

COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE  
CITY OF CANTON, TEXAS

*FOR*

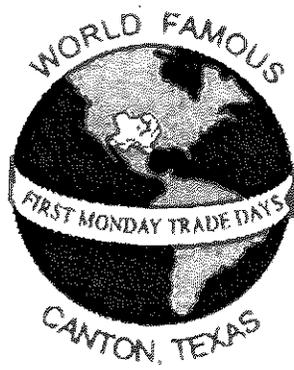
*FISCAL YEAR ENDED*

*SEPTEMBER 30, 2007*

*PREPARED BY:*

*CITY OF CANTON*

*FINANCE COMMITTEE*



**CITY OF CANTON, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**TABLE OF CONTENTS**

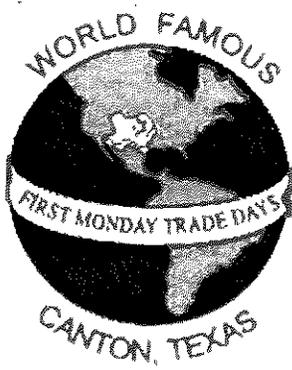
	<u>Page</u>
<b>INTRODUCTORY SECTION</b>	
Letter of Transmittal.....	i
City Council.....	v
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report on Financial Statements.....	3
A. Management Discussion and Analysis.....	5
B. Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets.....	19
Statement of Activities.....	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	22
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	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
Proprietary Fund Financial Statements:	
Statement of Net Assets - Enterprise Funds.....	26
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Enterprise Funds.....	27
Statement of Cash Flows - Proprietary Funds.....	28
Component Unit Financial Statements	
Statement of Net Assets - Component Unit.....	29
Statement of Activities - Component Unit.....	30
Reconciliation of the Component Unit Balance Sheet to the Statement of Net Assets.....	31
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Component Unit Funds to the Statement of Activities.....	32
Notes to the Financial Statements .....	33
C. Required Supplementary Information:	
Schedule of Pension Trust - TMRS Funding Progress and Contributors.....	51
Budgetary Comparison Schedule - General Fund.....	52

**CITY OF CANTON, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>D. Supplementary Information</b>	
Statement of Functional Expenses	
General Fund.....	54
Water Sewer Fund.....	56
First Monday Fund.....	57
Budgetary Comparison Schedule - Economic Development Corporation.....	58
 <b>STATISTICAL SECTION (UNAUDITED)</b>	
Table	
1 Net Assets by Component.....	63
2 Changes in Net Assets.....	64
3 Governmental Activities Tax Revenues by Source.....	66
4 Fund Balances, Governmental Funds.....	67
5 Changes in Fund Balance of Governmental Funds.....	68
6 Assessed Value and Estimated Actual Value of Taxable Property.....	69
7 Direct and Overlapping Property Tax Rates.....	70
8 Principal Taxpayers.....	71
9 Property Tax Levies and Collections.....	72
10 Ratio of Outstanding Debt by Type.....	73
11 Ratios of Net General Bonded Debt Outstanding.....	74
12 Direct and Overlapping Governmental Activities Debt.....	75
13 Legal Debt Margin Information.....	76
14 Pledged-Revenue Coverage.....	77
15 Demographic and Economic Statistics.....	78
16 Principal Employers.....	79
17 Full-Time Equivalent City Government Employees by Function/Program.....	80
18 Operating Indicators by Function/Program.....	81
19 Capital Asset Statistics by Function.....	82
 <b>CONTINUING DISCLOSURE SECTION (UNAUDITED)</b>	
1CD Valuation, Exemptions, and General Obligation Debt.....	85
2CD Tax Rate Levy and Collection History.....	86
3CD General Obligation Debt Service Requirements.....	87
4CD Governmental Revenues and Expenditures History.....	88
5CD Municipal Sales Tax History.....	89
6CD Cash and Investments for Primary Government.....	90
7CD Enterprise Funds Obligation Debt Service Requirements.....	91

## INTRODUCTORY SECTION



# City of Canton

P.O. Box 100  
Canton, Texas 75440

June 17, 2008

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, 2007, is submitted herewith. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the City, on a Government-wide and Fund basis. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

In 2004, the City issued its first year of financial statements under the new reporting model required as part of governmental financial reporting. The new reporting model issued by the Governmental Accounting Standards Board requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A).

