29,584	-	29,584
Capital Outlay:				
Public Safety	56,991	-	-	56,991
Public Works	170,415	-	-	170,415
Parks and Recreation	78,301	-	-	78,301
<b>Total Expenditures</b>	<u>3,513,571</u>	<u>764,858</u>	<u>-</u>	<u>4,278,429</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	165,441	98,818	15	264,274
<b>Other Revenues and Financing Sources (uses)</b>				
Bond proceeds	-	368,750	-	368,750
Refunding escrow	-	(470,250)	-	(470,250)
Transfers	409,499	151,500	(65,410)	495,589
<b>Total Other Financing Sources (uses)</b>	<u>409,499</u>	<u>50,000</u>	<u>(65,410)</u>	<u>394,089</u>
<b>Net Change in Fund Balances</b>	574,940	148,818	(65,395)	658,363
<b>Fund Balances, October 1</b>	<u>1,833,618</u>	<u>988,269</u>	<u>65,395</u>	<u>2,887,282</u>
<b>Fund Balances, September 30</b>	<u>\$ 2,408,558</u>	<u>\$ 1,137,087</u>	<u>\$ -</u>	<u>\$ 3,545,645</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  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds	\$ 658,363
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.	305,707
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(531,615)
Current year issuance of long-term bonds payable are other financing sources in the fund financial statements but are shown as additions to long-term debt in the government-wide financial statements.	(368,750)
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.	1,434
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.	627,604
Debt obligations retired with debt proceeds are other financial sources in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	470,250
Current year changes in accrued interest payable do not require the use of current resources; therefore, are not reported as expenditures in governmental funds.	13,661
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.	33,339
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	(16,744)
Change in net position of governmental activities - statement of activities	<u>\$ 1,193,249</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 BALANCE - BUDGET TO ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Property taxes	\$ 268,130	\$ 268,130	\$ 281,002	\$ 12,872
Fines and forfeitures	199,750	199,750	242,171	42,421
Licenses and permits	53,500	78,500	109,307	30,807
Sales tax collected	2,400,000	2,400,000	2,461,789	61,789
Franchise tax	227,550	227,550	300,400	72,850
Charge for services	59,000	59,000	58,648	(352)
Mixed drink tax	10,000	10,000	13,220	3,220
Rental income	48,240	48,240	54,346	6,106
Grant revenues	155,000	96,030	141,830	45,800
Donations	201,870	22,430	7,555	(14,875)
Investment income	1,950	1,950	2,272	322
Miscellaneous	4,700	4,700	6,472	1,772
<b>Total Revenues</b>	<u>3,629,690</u>	<u>3,416,280</u>	<u>3,679,012</u>	<u>262,732</u>
<b>EXPENDITURES</b>				
General government	846,275	978,550	710,861	267,689
Public safety	1,645,135	1,652,135	1,637,044	15,091
Municipal court	184,595	184,595	178,779	5,816
Public works	510,355	510,355	285,186	225,169
Parks and recreation	340,035	343,535	262,257	81,278
Animal shelter	143,180	143,180	133,737	9,443
Capital outlay:				
Public safety	46,000	56,800	56,991	(191)
Public works	150,000	173,000	170,415	2,585
Parks and recreation	218,870	31,310	78,301	(46,991)
<b>Total Expenditures</b>	<u>4,084,445</u>	<u>4,073,460</u>	<u>3,513,571</u>	<u>559,889</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(454,755)	(657,180)	165,441	822,621
<b>Other Revenues and Financing Sources (uses)</b>				
Transfers	409,499	409,499	409,499	-
<b>Total Other Financing Sources (uses)</b>	<u>409,499</u>	<u>409,499</u>	<u>409,499</u>	<u>-</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	(45,256)	(247,681)	574,940	822,621
<b>Fund Balances/Equity, October 1</b>	<u>1,833,618</u>	<u>1,833,618</u>	<u>1,833,618</u>	
<b>Fund Balances/Equity, September 30</b>	<u>\$ 1,788,362</u>	<u>\$ 1,585,937</u>	<u>\$ 2,408,558</u>	

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

**CITY OF CANTON, TEXAS  
STATEMENT OF FUNDS NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2014**

	<u>Water/Sewer Fund</u>	<u>Sanitation Fund</u>	<u>First Monday Fund</u>	<u>Total</u>
<b>ASSETS</b>				
Current Assets:				
Cash and cash equivalents	\$ 1,134,831	\$ 159,360	\$ 1,439,175	\$ 2,733,366
Receivables (net of allowances for uncollectible)	170,164	41,074	-	211,238
Restricted cash and cash equivalents	429,761	-	-	429,761
<b>Total Current Assets</b>	<u>1,734,756</u>	<u>200,434</u>	<u>1,439,175</u>	<u>3,374,365</u>
Noncurrent Assets:				
Note receivable from component unit	3,218,086	-	-	3,218,086
Capital Assets:				
Land	317,392	-	349,216	666,608
Building & improvements	4,666,517	-	5,191,883	9,858,400
Machinery & equipment	1,517,618	48,889	808,187	2,374,694
Infrastructure	13,375,273	-	2,330,267	15,705,540
Construction in progress	1,864,782	-	48,298	1,913,080
Less: accumulated depreciation	<u>(7,501,582)</u>	<u>(44,401)</u>	<u>(4,890,250)</u>	<u>(12,436,233)</u>
<b>Total Capital Assets (net of accumulated depreciation)</b>	<u>14,240,000</u>	<u>4,488</u>	<u>3,837,601</u>	<u>18,082,089</u>
<b>Total Noncurrent Assets</b>	<u>17,458,086</u>	<u>4,488</u>	<u>3,837,601</u>	<u>21,300,175</u>
<b>Total Assets</b>	<u>19,192,842</u>	<u>204,922</u>	<u>5,276,776</u>	<u>24,674,540</u>
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts payable	90,357	36,986	23,397	150,740
Accrued expenses payable	12,841	844	5,971	19,656
Other liabilities	27,348	4,745	4,557	36,650
Payables from restricted funds:				
Customer deposits	66,596	-	-	66,596
Accrued interest payable	27,619	-	-	27,619
Compensated absences - current	1,346	-	400	1,746
Bonds payable - current	336,250	-	-	336,250
<b>Total Current Liabilities</b>	<u>562,357</u>	<u>42,575</u>	<u>34,325</u>	<u>639,257</u>
Noncurrent Liabilities:				
Compensated absences	43,368	1,936	21,548	66,852
Bonds payable	3,346,819	-	-	3,346,819
<b>Total Non-Current Liabilities</b>	<u>3,390,187</u>	<u>1,936</u>	<u>21,548</u>	<u>3,413,671</u>
<b>Total Liabilities</b>	<u>3,952,544</u>	<u>44,511</u>	<u>55,873</u>	<u>4,052,928</u>
<b>NET POSITION</b>				
Net investment in capital assets	10,795,358	4,488	3,837,601	14,637,447
Restricted for:				
Debt	86,787	-	-	86,787
Unrestricted	4,358,153	155,923	1,383,302	5,897,378
<b>Total Net Position</b>	<u>\$ 15,240,298</u>	<u>\$ 160,411</u>	<u>\$ 5,220,903</u>	<u>\$ 20,621,612</u>

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 NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Water/Sewer Fund	Sanitation Fund	First Monday Fund	Total
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,815,831	\$ 542,756	\$ 2,940,810	\$ 5,299,397
Miscellaneous income	13,858	-	29,286	43,144
<b>Total Operating Revenues</b>	<u>1,829,689</u>	<u>542,756</u>	<u>2,970,096</u>	<u>5,342,541</u>
<b>OPERATING EXPENSES:</b>				
Personnel costs	532,252	36,724	566,784	1,135,760
Supplies and materials	172,739	2,022	146,536	321,297
Maintenance and repair	183,328	4,132	118,310	305,770
Contractual services	357,543	459,224	582,047	1,398,814
Other	2,974	-	14,727	17,701
Depreciation	525,670	1,795	293,828	821,293
<b>Total Operating Expenses</b>	<u>1,774,506</u>	<u>503,897</u>	<u>1,722,232</u>	<u>4,000,635</u>
<b>Operating Income (Loss)</b>	<u>55,183</u>	<u>38,859</u>	<u>1,247,864</u>	<u>1,341,906</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>				
Intergovernmental	108,500	-	-	108,500
Interest expense	(89,082)	-	-	(89,082)
Investment income	201	-	1,514	1,715
<b>Total Non-Operating Revenues (Expenses)</b>	<u>19,619</u>	<u>-</u>	<u>1,514</u>	<u>21,133</u>
<b>Income before capital contributions and transfers</b>	<u>74,802</u>	<u>38,859</u>	<u>1,249,378</u>	<u>1,363,039</u>
<b>Transfers</b>	<u>647,946</u>	<u>-</u>	<u>(1,143,535)</u>	<u>(495,589)</u>
<b>Change in Net Position</b>	<u>722,748</u>	<u>38,859</u>	<u>105,843</u>	<u>867,450</u>
<b>Net position - Beginning, October 1</b>	<u>14,517,550</u>	<u>121,552</u>	<u>5,115,060</u>	<u>19,754,162</u>
<b>Net Position - Ending, September 30</b>	<u>\$ 15,240,298</u>	<u>\$ 160,411</u>	<u>\$ 5,220,903</u>	<u>\$ 20,621,612</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, 2014**