The comprehensive annual financial report is presented in three sections: introductory, financial, and statistical. The introductory section includes this transmittal letter, the City's organizational chart, and a list of principal officials. The financial section includes the MD&A, Government-wide and Major Fund presentations, Required Supplementary Information, Combining Individual Fund Statements, as well as the independent auditors' report on the financial statements and schedules.

## GENERAL INFORMATION – CITY OF CANTON

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

The City Council is comprised of a mayor and five council members and is responsible for enacting ordinances, resolutions, and regulations governing the City, as well as appointing the members of various statutory and advisory boards, city manager, city attorney, and a municipal judge. The city manager is the chief administrative officer of the government and is responsible for the enforcement of laws and ordinances, the appointment and supervision of the executive directors, and heads of departments, and the performance of functions within the municipal organization.

## ECONOMIC CONDITIONS AND OUTLOOK

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

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

## MAJOR INITIATIVES

In FY 2006-2007, several projects affecting the City's economic outlook were initiated. The luxurious, sixty-acre Mill Creek Ranch RV Park & Cottage Resort opened, adding to Canton's allure as a tourist destination. Construction began on the new Bridwell Shopping Center with a multi-screen theater, new retailers and a new restaurant. Trinity Mother Frances opened a new medical facility offering urgent care and extended office hours with plans for expansion to a full-service hospital. The Etheridge Farms Subdivision was completed and construction began on the Deer Meadows housing development.

The City recruited a new City manager and improved emergency communication systems. It began a major improvement project on the Water Treatment Plant's filtration system to improve water quality and meet new TCEQ testing standards. City utilities were relocated and TXDOT completed widening and improvements to the intersection at Highways 243 and 198. Construction began on a new looped water line on the northwest side of town increasing pressure and flow to the Interstate 20 area. This project is funded by a Texas Capital Fund Economic Development Grant. Construction also began on the \$1,000,000 downtown sidewalk renovation project to improve safety, mobility, accessibility and the aesthetics of downtown and connecting pathways to First Monday Trade Days. This project is funded by a T-21 grant from the Texas Department of Transportation. The City partnered with CISD to overlay Cherry Creek. The new animal shelter was completed and the storm-damaged EMS building was reconstructed. The City also completed improvements to First Monday restrooms, covered rest areas, roadways, and its reservation accounting system.

In FY 2007-2008, increased economic development is expected to continue with the construction of a new Brookshire's grocery store and shopping center, renovation of Traders Square Shopping Center, and the attraction of additional hotels and restaurants near the Splash Kingdom Water Park and the new shopping Centers. Construction will begin on the \$1.4 million Etheridge Road project. Water planning initiatives continue with an engineering study for a long-range surface water plan, a water system capacity study, and a First Monday flood water retention study. A master plan will be developed for First Monday to include major capital improvements. Phase II of the Park Improvements project is expected to begin, including pavilions, restrooms, an amphitheater, a Frisbee golf course, and soccer field improvements. This project is funded by a Texas Parks & Wildlife grant. The City acquired a 16-acre baseball complex and reorganized the Parks Department. It is also acquiring a 4.0-acre site for relocation of the police station, some city offices, and public works facilities.

## 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 bonds within the limits prescribed by law, and the payment of operation and maintenance costs as approved by the City Council. The City's tax rate history as adopted by the City Council is shown below:

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

## 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, 2007, and the changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Acknowledgements

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

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

Respectfully submitted,

Andy McCuiston  
CITY MANAGER

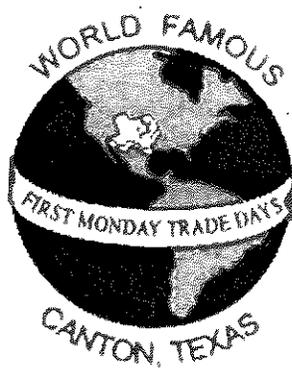
Julie H. Seymore  
DIRECTOR OF FINANCE

**Council Members**

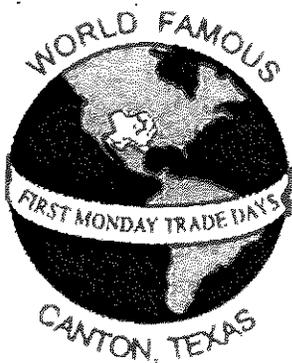
**Rusty Wilson, Mayor  
Kevin Deibert, Mayor Pro Tem  
Elaine Gothard  
Jim Fuller  
Ron Sanford  
William F. Hilliard**