	<u>Water/Sewer Fund</u>	<u>Sanitation Fund</u>	<u>First Monday Fund</u>	<u>Total</u>
<b>Cash Flows from Operating Activities</b>				
Cash received from customers	\$ 1,796,672	\$ 535,103	\$ 2,940,810	\$ 5,272,585
Cash received from other sources	122,358	-	(10,714)	111,644
Cash paid to employees	(532,252)	(36,561)	(566,784)	(1,135,597)
Cash paid to suppliers	(629,498)	(494,735)	(803,641)	(1,927,874)
<b>Net cash provided by (used for) operating activities</b>	<u>757,280</u>	<u>3,807</u>	<u>1,559,671</u>	<u>2,320,758</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Due from CEDC	218,459	-	(3,495)	214,964
Transfers to/from other funds	647,946	-	(1,140,040)	(492,094)
<b>Net Cash Provided by Non-capital Financing Activities</b>	<u>866,405</u>	<u>-</u>	<u>(1,143,535)</u>	<u>(277,130)</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Acquisition and construction of capital assets	(2,160,928)	-	(125,521)	(2,286,449)
Issuance of general obligation bonds	1,106,250	-	-	1,106,250
Principal payments on debt obligations	(1,282,356)	-	-	(1,282,356)
Interest and fiscal charges on debt	(97,441)	-	-	(97,441)
<b>Net cash provided by (used for) capital and related financing activities</b>	<u>(2,434,475)</u>	<u>-</u>	<u>(125,521)</u>	<u>(2,559,996)</u>
<b>Cash Flows from Investing Activities</b>				
Interest Income	201	-	1,514	1,715
<b>Net cash provided by (used for) investing activities</b>	<u>201</u>	<u>-</u>	<u>1,514</u>	<u>1,715</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(810,589)	3,807	292,129	(514,653)
<b>Cash and Cash Equivalents at Beginning of Year</b>	2,375,181	155,553	1,147,046	3,677,780
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 1,564,592</u>	<u>\$ 159,360</u>	<u>\$ 1,439,175</u>	<u>\$ 3,163,127</u>
<b>Reconciliation of operating income to net cash provided by (used for) operation activities</b>				
Operating income (loss)	\$ 55,183	\$ 38,859	\$ 1,247,864	\$ 1,341,906
Adjustment to reconcile operating income to net provided by operating activities:				
Grants, contributions and miscellaneous	108,500	-	-	108,500
Depreciation	525,669	1,796	293,828	821,293
Change in Assets and Liabilities				
Decrease (increase) in receivables	(7,640)	(7,653)	-	(15,293)
Increase (decrease) in accounts payable	80,388	(31,979)	14,612	63,021
Increase (decrease) in customer deposits	(11,519)	-	-	(11,519)
Increase (decrease) in accrued expenses	(13,137)	297	5,113	(7,727)
Increase (decrease) in other liabilities	19,836	2,487	(1,746)	20,577
Total Adjustments	<u>702,097</u>	<u>(35,052)</u>	<u>311,807</u>	<u>978,852</u>
<b>Net cash provided by (used for) operating activities</b>	<u>\$ 757,280</u>	<u>\$ 3,807</u>	<u>\$ 1,559,671</u>	<u>\$ 2,320,758</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, 2014

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Canton ("City") was incorporated in 1919 and operates under a Council-Manager form of government with a City Council comprised of the Mayor & five Council members. Some of the services provided are: public safety (police and fire protection), water distribution, and general administration.

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. The more significant accounting policies of the City are described below:

**1. Reporting Entity**

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

Under GASB Statement No. 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statements of the component 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 by including entities which meet all three of the following requirements:

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

The financial statements of the following component unit has 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 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 CEDC. These financial statements can be obtained by contacting the Canton EDC located at 119 N. Buffalo Street, Canton Texas.

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**1. Reporting Entity (continued)**

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria to be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria.

**2. Basis of Presentation, Basis of Accounting**

The basic financial statements are prepared in conformity with GAAP 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 position and statement of activities. Significantly, the City's statement of net position 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 schedule is presented that compares the original adopted budget and final amended General Fund budget with actual results.

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the government for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and its component unit, entities for which the City is considered to be financially accountable. The discretely presented component unit has been reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

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 position 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.

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 a 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) 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, 2014**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**2 Basis of Presentation, Basis of Accounting (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. There is one nonmajor fund (Capital Improvements Fund) and it is included in its column in the fund financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the general rule are franchise fees and other charges between the government's water and wastewater function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 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**

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 are 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 position and the operating statements present increases (revenues) and decreases (expenses) in total net position. 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. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available when 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 and payable shortly after year end as required by GASB Interpretation No. 6.

CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3. Measurement Focus, Basis of Accounting (continued)

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.

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.

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use, and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. 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 charges 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 are accounted for on a flow of economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position.

Proprietary funds are financed and operated in a manner similar to a private business enterprise. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenue earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or purposes. The following is a description of the 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.

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 service 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.

CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4. Financial Statement Amounts

a. Cash and Cash Equivalents (continued)

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 uncollectible.

Activity between funds is 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. 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, 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.

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.

d. 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 capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. The City capitalized interest of \$29,540 in the current fiscal year.

Management elected not to retroactively report infrastructure assets within the scope of GASB Statement No. 34.

**CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- 4. Financial Statement Amounts
  - d. Capital Assets (continued)

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 years
Building & Improvements	10 - 40 years
Machinery and equipment	5 - 20 years

- e. 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.

- f. 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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method and netted with the long term obligations in the liabilities. The City has compared this method to the effective interest method and found the difference between the two methods to be immaterial. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the year they are incurred in accordance with GASB Statement No. 65.

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.

- g. Deferred Outflows/Inflows of Resources

In addition to assets, the fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City does not have any deferred outflows of resources for the current fiscal year.

In addition to liabilities, the fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of a net position that applies to that time. The City has only one type of deferred inflow of resources in the governmental fund financial statement. Deferred revenue from property taxes is deferred and recognized as an inflow of resources in the period that the amounts become available.

CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4. Financial Statement Amounts (continued)

h. Fund Balance Policies

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.
- *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 resolution of the City Council. Commitments may be changed or lifted only by a resolution of the City Council. The resolution must be approved before the end of the fiscal 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 Manager authorized to do so by the City Council. Assignments of fund balances 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 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.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of a ordinance or resolution. This is done through adoption of budget and subsequent budget amendments that occur during the year.

The City believes that adequate levels of fund balances are essential in mitigating financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures, and similar circumstances. In order to comply with GASB 54, the City's fund balances now focus on "the extent to which the government is bound to honor constraints on specific purposes for which amounts in the fund can be spent". The goal is to maintain a minimum unassigned fund balance in the General Fund equal to 16.67% of expenditures, with 8.34% or less being cause for concern. At the end of fiscal year 2014, the City is in compliance with this minimum fund balance policy.

i. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

4. Financial Statement Amounts (continued)

j. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

k. 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.

l. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consideration. Services provided, deemed to be a market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges an appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position. The government did not have any Internal Balances at fiscal year end.

m. Use of Estimates

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

n. Program Revenues

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

o. Program Expenditures

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

**CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**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>
Debt Service Fund	Shortfall in budget of (\$30,958) was due, in large part, to the issuance costs of debt issued. This is covered by more revenues collected than budgeted.

**2. Deficit Fund Balance or Fund Net Position of Individual Funds**

Following are funds having deficit fund balances or fund net position 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.

**CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**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, 2014, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$6,387,199, and the bank balance was \$6,915,514. The City's cash deposits at September 30, 2014 and during the year ended September 30, 2014 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 \$7,863,831. Cash and investments as of September 30, 2014 consist of and are classified in the accompanying financial statements as follows:

**Statement of net position:**

Primary Government	
Cash and cash equivalents	\$ 4,699,538
Restricted assets-cash & cash equivalents	<u>1,687,661</u>
Total cash and cash equivalents	<u>\$ 6,387,199</u>
Governmental - Restricted cash	
Municipal Court - technology, building security	\$ 43,650
Debt Service	1,147,299
Capital improvements	60,080
Flex	<u>6,871</u>
Total governmental restricted cash	<u>\$ 1,257,900</u>
Business-type - Restricted cash	
Customer Deposits	\$ 66,281
Debt Service	114,407
Capital Projects	<u>249,073</u>
Total business-type restricted cash	<u>429,761</u>
Total Restricted Cash	<u>\$ 1,687,661</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 having 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.

**CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**C. CASH AND INVESTMENTS (continued)**

*Investment in State Investment Pools*

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

The State Comptroller of Public Accounts exercises oversight responsibility over Texpool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in Texpool and other persons who do not have a business relationship with Tiepolo. 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, 2014, the City had the following investments:

Investment Type	Amount	Weighted Average Maturity
Texpool	<u>\$ 238,427</u>	49 days

*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 of 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.

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**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.

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 2014 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, including the applicable allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Proprietary</u>	<u>Debt Service</u>	<u>Total</u>
Receivables				
Taxes	\$ 404,376	\$ -	\$ 19,677	\$ 424,053
Warrants	497,371	-	-	497,371
Fees and Charges	-	226,456	-	226,456
	<hr/>	<hr/>	<hr/>	<hr/>
Gross Receivables	901,747	226,456	19,677	1,147,880
Less: Allowance for Uncollectible	<hr/> (468,710)	<hr/> (15,218)	<hr/> -	<hr/> (483,928)
Total Net Receivables	<u>\$ 433,037</u>	<u>\$ 211,238</u>	<u>\$ 19,677</u>	<u>\$ 663,952</u>

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**F. NOTES RECEIVABLE**

In May 2010, the Canton Economic Development Corporation agreed to pay the costs of the water well improvements by remitting to the City from the receipts of local sales and use taxes received by the Corporation to pay the principal and interest on the 2010 Series Revenue Bonds. This was approved by a vote by the citizens of the City of Canton. Below is the detail on this note receivable.

In December 2011, the Canton Economic Development Corporation agreed to pay the costs of the construction of a water storage tower that has been financed from the proceeds of the City of Canton's Combination Tax and Revenue Certificates of Obligation, Series 2011 by remitting to the City from the receipts of local sales and use taxes received by the Corporation to pay the principal and interest. This was approved by a vote by the citizens of the City of Canton. Below is the detail on this note receivable.

	Beginning Balance	Issued	Decreases	Ending Balance	Receive within one year
Note receivable-EDC	\$ 730,182	\$ -	\$ (79,522)	\$ 650,660	\$ 77,823
Note receivable-EDC	2,706,363	-	(138,937)	2,567,426	137,438
	<u>\$ 3,436,545</u>	<u>\$ -</u>	<u>\$ (218,459)</u>	<u>\$ 3,218,086</u>	<u>\$ 215,261</u>

Note receivable requirements are as follows:

Year ending Sept 30	Payment
2015	\$ 215,261
2016	217,061
2017	218,761
2018	220,248
2019	216,423
2020-2024	973,357
2025-2029	724,375
2030-2032	432,600
	<u>\$ 3,218,086</u>

CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014

G. CAPITAL ASSETS

Capital asset activity for the period ended September 30, 2014 was as follows:

	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
<b>Governmental Activities:</b>					
Capital assets, not being depreciated					
Land	\$ 2,762,321	\$ -	\$ -	\$ -	\$ 2,762,321
Construction in progress	27,924	(198,339)	201,361	-	30,946
Total capital assets, not being depreciated	2,790,245	(198,339)	201,361	-	2,793,267
Capital assets, being depreciated:					
Buildings and improvements	1,109,681	-	42,190	-	1,151,871
Infrastructure	10,649,715	198,339	-	-	10,848,054
Machinery & equipment	1,980,388	-	62,156	-	2,042,544
Total capital assets being depreciated	13,739,784	198,339	104,346	-	14,042,469
Less accumulated depreciation for:					
Buildings & Improvements	(706,853)	-	(48,786)	-	(755,639)
Infrastructure	(1,988,240)	-	(329,846)	-	(2,318,086)
Machinery & Equipment	(1,450,710)	-	(152,983)	-	(1,603,693)
Total accumulated depreciation	(4,145,803)	-	(531,615)	-	(4,677,418)
Total capital assets, being depreciated, net	9,593,981	198,339	(427,269)	-	9,365,051
Governmental activities capital assets, net	\$ 12,384,226	\$ -	\$ (225,908)	\$ -	\$ 12,158,318
<b>Business-type Activities:</b>					
<b>Water/Sewer/Sanitation</b>					
Capital assets, not being depreciated					
Land	\$ 317,392	\$ -	\$ -	\$ -	\$ 317,392
Construction in Progress	951,594	(1,232,939)	2,146,127	-	1,864,782
Total capital assets, not being depreciated	1,268,986	(1,232,939)	2,146,127	-	2,182,174
Capital assets, being depreciated:					
Buildings and improvements	4,651,717	-	14,800	-	4,666,517
Infrastructure	12,142,334	1,232,939	-	-	13,375,273
Machinery & equipment	1,566,507	-	-	-	1,566,507
Total capital assets being depreciated	18,360,558	1,232,939	14,800	-	19,608,297
Less accumulated depreciation for:					
Buildings & Improvements	(2,806,252)	-	(134,283)	-	(2,940,535)
Infrastructure	(3,313,145)	-	(331,926)	-	(3,645,071)
Machinery & Equipment	(899,121)	-	(61,256)	-	(960,377)
Total accumulated depreciation	(7,018,518)	-	(527,465)	-	(7,545,983)
Total capital assets, being depreciated, net	11,342,040	1,232,939	(512,665)	-	12,062,314
Business-type activities capital assets, net	\$ 12,611,026	\$ -	\$ 1,633,462	\$ -	\$ 14,244,488

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

G. CAPITAL ASSETS (continued)

	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
<b>First Monday</b>					
Capital assets, not being depreciated					
Land	\$ 349,216	\$ -	\$ -	\$ -	\$ 349,216
Construction in Progress	-	-	48,298	-	48,298
Total capital assets, not being depreciated	<u>349,216</u>	<u>-</u>	<u>48,298</u>	<u>-</u>	<u>397,514</u>
Capital assets, being depreciated:					
Buildings and improvements	5,163,467	-	28,416	-	5,191,883
Infrastructure	2,281,460	-	48,807	-	2,330,267
Machinery & equipment	808,187	-	-	-	808,187
Total capital assets being depreciated	<u>8,253,114</u>	<u>-</u>	<u>77,223</u>	<u>-</u>	<u>8,330,337</u>
Less accumulated depreciation for:					
Buildings	(2,047,471)	-	(207,299)	-	(2,254,770)
Infrastructure	(1,885,490)	-	(56,917)	-	(1,942,407)
Machinery & equipment	(663,461)	-	(29,612)	-	(693,073)
Total accumulated depreciation	<u>(4,596,422)</u>	<u>-</u>	<u>(293,828)</u>	<u>-</u>	<u>(4,890,250)</u>
Total capital assets, being depreciated, net	<u>3,656,692</u>	<u>-</u>	<u>(216,605)</u>	<u>-</u>	<u>3,440,087</u>
Business-type activities capital assets, net	<u>\$ 4,005,908</u>	<u>\$ -</u>	<u>\$ (168,307)</u>	<u>\$ -</u>	<u>\$ 3,837,601</u>

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

Governmental activities:	
General Government	\$ 27,560
Public Services and Operations	11,638
Public Safety	162,057
Public Works, including depreciation of general infrastructure assets	292,246
Parks and Recreation	38,114
Total depreciation expense - governmental activity	<u>\$ 531,615</u>
Business-type activities:	
Water, Sewer, Sanitation	\$ 527,465
First Monday	293,828
Total depreciation expense - business-type activity	<u>\$ 821,293</u>

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

H. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2014 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Certificates of Obligation	\$ 1,505,250	\$ -	\$ (660,250)	\$ 845,000	\$ 200,000
Refunding Bonds	-	368,750	(70,000)	298,750	73,750
Tax Notes	1,039,125	-	(332,022)	707,103	332,103
Plus:					
Issuance premiums	12,496	-	(4,166)	8,330	
Less:					
Issuance discounts	(13,656)	-	2,732	(10,924)	
Total Bonds Payable	2,543,215	368,750	(1,063,706)	1,848,259	605,853
Notes Payable	242,193	-	(35,582)	206,611	37,371
Total Bonds/Notes Payable	2,785,408	368,750	(1,099,288)	2,054,870	643,224
Compensated absences	193,013	72,154	(105,494)	159,673	14,166
Governmental activity Long-term Debt	<u>\$ 2,978,421</u>	<u>\$ 440,904</u>	<u>\$ (1,204,782)</u>	<u>\$ 2,214,543</u>	<u>\$ 657,390</u>

Changes in Governmental Long-Term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30,		Retired	Amounts Outstanding September 30, 2014	Due Within One Year
			2013	Issued			
Series 2003-W/S	4.20%	\$ 1,000,000	\$ 470,250	\$ -	\$ (470,250)	\$ -	\$ -
2007 Cert of Oblig	4.00%	1,400,000	1,035,000	-	(190,000)	845,000	200,000
2008 Limited Tax Note	4.35%	500,000	364,125	-	(32,022)	332,103	332,103
2010 Tax Note	2.50%	750,000	675,000	-	(300,000)	375,000	-
2014 G.O. Ref	1.14%	368,750	-	368,750	(70,000)	298,750	73,750
Total Bonds Payable		4,018,750	2,544,375	368,750	(1,062,272)	1,850,853	605,853
Southside Bank Note	5.90%	380,000	242,193	-	(35,582)	206,611	37,371
		<u>\$ 4,398,750</u>	<u>\$ 2,786,568</u>	<u>\$ 368,750</u>	<u>\$ (1,097,854)</u>	<u>\$ 2,057,464</u>	<u>\$ 643,224</u>

Debt service requirements are as follows:

Year Ending September 30:	Total Requirements		
	Principal	Interest	
2015	\$ 605,853	\$ 108,152	\$ 714,005
2016	465,000	39,615	504,615
2017	481,250	25,010	506,260
2018	298,750	9,841	308,591
Totals	<u>\$ 1,850,853</u>	<u>\$ 182,618</u>	<u>\$ 2,033,471</u>

\$368,750 General Obligation Refunding Bond was issued April 2014 for the purpose of refinancing the 2003 Certificate of Obligation which had been issued for street infrastructure improvements.

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

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

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**H. LONG-TERM OBLIGATIONS (continued)**

\$500,000 Limited Tax Note was issued in November, 2008 for the purpose of purchasing land and construction of improvements for the police department and administrative 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.

The City incurred a notes payable with Southside 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 with an interest rate of 5.9%.

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements	
2015	\$ 37,371	\$ 10,386	\$ 47,757	
2016	39,250	8,507	47,757	
2017	41,223	6,534	47,757	
2018	43,294	4,462	47,756	
2019	45,473	2,286	47,759	
<b>Totals</b>	<b>\$ 206,611</b>	<b>\$ 32,175</b>	<b>\$ 238,786</b>	

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
<b>Water &amp; Sewer</b>					
Certificate of Obligations	\$ 954,750	\$ -	\$ (954,750)	\$ -	\$ -
Revenue Bonds	2,855,000	1,106,250	(325,000)	3,636,250	336,250
Plus:					
Issuance premiums	61,880	-	(3,263)	58,617	
Less:					
Issuance discounts	(12,453)	-	655	(11,798)	
Total Bonds Payable	3,859,177	1,106,250	(1,282,358)	3,683,069	336,250
Compensated absences	77,768	20,493	(51,611)	46,650	1,346
Total Water & Sewer	<u>\$ 3,936,945</u>	<u>\$ 1,126,743</u>	<u>\$ (1,333,969)</u>	<u>\$ 3,729,719</u>	<u>\$ 337,596</u>
<b>First Monday</b>					
Compensated absences	\$ 16,895	\$ 16,745	\$ (11,692)	\$ 21,948	\$ 400
Total First Monday	<u>\$ 16,895</u>	<u>\$ 16,745</u>	<u>\$ (11,692)</u>	<u>\$ 21,948</u>	<u>\$ 400</u>

*Changes in Water Sewer Long-Term Debt*

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding		Retired	Amounts Outstanding September 30, 2014	Due Within One Year
			September 30, 2013	Issued			
Series 2003-W/S	4.20%	\$ 2,000,000	\$ 954,750	\$ -	\$ (954,750)	\$ -	\$ -
Series 2010-Revenue	4.30%	1,060,000	930,000	-	(40,000)	890,000	40,000
Series 2011-Comb	3.00%	2,000,000	1,925,000	-	(75,000)	1,850,000	75,000
Series 2014-GO Ref	1.14%	1,106,250	-	1,106,250	(210,000)	896,250	221,250
		<u>\$ 6,166,250</u>	<u>\$ 3,809,750</u>	<u>\$ 1,106,250</u>	<u>\$ (1,279,750)</u>	<u>\$ 3,636,250</u>	<u>\$ 336,250</u>

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

H. LONG-TERM OBLIGATIONS (continued)

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2015	\$ 336,250	\$ 110,478	\$ 446,728
2016	345,000	104,756	449,756
2017	353,750	98,891	452,641
2018	351,250	92,770	444,020
2019	130,000	86,423	216,423
2020-2024	740,000	361,500	1,101,500
2025-2029	905,000	210,385	1,115,385
2030-2032	475,000	35,900	510,900
Totals	<u>\$ 3,636,250</u>	<u>\$ 1,101,103</u>	<u>\$ 4,737,353</u>

\$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.

\$2,000,000 Series 2011 Combination Tax & Revenue Bonds were issued for the purpose of acquiring, construction and other professional fees for water storage tank.

\$1,106,250 Series 2014 General Obligation Refunding Bonds were issued in April 2014 for the purpose of refinancing the 2003 Certificate of Obligations that were issued for water/sewer infrastructure improvements.

\$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.

*Compensated Absences*

Compensated absences represent the estimated liability for employees' accrued compensatory time and vacation leave which employees are entitled to be paid upon termination of employment if all requirements are met as stated in the personnel manual adopted by City Council. The retirement of this liability is typically paid from the General Fund and the Proprietary Funds based on the assignment of an employee at termination.

I. CONSTRUCTION COMMITMENTS

The City has several active construction projects as of September 30, 2014. The projects include construction of water construction of water storage facility and building improvements.

Project	Spent-to-Date	Remaining Commitment
Water tower	\$ 1,864,783	\$ -
Lock & Leave #2	48,298	-
Park trails	30,945	-
	<u>\$ 1,944,026</u>	<u>\$ -</u>

**CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**J. OPERATING LEASES**

The City has operating leases for office equipment and a property that is leased in the First Monday Fund. The property lease is the largest of the leases which is \$5,000 a month. The property lease expires in FY2016; however, there is an option to renew for two 5-year terms. The future minimum lease payments are as follows:

Year End Sept 30	Office Equipment	Building Lease	Total
2015	\$ 10,594	\$ 60,000	\$ 70,594
2016	7,587	72,000	79,587
2017	4,762	-	4,762
2018	2,939	-	2,939
2019	2,028	-	2,028
	<u>\$ 27,910</u>	<u>\$ 132,000</u>	<u>\$ 159,910</u>

**K. 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).

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:

	Plan Year	
	2013	2014
Employee Deposit Rate:	7%	7%
Matching Ratio (City to Employee):	2 to 1	2 to 1
Years required for vesting	5 yrs	5 yrs
Service retirements eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	30% of CPI Repeating	30% of CPI Repeating

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**K. PENSION PLAN**

1. Plan Description (continued)

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation; previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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.

2. Contributions

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2012 and 2013 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

	12/31/11	12/31/12	12/31/13
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal
Amortization method	Level % of payroll	Level % of payroll	Level % of payroll
GASB25 Equivalent Single Amortization period	26.1 years; closed	25.1 years; closed	26.0 years; closed
Amortization period for new gains/losses	30 years	30 years	30 years
Asset Valuation method	10-yr smoothed market	10-yr smoothed market	10-yr smoothed market
Actuarial assumptions:			
Investment rate of return *	7.0%	7.0%	7.0%
Projected Salary Increases *	varies by age & service	varies by age & service	varies by age & service
* Includes Inflation of Cost-of-Living adjustments	3% 0.9%	3% 0.9%	3% 0.9%

**Funded Status and Funding Progress** - In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, please see the December 31, 2013 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.

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**K. PENSION PLAN**

2. Contributions (continued)

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.