**Administrative Staff**

**Andy McCuiston, City Manager  
Jim Stephens, Director of Administrative Services  
Lonny Cluck, Director of First Monday  
Tim Gothard, Director of Public Safety  
Rick Malone, Director of Public Works  
Julie H. Seymore, City Secretary/ Finance Officer  
Lilia Durham, Municipal Court Judge**



## FINANCIAL SECTION





Michael Conway, CPA  
Neil Conway, CPA

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

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

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

PO Box 8234  
Greenville, Texas 75404-8234

*Member*  
American Institute of CPAs  
Texas Society of CPAs

June 5, 2008

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

Mayor and City Council  
City of Canton  
290 E. Tyler  
Canton, TX 75103-0245

Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Canton (the "City") as of and for the years ended September 30, 2007 and 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's non-major governmental funds presented in the accompanying combining and individual fund financial statements and schedules as of and for the year ended September 30, 2007 as listed in the table of contents. These financial statements are the responsibility of City of Canton's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information for City of Canton as of September 30, 2007 and 2006, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each non-major governmental funds of the City of Canton, as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the Debt Service Fund, Water/Sewer Fund and Canton Economic Development Corporation for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

#1 Horizon Court  
Rockwall, Texas 75032  
Office (972) 771-1065  
Fax (903) 454-3181

In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated June 5, 2008, on our consideration of the City of Canton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 – 15, the Schedule of Pension Trust – TMRS Funding Progress and Contributions on page 51, and the General Fund Budgetary Comparison schedule on page 52 as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canton, Texas' basic financial statements. The individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The individual fund schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Respectfully submitted,

Conway Company CPAs, P.C.

A handwritten signature in cursive script that reads "Conway Company CPAs, P.C.".

# CITY OF CANTON, TEXAS

## MANAGEMENT DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2007

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, 2007. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### Financial Highlights

- The assets of the City of Canton exceeded its liabilities at the close of the fiscal year by \$16,310,766 (net assets). The portion of net assets that can be used to meet the government's on-going obligations to citizens and creditors, unrestricted net assets, is \$2,411,640.00.
- The government's total net assets increased by \$1,397,341, (excluding prior period adjustments of \$33,614) due to increases in both the government-type activities net assets and business-type net assets.
- As of the close of the current fiscal year, the City of Canton's governmental funds reported combined ending fund balances of \$2,427,597, a decrease of (\$193,923) in comparison with the prior year. Approximately 40% of this total amount, or \$960,626, is available for spending at the government's discretion (unreserved fund balance)
- At the end of the current fiscal year, unreserved fund balance for the General Fund of \$960,626 was 26.87% percent of total general fund expenditures for the fiscal year.
- The City of Canton's total bonded debt decreased by \$675,000 or 10.08% during the current fiscal year.

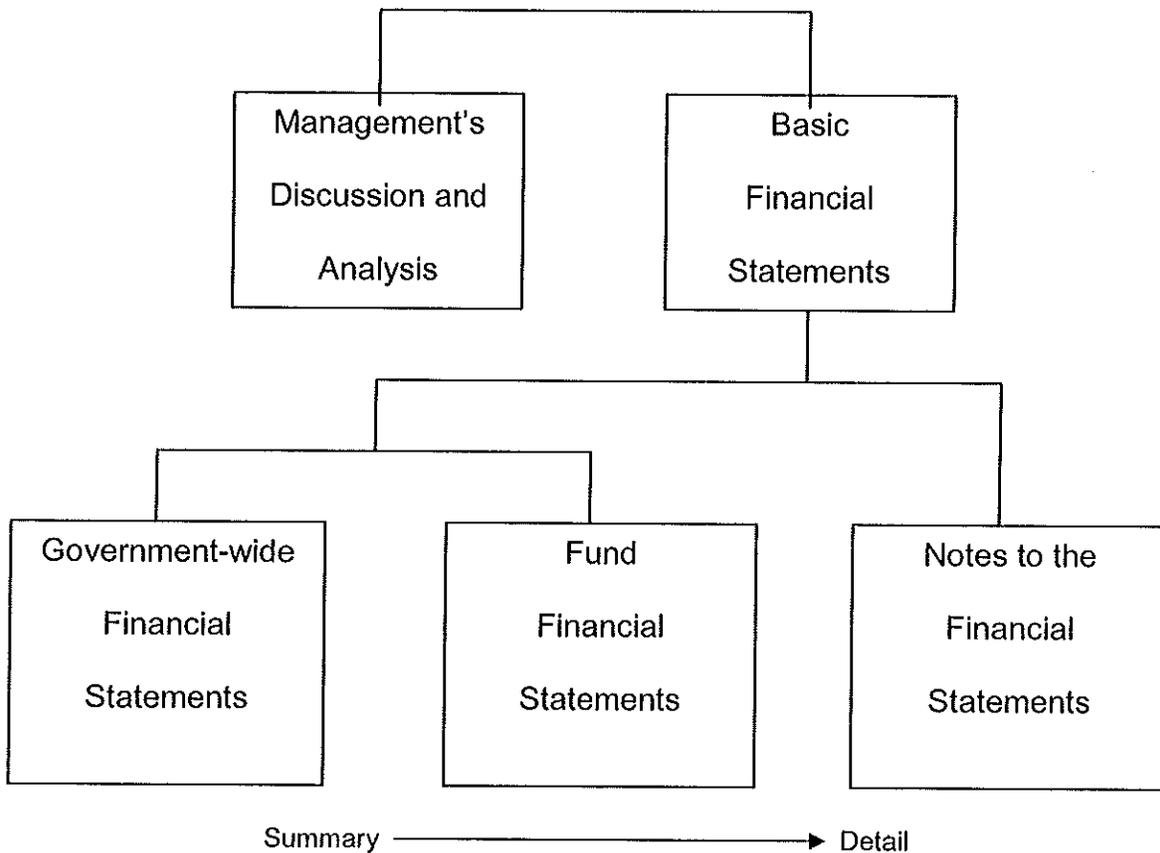
### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Canton's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Canton.

CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS

Required Components of Annual Financial Report

Figure 1



**Basic Financial Statements**

The first two statements (Exhibits 1 and 2) 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 (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

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

## CITY OF CANTON, TEXAS MANAGEMENT DISCUSSION AND ANALYSIS

### Government-wide Financial Statements

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

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

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

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

### Fund Financial Statements

The fund financial statements (see Figure 2) provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Canton, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Canton can be divided into two categories: governmental funds and proprietary funds.

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

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

**CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS**

account for the difference between the budgetary basis of accounting and the modified accrual basis, a reconciliation showing the differences in the reported activities is shown at the end of the budgetary statement. The Governmental Fund financial statements can be found on pages 22-25 of this report.

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

Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 26-27 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 33 to 48 of this report.

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

**Government-Wide Financial Analysis**

The government-wide financial statements for the fiscal year ended September 30, 2007 continue the implementation of a new standard of financial reporting for the City of Canton, and many other units of government across the United States. Prior to 2004, the City of Canton maintained their governmental and proprietary fund groups as two separate and very distinct types of accounting without any type of consolidated statement that accurately reflected the operations and net assets of the government as a whole. There was a total column that appeared on the financial statements, but it was a memorandum total only. No attempt was made to adjust the statements in such a way that the total column would represent the overall financial condition of the City of Canton. These statements were basically the equivalent of the fund financial statements that appear in this report with fiduciary funds and two account groups, the long-term debt and the general fixed assets, added in.