Schedule of Funding Progress:

Actuarial Valuation Date	12/31/11	12/31/12	12/31/13
Actuarial Value of Assets	\$ 4,950,942	\$ 5,544,706	\$ 6,143,534
Actuarial Accrued Liability	6,308,031	6,702,315	7,784,330
Percentage Funded	78.5%	82.7%	78.9%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	1,357,089	1,157,609	1,640,796
Annual Covered Payroll	2,200,850	2,326,853	2,292,291
UAAL as a Percentage of Covered Payroll	61.7%	49.7%	71.6%
Net Pension Obligation (NPO) at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC) Plus	318,889	286,991	278,954
Contributions Made Less	(318,889)	(286,991)	(278,954)
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 2014, 2013 and 2012 were \$4,651, \$5024 and \$6217, respectively, which equaled the required contributions each year.

**L. HEALTH CARE COVERAGE**

During the year ended September 30, 2014, employees of the City were covered by a health insurance plan ("Plan"). The City contributed \$555.10 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.

**CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**M. INSURANCE COVERAGE**

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, 2013, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

**N. 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.

**O. 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.

**P. 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	271,515,000
Gallons Billed	211,436,793

**Q. INTERFUND TRANSFERS**

Transfers between funds during the year were as follows:

<u>Funds</u>	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ -	\$ 409,499
Debt Service	-	151,500
Capital Improvements	65,410	-
Water and Sewer	-	647,946
First Monday	1,143,535	-
	<u>\$ 1,208,945</u>	<u>\$ 1,208,945</u>

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2014**

**R. RELATED PARTY TRANSACTIONS**

The President of American National Bank, Cindy Malouf, is a member of the City Council. Conflict of interest declarations have been followed in the event of business pertaining to the City and bank arises.

There are Council members that have personal accounts at the same financial institution that the City does business. Management has determined that this does not pose any conflict of interest for either party.

All full-time City employees receive a discount for utility services. There is no charge for garbage service or ambulance service subscription and the base rate for water is \$3. In addition, a flat rate of \$0.00355 is used to calculate water usage.

**S. SUBSEQUENT EVENTS**

In March 2015, the City issued Limited Tax Note, Series 2015 in the amount of \$2,500,000 for the purpose of constructing and equipping a new City Hall, improving and expanding Trade Center 4 building, renovating the City's historic water tower, and constructing a new communications tower.

The City has evaluated all events or transactions that occurred after September 30, 2014 up through March 24, 2015, the date the financial statements were available to be issued. Management noted no other subsequent events requiring disclosure.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF CANTON, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014

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

Fiscal Year *	Actuarial Valuation Date	Actuarial Value** of Assets	Actuarial Accrued Liability (AAL) -Unit Credit	(Over-funded)		Funded Percent	Covered Payroll	UAAL as Percent of Covered Payroll	Annual Required Contributions	Actual Contributions	Percent Contributed
				Actuarial Accrued Liability UAAL	Actuarial Accrued Liability UAAL						
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	4,478,926	5,938,320	1,459,394	75.40%	2,120,124	68.80%	302,456	302,456	100%	
2012	12/31/2011	4,950,942	6,308,031	1,357,089	78.50%	2,200,850	61.70%	318,889	318,889	100%	
2013	12/31/2012	5,544,706	6,702,315	1,157,609	82.70%	2,326,853	49.70%	286,991	286,991	100%	
2014	12/31/2013	6,143,534	7,784,330	1,640,796	78.90%	2,292,291	71.60%	278,954	278,954	100%	

\* As of December 31, of the preceding year, the date of the actuarial valuation  
 \*\* Information is from appropriate year supplements to TMRS annual reports.

NOTE: See accompanying notes to these financial statements for more detail.



SUPPLEMENTARY INFORMATION



**CITY OF CANTON, TEXAS  
 BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget - Positive (Negative)
<b>REVENUE</b>				
Property Taxes	\$ 825,220	\$ 825,220	\$ 856,992	\$ 31,772
Investment Income	4,500	4,500	6,684	2,184
<b>Total Revenues</b>	<u>829,720</u>	<u>829,720</u>	<u>863,676</u>	<u>33,956</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal Retirement	621,865	637,095	627,604	9,491
Interest and Fiscal Agent Fees	102,035	96,805	107,670	(10,865)
Issuance costs	-	-	29,584	29,584
<b>Total Expenditures</b>	<u>723,900</u>	<u>733,900</u>	<u>764,858</u>	<u>28,210</u>
<b>Excess (deficiency) of revenues over expenses</b>	105,820	95,820	98,818	2,998
<b>Other Revenues and Financing Sources (uses)</b>				
Refunding bond proceeds	-	-	368,750	368,750
Payment to bond refunding escrow agent	-	-	(470,250)	(470,250)
Transfers	-	-	151,500	151,500
<b>Total Other Financing Sources (uses)</b>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	105,820	95,820	148,818	52,998
<b>Fund Balances/Equity, October 1</b>	<u>988,269</u>	<u>988,269</u>	<u>988,269</u>	
<b>Fund Balances/Equity, September 30</b>	<u>\$ 1,094,089</u>	<u>\$ 1,084,089</u>	<u>\$ 1,137,087</u>	



STATISTICAL SECTION  
(UNAUDITED)



## STATISTICAL SECTION

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

<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 POSITION BY COMPONENT  
LAST TEN FISCAL YEARS  
(accrual basis of accounting)**

	<b>FISCAL YEAR</b>			
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
<b>Governmental activities</b>				
Net investment in capital assets	\$ 3,392,419	\$ 4,052,709	\$ 4,780,990	\$ 8,917,364
Restricted	2,564,366	1,749,141	1,068,338	1,439,063
Unrestricted	<u>394,235</u>	<u>773,952</u>	<u>1,228,978</u>	<u>(2,628,049)</u>
<b>Total governmental activities net position</b>	<u>6,351,020</u>	<u>6,575,802</u>	<u>7,078,306</u>	<u>7,728,378</u>
<b>Business-type activities</b>				
Net investment in capital assets	5,099,501	7,246,782	8,049,798	8,847,997
Restricted	-	-	-	-
Unrestricted	<u>1,368,354</u>	<u>1,057,221</u>	<u>1,182,662</u>	<u>1,722,995</u>
<b>Total business-type activities net position</b>	<u>6,467,855</u>	<u>8,304,003</u>	<u>9,232,460</u>	<u>10,570,992</u>
<b>Primary government</b>				
Net investment in capital assets	8,491,920	11,299,491	12,830,788	17,765,361
Restricted	2,564,366	1,749,141	1,068,338	1,439,063
Unrestricted	<u>1,762,589</u>	<u>1,831,173</u>	<u>2,411,640</u>	<u>(905,054)</u>
<b>Total primary government net position</b>	<u>\$ 12,818,875</u>	<u>\$ 14,879,805</u>	<u>\$ 16,310,766</u>	<u>\$ 18,299,370</u>

Table 1

FISCAL YEAR					
2009	2010	2011	2012	2013	2014
\$ 6,879,822	\$ 7,853,707	\$ 8,630,990	\$ 9,103,788	\$ 9,664,211	\$ 10,328,448
1,088,389	1,091,198	518,215	1,022,432	91,213	1,188,126
554,154	829,474	1,713,158	1,151,819	2,553,020	1,985,119
<u>8,522,365</u>	<u>9,774,379</u>	<u>10,862,363</u>	<u>11,278,039</u>	<u>12,308,444</u>	<u>13,501,693</u>
10,025,715	9,512,081	11,782,292	13,004,997	14,099,071	14,637,447
130,509	1,121,040	99,246	81,223	98,576	86,787
<u>1,111,558</u>	<u>2,007,778</u>	<u>2,043,836</u>	<u>6,236,087</u>	<u>5,556,515</u>	<u>5,897,378</u>
<u>11,267,782</u>	<u>12,640,899</u>	<u>13,925,374</u>	<u>19,322,307</u>	<u>19,754,162</u>	<u>20,621,612</u>
16,905,537	17,365,788	20,413,282	22,108,785	23,763,282	24,965,895
1,218,898	2,212,238	617,461	1,103,655	189,789	1,274,913
<u>1,665,712</u>	<u>2,837,252</u>	<u>3,756,994</u>	<u>7,387,906</u>	<u>8,109,535</u>	<u>7,882,497</u>
<u>\$ 19,790,147</u>	<u>\$ 22,415,278</u>	<u>\$ 24,787,737</u>	<u>\$ 30,600,346</u>	<u>\$ 32,062,606</u>	<u>\$ 34,123,305</u>

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

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

Table 2

FISCAL YEAR				
2010	2011	2012	2013	2014
\$ 821,677	\$ 884,368	\$ 966,692	\$ 951,008	\$ 725,581
1,584,341	1,682,441	1,659,571	1,712,959	1,776,166
668,367	659,366	645,380	642,939	322,669
278,595	301,828	273,145	323,425	606,861
277,565	276,160	287,693	293,094	299,906
155,545	203,416	151,592	120,239	92,575
-	-	-	-	-
<u>3,786,090</u>	<u>4,007,579</u>	<u>3,984,073</u>	<u>4,043,664</u>	<u>3,823,758</u>
1,852,580	1,857,049	1,830,652	1,895,691	1,863,588
543,142	573,396	525,861	536,929	503,897
<u>2,087,038</u>	<u>1,753,961</u>	<u>1,730,693</u>	<u>1,722,955</u>	<u>1,722,232</u>
<u>4,482,760</u>	<u>4,184,406</u>	<u>4,087,206</u>	<u>4,155,575</u>	<u>4,089,717</u>
<u>8,268,850</u>	<u>8,191,985</u>	<u>8,071,279</u>	<u>8,199,239</u>	<u>7,913,475</u>
30,325	64,276	69,959	179,437	36,046
42,465	95,932	199,989	21,755	26,455
-	1,809	-	-	-
<u>276,852</u>	<u>396,541</u>	<u>269,329</u>	<u>370,285</u>	<u>403,613</u>
<u>349,642</u>	<u>558,558</u>	<u>539,277</u>	<u>571,477</u>	<u>466,114</u>
1,636,119	1,947,269	1,838,225	1,802,741	1,815,831
553,448	587,270	567,465	552,804	542,756
<u>2,624,051</u>	<u>2,657,207</u>	<u>2,892,819</u>	<u>2,735,419</u>	<u>2,940,810</u>
<u>4,813,618</u>	<u>5,191,746</u>	<u>5,298,509</u>	<u>5,090,964</u>	<u>5,299,397</u>
<u>5,163,260</u>	<u>5,750,304</u>	<u>5,837,786</u>	<u>5,662,441</u>	<u>5,765,511</u>
(3,436,448)	(3,449,021)	(3,444,796)	(3,472,187)	(3,357,644)
<u>330,858</u>	<u>1,007,340</u>	<u>1,211,303</u>	<u>935,389</u>	<u>1,209,680</u>
<u>\$ (3,105,590)</u>	<u>\$ (2,441,681)</u>	<u>\$ (2,233,493)</u>	<u>\$ (2,536,798)</u>	<u>\$ (2,147,964)</u>

(continued)

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

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

**Note1:** In May 2011, hotel taxes began being collected by Canton Economic Development Corporation

Table 2

FISCAL YEAR				
2010	2011	2012	2013	2014
\$ 1,147,211	\$ 1,104,103	\$ 1,120,330	\$ 1,114,335	\$ 1,121,246
2,087,499	2,151,471	2,264,281	2,393,254	2,461,789
229,691	278,688	254,943	227,233	300,400
7,003	4,742	5,662	8,517	13,220
-	-	-	-	-
11,859	15,200	8,509	8,407	8,971
-	-	-	-	-
-	-	-	-	-
9,095	7,584	6,879	-	-
56,807	9,701	29,938	7,762	4,832
-	-	-	-	-
279,767	455,437	216,770	60,748	144,846
-	-	-	50,000	-
331,682	333,035	23,238	594,585	495,589
<u>4,160,614</u>	<u>4,359,961</u>	<u>3,930,550</u>	<u>4,464,841</u>	<u>4,550,893</u>
7,174	3,926	4,782	1,478	1,715
210,697	63,410	-	-	-
69,182	30,003	40,887	27,955	43,144
-	-	-	-	-
-	-	-	-	-
1,069,158	85,308	4,245,941	-	108,500
20,000	-	-	90,000	-
<u>(331,682)</u>	<u>(333,035)</u>	<u>(23,238)</u>	<u>(594,585)</u>	<u>(495,589)</u>
<u>1,044,529</u>	<u>(150,388)</u>	<u>4,268,372</u>	<u>(475,152)</u>	<u>(342,230)</u>
<u>5,205,143</u>	<u>4,209,573</u>	<u>8,198,922</u>	<u>3,989,689</u>	<u>4,208,663</u>
724,166	910,940	485,754	992,654	1,193,249
<u>1,375,387</u>	<u>856,952</u>	<u>5,479,675</u>	<u>460,237</u>	<u>867,450</u>
<u>\$ 2,099,553</u>	<u>\$ 1,767,892</u>	<u>\$ 5,965,429</u>	<u>\$ 1,452,891</u>	<u>\$ 2,060,699</u>



**CITY OF CANTON, TEXAS  
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE  
LAST TEN 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>
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
2012	1,120,330	2,264,281	254,943	3,639,554
2013	1,114,335	2,393,254	227,233	3,734,822
2014	1,121,246	2,461,789	300,400	3,883,435

**Note:** 2006 was the first year to collect property taxes since 1992.

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

	FISCAL YEAR					
	2005	2006	2007	2008	2009	2010
General Fund						
Restricted for:						
Court Use	\$ -	\$ -	\$ -	\$ -	\$ 79,650	\$ 39,679
Assigned for:						
Capital Improvements	-	-	-	-	-	119,140
Police						
Unassigned	1,425,190	1,148,056	960,626	1,192,632	635,926	716,087
Total Fund Balance	<u>1,425,190</u>	<u>1,148,056</u>	<u>960,626</u>	<u>1,192,632</u>	<u>715,576</u>	<u>874,906</u>
All Other Government Funds						
Restricted for:						
Debt	429,560	394,909	1,466,971	447,920	1,034,399	983,567
Capital improvements	1,319,582	1,068,340	-	991,143	-	-
Committed for:						
Public Works	-	-	-	-	-	-
Assigned for:						
Equipment replacement	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balance	<u>\$ 1,749,142</u>	<u>\$ 1,463,249</u>	<u>\$ 1,466,971</u>	<u>\$ 1,439,063</u>	<u>\$ 1,034,399</u>	<u>\$ 983,567</u>

Table 4

FISCAL YEAR			
2011	2012	2013	2014
\$ 39,455	\$ 35,254	\$ 38,213	\$ 43,650
-	-	-	-
2,666	-	-	-
<u>1,177,088</u>	<u>1,214,037</u>	<u>1,795,405</u>	<u>2,364,908</u>
<u>1,219,209</u>	<u>1,249,291</u>	<u>1,833,618</u>	<u>2,408,558</u>
960,526	987,022	988,269	1,137,087
376,560	205,316	65,395	-
123,697	-	-	-
98,820	92,586	-	-
-	(58,173)	-	-
<u>\$ 1,559,603</u>	<u>\$ 1,226,751</u>	<u>\$ 1,053,664</u>	<u>\$ 1,137,087</u>

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

	FISCAL YEAR				
	2005	2006	2007	2008	2009
<b>REVENUES</b>					
Property Taxes	\$ -	\$ 847,126	\$ 961,660	\$ 1,055,951	\$ 1,068,738
Non-Property Taxes	1,851,396	2,209,393	2,314,191	2,422,419	2,330,741
License and permits	283,359	65,757	33,114	90,420	49,565
Charge for Services	70,676	12,556	17,321	23,693	74,221
Fines and Forfeitures	111,274	129,011	275,099	178,711	196,187
Capital & Operating Grants	127,143	29,679	312,144	446,870	98,531
Rental Income	-	43,145	32,755	39,095	32,957
Donations	-	-	-	169,654	3,373
Investment Income	95,893	115,022	78,511	111,715	16,717
<b>Total Revenues</b>	<u>2,539,741</u>	<u>3,451,689</u>	<u>4,024,795</u>	<u>4,538,528</u>	<u>3,871,030</u>
<b>EXPENDITURES</b>					
General government	610,816	1,117,052	993,892	891,451	1,132,721
Public Safety	1,023,107	1,072,538	1,348,594	2,038,530	1,934,821
Public Works	316,410	350,402	715,880	1,589,888	1,482,197
Public Services and Operations	122,250	285,309	269,968	292,341	265,646
Parks and Recreation	159,035	287,619	246,987	319,171	563,291
Capital Outlay	67,491	29,548	-	-	-
Debt Service					
Principal	230,885	244,663	253,142	556,193	633,988
Interest	238,810	265,990	208,712	329,062	143,426
Issuance costs	-	-	-	-	-
<b>Total Expenditures</b>	<u>2,768,804</u>	<u>3,653,121</u>	<u>4,037,175</u>	<u>6,016,636</u>	<u>6,156,090</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
Sale of Assets	-	-	-	-	29,487
Debt Proceeds	-	-	-	1,900,000	380,000
Escrow payment of retired debt	-	-	-	-	-
Intergovernmental	11,772	-	-	195,000	248,688
FEMA Reimbursements	-	-	-	56,873	-
Insurance Reimbursement	-	126,660	322	8,776	49,361
Extraordinary Loss	-	-	(300,000)	-	-
Miscellaneous	264,305	328,603	189,355	20,863	52,605
Transfers	(1,115,969)	(793,876)	(71,220)	(445,390)	448,279
<b>Total other financing sources (uses)</b>	<u>(839,892)</u>	<u>(338,613)</u>	<u>(181,543)</u>	<u>1,736,122</u>	<u>1,208,420</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (1,068,955)</u>	<u>\$ (540,045)</u>	<u>\$ (193,923)</u>	<u>\$ 258,014</u>	<u>\$ (1,076,640)</u>
Debt service as a percentage of noncapital expenditures	21.05%	16.40%	12.92%	17.25%	14.45%