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

**CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS**

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

**Figure 2**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$ 2,534,337	\$ 2,669,743	\$ 1,577,484	\$ 1,395,423	\$ 4,111,821	\$ 4,065,166
Capital assets	8,499,833	7,997,969	10,745,595	10,530,146	19,245,428	18,528,115
Total assets	11,034,170	10,667,712	12,323,079	11,925,569	23,357,249	22,593,281
Current liabilities	724,274	146,644	778,127	338,202	1,502,401	484,846
Long-term liabilities	3,231,590	3,945,260	2,312,492	3,283,364	5,544,082	7,228,624
Total liabilities	3,955,864	4,091,904	3,090,619	3,621,566	7,046,483	7,713,470
Net assets:						
Invested in capital assets, net of related debt	5,268,243	4,052,709	8,433,103	7,246,782	13,701,346	11,299,491
Restricted	1,068,338	1,749,141	-	-	1,068,338	1,749,141
Unrestricted	1,228,978	773,958	1,182,662	1,057,221	2,411,640	1,831,179
Total net assets	\$ 7,565,559	\$ 6,575,808	\$ 9,615,765	\$ 8,304,003	\$ 17,181,324	\$ 14,879,811

As noted earlier, net assets may serve over time as one useful indicator of a government's financial condition. The net assets of the City of Canton exceeded liabilities by \$17,181,324 as of September 30, 2007. The City's net assets increased by \$1,397,341 for the fiscal year ended September 30, 2007. However, the largest portion (79.75%) reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City of Canton uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Canton's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Canton's net assets, 6.22%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$2,411,640 is unrestricted.

CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007

The City of Canton Changes in Net Assets  
Figure 3

	Governmental Activities		Business Activities		Totals	
	2007	2006	2007	2006	2007	2006
<b>REVENUE:</b>						
Program Revenues						
Charges for Services	\$ 480,195	\$ 500,493	\$ 5,552,012	\$ 5,383,830	\$ 6,032,207	\$ 5,884,323
Grants and contributions	312,144	29,679	28,000	-	340,144	29,679
General Revenues:						
Property taxes	961,661	847,126	-	-	961,661	847,126
Sales taxes	1,994,083	1,937,551	-	-	1,994,083	1,937,551
Franchise Fees	313,342	264,934	-	-	313,342	264,934
Mixed Drink taxes	6,766	6,908	-	-	6,766	6,908
Hotel/Motel tax	-	-	157,477	131,989	157,477	131,989
Insurance Reimbursement	322	126,660	-	-	322	126,660
Miscellaneous	39,750	78,581	-	103,911	39,750	182,492
Sale of Asset	-	-	-	12,646	-	12,646
Intergovernmental	-	86,744	125,000	386,214	125,000	472,958
<b>Total Revenues</b>	<b>4,108,263</b>	<b>3,878,676</b>	<b>5,862,489</b>	<b>6,018,590</b>	<b>9,970,752</b>	<b>9,897,266</b>
<b>EXPENSES:</b>						
Program Expenses:						
General Government	695,308	805,235	-	-	695,308	805,235
Public Safety	1,297,738	1,124,601	-	-	1,297,738	1,124,601
Public Services and Operations	215,321	164,485	-	-	215,321	164,485
Public Works	466,698	311,485	-	-	466,698	311,485
Parks and Recreation	171,891	197,652	-	-	171,891	197,652
Maintenance and Repair	-	-	251,908	295,813	251,908	295,813
Contractual Services	-	-	1,786,792	1,586,055	1,786,792	1,586,055
Other	-	-	60,323	78,003	60,323	78,003
Capital Outlay	-	29,548	111,600	223,163	111,600	252,711
Personal Services	-	-	1,249,306	1,232,172	1,249,306	1,232,172
Supplies and Materials	-	-	281,614	316,026	281,614	316,026
Rent	-	-	752,901	702,568	752,901	702,568
Depreciation	272,261	263,996	517,647	479,052	789,908	743,048
Interest and Fiscal Agent Fees	210,684	266,110	104,183	117,092	314,867	383,202
<b>Total Expenses</b>	<b>3,329,901</b>	<b>3,163,112</b>	<b>5,116,274</b>	<b>5,029,944</b>	<b>8,446,175</b>	<b>8,193,056</b>
<b>Increase in Net Assets before Transfers</b>	<b>778,362</b>	<b>715,564</b>	<b>746,215</b>	<b>988,646</b>	<b>1,524,577</b>	<b>1,704,210</b>
<b>Other Revenues and Financing Sources (uses)</b>						
Transfers	(43,517)	(793,876)	43,517	793,876	-	-
Investment Income	78,512	115,021	94,252	41,829	172,764	156,850
Extraordinary Loss	(300,000)	-	-	-	(300,000)	-
<b>Total Other Financing Sources (uses)</b>	<b>(265,005)</b>	<b>(678,855)</b>	<b>137,769</b>	<b>835,705</b>	<b>(127,236)</b>	<b>156,850</b>
<b>Increase in Net Assets</b>	<b>513,357</b>	<b>36,709</b>	<b>883,984</b>	<b>1,824,351</b>	<b>1,397,341</b>	<b>1,861,060</b>
<b>Net Assets, October 1</b>	<b>6,575,808</b>	<b>6,351,026</b>	<b>8,304,003</b>	<b>6,467,855</b>	<b>14,879,811</b>	<b>12,818,881</b>
<b>Prior Period Adjustments</b>	<b>(10,859)</b>	<b>188,073</b>	<b>44,473</b>	<b>11,797</b>	<b>33,614</b>	<b>199,870</b>
<b>Net Assets, September 30</b>	<b>\$ 7,078,306</b>	<b>\$ 6,575,808</b>	<b>\$ 9,232,460</b>	<b>\$ 8,304,003</b>	<b>\$ 16,310,766</b>	<b>\$ 14,879,811</b>

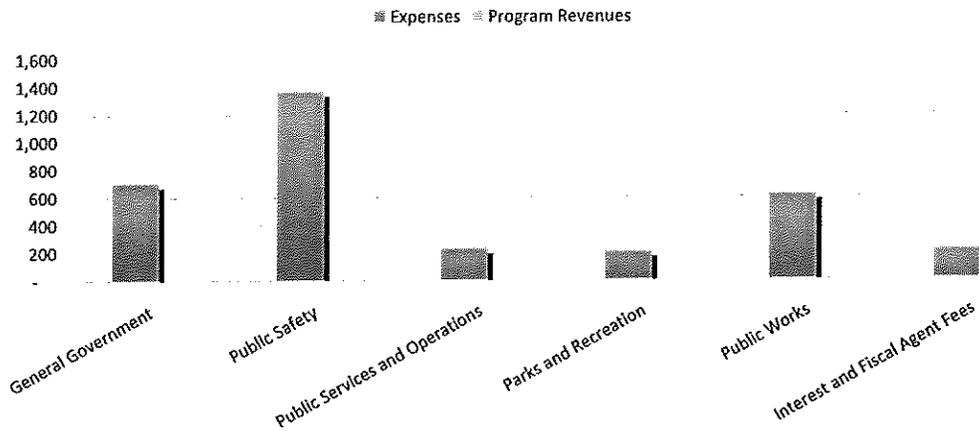
**CITY OF CANTON, TEXAS  
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
 SEPTEMBER 30, 2007**

**Governmental-type activities** - The Governmental Funds increased the City's net assets by \$513,357, excluding prior period adjustments. Key elements of this increase are as follows:

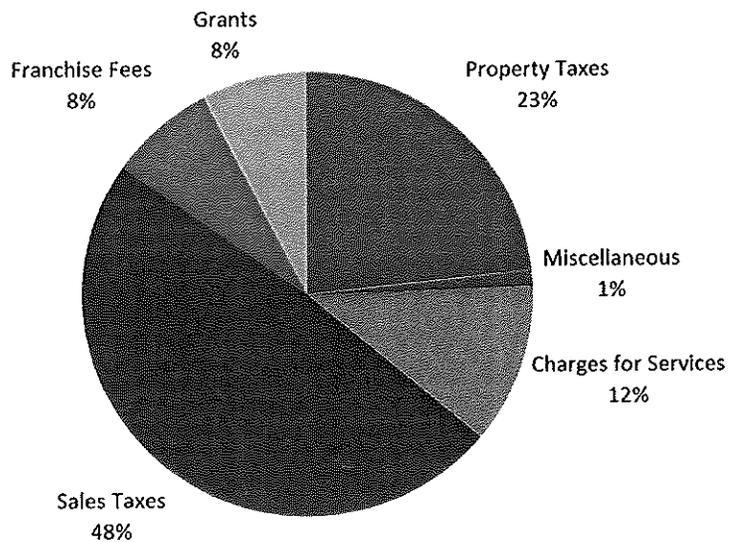
Property tax revenues increased by 12% and franchise fees increased by 15%.

**Expenses and Program Revenues - Governmental Activities**

(amounts expressed in thousands)



**Revenues By Source - Governmental Activities**



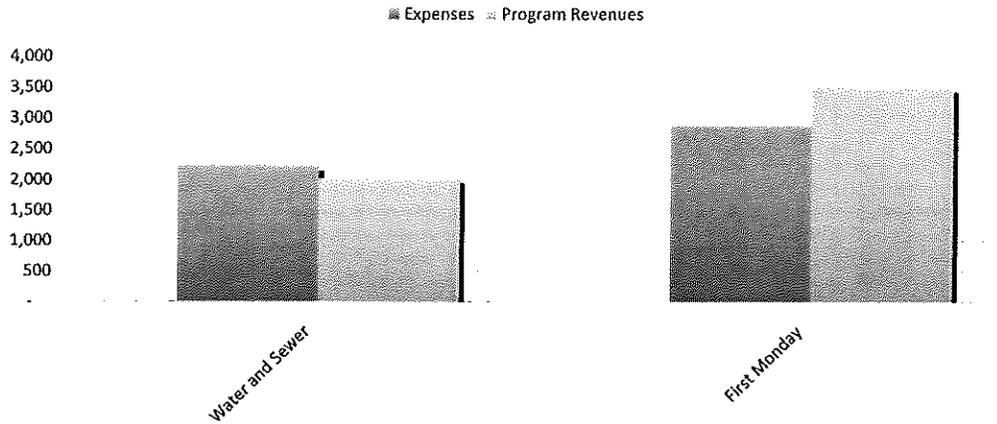
**CITY OF CANTON, TEXAS  
 MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
 SEPTEMBER 30, 2007**

**Business-type Activities** - Proprietary fund activities increased the City of Canton's net assets by \$883,984. Key elements of this increase are as follows:

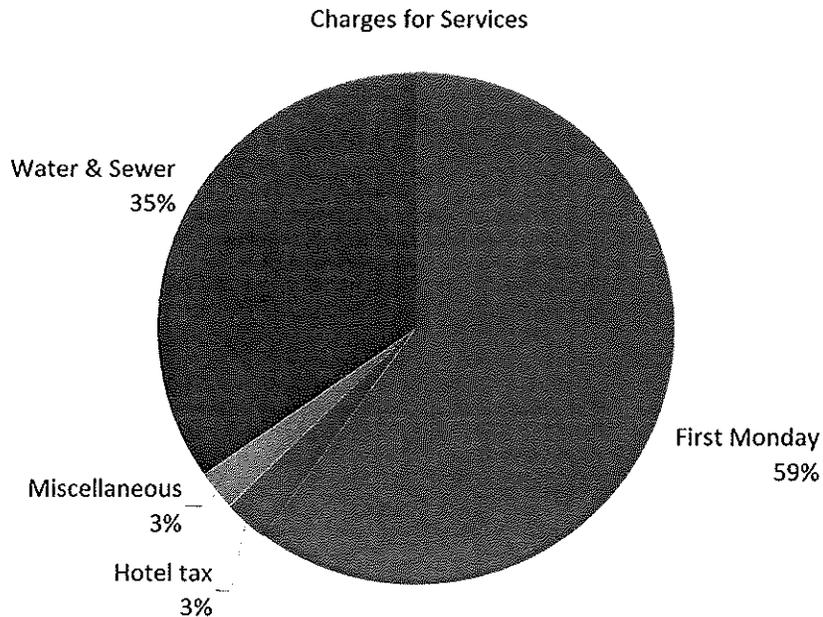
Water, Sewer and First Monday revenues and expenditures were very close to the budgeted amounts for these items. Revenues exceeded expenditures by 10%.

**Expenses and Program Revenues - Business Activities**

(amounts expressed in thousands)



**Revenues By