Table 5

FISCAL YEAR				
2010	2011	2012	2013	2014
\$ 1,147,211	\$ 1,104,103	\$ 1,116,283	\$ 1,114,335	\$ 1,137,994
2,324,193	2,434,901	2,524,886	2,629,004	2,775,409
43,873	64,018	51,070	89,330	109,307
67,565	67,738	61,981	60,232	58,648
167,744	342,061	337,264	223,077	242,171
279,767	349,937	154,708	12,775	141,830
48,601	46,697	48,937	48,240	54,346
9,095	7,584	6,879	270	7,555
11,860	15,200	8,510	8,408	8,971
<u>4,099,909</u>	<u>4,432,239</u>	<u>4,310,518</u>	<u>4,185,671</u>	<u>4,536,231</u>
795,167	849,814	928,968	1,034,573	710,861
1,459,063	1,507,941	1,518,593	1,541,765	1,637,044
436,294	393,990	374,756	361,758	285,186
271,826	292,968	262,965	308,498	312,516
221,869	238,155	234,709	246,285	262,257
369,691	743,531	550,690	421,675	305,707
667,482	690,342	717,439	751,833	627,604
180,367	186,381	153,514	126,883	107,670
-	22,100	-	-	29,584
<u>4,401,759</u>	<u>4,925,222</u>	<u>4,741,634</u>	<u>4,793,270</u>	<u>4,278,429</u>
-	-	-	-	-
-	750,000	-	-	368,750
-	-	-	-	(470,250)
-	105,500	41,650	228,147	-
-	-	-	-	-
40,136	34,336	39,322	149,497	-
-	-	-	-	-
38,531	13,407	24,139	8,861	6,472
<u>331,681</u>	<u>333,035</u>	<u>23,238</u>	<u>594,585</u>	<u>495,589</u>
<u>410,348</u>	<u>1,236,278</u>	<u>128,349</u>	<u>981,090</u>	<u>400,561</u>
<u>\$ 108,498</u>	<u>\$ 743,295</u>	<u>\$ (302,767)</u>	<u>\$ 373,491</u>	<u>\$ 658,363</u>
26.63%	27.38%	26.23%	25.16%	23.84%

Table 6

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

Fiscal Year Ended Sept. 30	Real Property		Other	Less:		Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property		Tax Exempt Real Property	Tax Exempt Real Property				
2007	\$ 132,898,480	\$ 129,840,220	\$ 33,133,740	\$ 35,614,780	\$ 260,257,660	\$ 0.390000	\$ 295,872,440	87.96%	
2008	134,823,670	102,566,320	33,206,420	27,361,518	243,234,892	0.425230	270,596,410	89.89%	
2009	184,651,730	85,766,718	28,283,792	45,556,942	253,145,298	0.425230	298,702,240	84.75%	
2010	139,534,250	179,636,930	9,891,220	42,279,716	286,782,684	0.425230	329,062,400	87.15%	
2011	139,947,640	164,330,874	10,976,940	53,090,014	262,165,440	0.425230	315,255,454	83.16%	
2012	148,369,050	154,960,053	6,287,803	47,777,448	261,839,458	0.425230	309,616,906	84.57%	
2013	146,435,480	158,059,040	5,808,060	46,176,854	264,125,726	0.425230	310,302,580	85.12%	
2014	156,782,282	150,933,786	4,156,300	47,300,774	264,571,594	0.420332	311,872,368	84.83%	

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

**CITY OF CANTON, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 LAST EIGHT 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
2012	0.09823	0.32700	0.42523	1.471	0.47007
2013	0.09823	0.32700	0.42523	1.471	0.48585
2014	0.10329	0.31704	0.42033	1.471	0.45917

**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, 2014

Table 8

Taxpayer	Assessed Taxable Value 2014 Fiscal Year	Rank	Percentage of Assessed Taxable Value
Henry Lewis	\$ 9,896,656	1	3.74%
Wal-Mart Stores Texas LP #827	7,392,070	2	2.79%
Wal-Mart Real Estate Business Trust	6,779,040	3	2.56%
Brookshire Grocery Co	4,931,920	4	1.86%
Bridwell Center Development Partner	4,721,720	5	1.78%
Starship League City LLP	3,829,000	6	1.45%
Kingdom Perspectives GP LTD	3,096,560	7	1.17%
Traders Square Investments LTD	2,717,830	8	1.03%
Brookshire Grocery Co	2,285,000	9	0.86%
Gary & Marcelyn Norrell Revocable Trust	<u>2,270,420</u>	10	<u>0.86%</u>
	<u>\$ 47,920,216</u>		<u>18.13%</u>
 Total Assessed Valuation	 <u>\$ 264,571,594</u>		

Source: Van Zandt County Appraisal District

**CITY OF CANTON, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST NINE 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%
2012	1,098,067	1,075,976	97.99%	20,997	1,096,973	99.90%
2013	1,109,162	1,078,852	97.27%	2,011	1,080,863	97.45%
2014	1,096,549	1,084,478	98.90%	6,810	1,091,288	99.52%

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

Table 10

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

SEPT 30	Governmental Activities				Business-Type Activities				Total Primary Government	Per Capita (1)
	Tax Notes	Certificates of Obligation	Other Obligations	Refunding Bonds	Certificates of Obligation	Other Obligations	Refunding Bonds	Revenue Bonds		
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
2012	1,092,879	1,649,450	276,072	520,000	1,115,550	-	-	2,970,000	7,623,951	2,129
2013	1,041,006	1,502,209	242,193	-	954,750	-	-	2,904,426	6,644,584	1,856
2014	707,372	842,137	206,611	298,750	-	-	896,250	2,786,819	5,737,939	1,569

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.

**CITY OF CANTON, TEXAS  
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING  
LAST EIGHT FISCAL YEARS**

**Table 11**

<b>Sept 30</b>	<b>Estimated Population</b>	<b>Assessed Property Value (1)</b>	<b>Gross Bonded Debt (2)</b>	<b>Less Debt Service Funds (3)</b>	<b>Net Bonded Debt</b>	<b>% of Net Bonded Debt to Assessed Property Value</b>	<b>Net Bonded Debt per Capita</b>
2007	5,147	\$ 283,276,940	\$ 6,019,970	\$ 487,252	\$ 5,532,718	1.95%	\$ 1,075
2008	5,147	243,234,892	7,205,001	447,920	6,757,081	2.78%	1,313
2009	5,147	253,145,298	6,344,988	1,034,399	5,310,589	2.10%	1,032
2010	5,147	286,782,684	6,525,588	983,567	5,542,021	1.93%	1,077
2011	3,581	262,165,440	6,305,411	975,670	5,329,741	2.03%	1,488
2012	3,581	261,839,458	7,347,879	1,000,514	6,347,365	2.42%	1,773
2013	3,581	264,125,726	6,402,391	988,269	5,414,122	2.05%	1,512
2014	3,658	264,571,594	3,637,103	1,144,476	2,492,627	0.94%	681

**Source:** City Staff

- (1) Van Zandt County Appraisal District
- (2) Schedule of Bonds Payable - Table 10
- (3) 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, 2014**

**Table 12**

<b>Governmental Subdivision</b>	<b>Gross Bonded Debt</b>	<b>Percentage of Debt Applicable to Area</b>	<b>City Share of Overlapping Debt</b>
Van Zandt County	\$ 8,363,000	11.40%	\$ 953,382
Canton Independent School District	<u>37,396,209</u>	41.32%	<u>15,452,114</u>
	<u>\$45,759,209</u>		16,405,496
City of Canton			<u>1,848,259</u>
			<u>\$18,253,755</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>6.90%</u>
Per capita overlapping bonded debt			<u>\$4,990</u>

**Source:** "Texas Municipal Report" as of September 30, 2014, 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 NINE FISCAL YEARS**

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

Table 13

<b>FISCAL YEAR ENDED SEPTEMBER 30</b>			
<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 2.50	\$ 2.50	\$ 2.50	\$ 2.50
<u>0.42523</u>	<u>0.42523</u>	<u>0.42523</u>	<u>0.420332</u>
<u>\$ 2.0748</u>	<u>\$ 2.0748</u>	<u>\$ 2.0748</u>	<u>\$ 2.0797</u>

**Legal Debt Margin Calculation for Fiscal Year 2014**

Assessed value	\$ 264,571,594
Add back exempt real property	<u>47,300,774</u>
	<u>\$ 311,872,368</u>
Debt limit (10% of total assessed value)	\$ 31,187,237
Debt applicable to limit:	
General Government Obligations	1,850,853
Less: Amount set aside for repayment of general obligation debt	<u>1,144,476</u>
	<u>\$ 706,377</u>
Legal debt margin	<u>2.26%</u>

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

**Table 14**

Sept 30	Water and Sewer Revenue Bonds					
	Total Revenues <sup>a</sup>	Less: Operating Expenses <sup>b</sup>	Net Available Revenue	Annual Requirement		Times Coverage
				Principal	Interest	
2005	\$ 1,900,319	\$ 2,154,148	\$ (253,829)	\$ 408,334	\$ 147,885	-
2006	2,102,690	2,260,908	(158,218)	425,000	132,584	-
2007	2,064,062	2,231,605	(167,543)	563,333	169,637	-
2008	2,350,747	2,428,867	(78,120)	371,667	148,949	-
2009	2,903,390	2,371,358	532,032	380,000	134,718	1.03
2010	2,189,567	1,919,886	269,681	15,000	11,262	10.27
2011	2,534,539	2,430,445	104,094	35,000	44,410	1.31
2012	2,625,861	1,746,992	878,869	40,000	42,923	10.60
2013	2,576,073	1,918,310	657,763	40,000	41,223	8.10
2014	2,590,905	1,750,938	839,967	40,000	39,523	10.56

**Note1:** <sup>a</sup> Total Revenues includes monies from CEDC for reimbursements of certain debt obligations. See Note F of the financial statements for detail.

<sup>b</sup> Operating Expenses only - not transfers or depreciation

**Note2:** Details regarding the City's outstanding debt can be found in Note H of the financial statements.

**CITY OF CANTON, TEXAS  
 DEMOGRAPHIC AND ECONOMIC STATISTICS  
 SEPTEMBER 30, 2014  
 LAST EIGHT FISCAL YEARS**

**Table 15**

<u>Fiscal Year</u>	<u>Estimated Population</u>	<u>Personal Income</u> <sup>2</sup>	<u>Per Capita Income</u> <sup>2</sup>	<u>Average Age</u> <sup>2</sup>	<u>Grade School Enrollment</u> <sup>3</sup>	<u>Unemployment Rate</u> <sup>4</sup>
2007	5,147	\$ 103,727,491	\$ 20,153	42.4	908	8.20%
2008	5,147	107,829,650	20,950	43.4	956	7.20%
2009	5,147	89,305,597	17,351	43.4	942	7.40%
2010	5,147	110,557,560	21,480	40	948	7.20%
2011	3,581	72,751,596	20,316	42	926	8.00%
2012	3,581	65,782,970	18,370	39	968	6.60%
2013	3,581	79,874,205	22,305	39	980	5.60%
2014	3,658 <sup>1</sup>	132,060,118	36,878	41.5	994	4.50%

**Sources:** 1 Retail Coach LLC  
 2 Canton EDC  
 3 Canton ISD  
 4 Texas Workforce Commission

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

**CITY OF CANTON, TEXAS  
PRINCIPAL EMPLOYERS  
SEPTEMBER 30, 2014**

**Table 16**

<u>Name of Employer</u>	<u>No. of Employees</u>
Wal-Mart Supercenter	312
Canton I.S.D.	294
Van Zandt County	215
Brookshire's	105
Splash Kingdom (Seasonal)	100
Winning Strategies	87
Canton Oaks (Senior Care & Rehab Facility)	85
City of Canton	83.5
Duke's Travel Plaza	75
Trinity Mother Frances Clinic	40

**Source:** Canton Economic Development Corporation Research

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

**Table 17**

Function / Program	FISCAL YEAR ENDED SEPTEMBER 30							
	2007	2008	2009	2010	2011	2012	2013	2014
General Government	7	7	6.5	8	9	9	9	9
Public Safety								
Police	18	18	18.5	18.5	18.5	18.5	18.5	18.5
Municipal Court	1.5	1.5	2	2	2	2	2	2
Fire	3	4	5	7	7	7	7	7
Public Works	11	11	10.5	5	5	6	6	6
Streets	2	2	3	5	5	5	5	5
Parks and Recreation	2	2	5	3	3	3	3	4
Animal Control	2.5	2.5	2.5	2	2	2	2	2
Utility Administration	2	2	2	2	2	2	2	2
Water, Wastewater	10	9	9	9	9	9	9	9.5
First Monday	15	15	12	18	17	18	18	18.5
	<u>74</u>	<u>74</u>	<u>76</u>	<u>79.5</u>	<u>79.5</u>	<u>81.5</u>	<u>81.5</u>	<u>83.5</u>

**Source:** City Staff

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

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

Function/Program	FISCAL YEAR ENDING SEPTEMBER 30							
	2007	2008	2009	2010	2011	2012	2013	2014
<b>Police</b>								
Number of police officers	13	13	13	13	13	13	13	13
Number of violations (citations)	1,731	1,505	1,811	1,488	1,610	1,286	1,578	1,859
<b>Fire</b>								
Number of firefighters	20	21	23	20	19	15	15	14
Number of fire service runs	96	164	105	NA	80	52	132	342
Number of Medical assist runs	173	199	606	NA	398	457	624	1064
<b>Development Services</b>								
Construction permits issued <sup>1</sup>	170	206	255	210	47	192	311	346
Estimated valuation <sup>1</sup>	\$ 1,543,844	\$ 3,313,192	\$ 4,603,990	\$ 3,493,399	\$ 6,088,662	\$ 2,863,932	\$ 11,457,266	\$ 15,827,694
<b>Public Works</b>								
Streets paved (miles)	26	26	26	26	26	26	26	26
<b>Parks and Recreation</b>								
Park land and municipal acreage maintained	236	236	257	257	257	257	257	257
<b>Water and Wastewater</b>								
Number of water customers	1,983	2,043	1,988	2,016	2,045	2,106	2,172	2,156
Average daily water consumption (millions of gallons)	0.607	0.702	0.788	0.750	0.900	0.854	0.770	0.744
Maximum storage capacity (millions of gallons)	1.39	1.39	1.39	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	5,000	5,000	5,000

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

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

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

**Table 19**

Function/Program	FISCAL YEAR ENDING SEPTEMBER 30							
	2007	2008	2009	2010	2011	2012	2013	2014
<b>Police</b>								
Stations	1	1	1	1	1	1	1	1
Patrol Units	10	10	10	10	10	10	10	10
<b>Fire</b>								
Stations	1	1	1	1	1	1	1	1
<b>Public Works</b>								
Streets-Paved (miles)	26	26	26	26	26	26	26	26
Street Lights	501	501	501	501	501	501	501	501
<b>Parks and Recreation</b>								
Park Acreage	150	150	150	150	150	150	150	150
Public Parks	3	3	3	3	3	3	3	3
Community Centers	1	1	1	1	1	1	1	1
Senior Centers	1	1	1	1	1	1	1	1
Tennis Courts	4	4	4	4	4	4	4	4
Soccer Fields	5	5	5	5	5	5	5	5
Baseball Fields	7	7	7	7	7	7	7	7
<b>Library</b>								
Library	1	1	1	1	1	1	1	1
<b>Water and Wastewater</b>								
Water Mains (miles)	47	47	49	49	49	49	49.2	49.3
Fire Hydrants	231	231	245	245	245	247	247	261
Storm Sewers (miles)	0.75	0.75	1.25	1.25	1.25	1.25	1.25	1.25
Sanitary Sewers (miles)	38.5	38.5	45	45	45	47.5	47.9	48
<b>First Monday (acres)</b>								
First Monday (acres)	100	100	100	100	100	100	100	100

**Source:** City Departments

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





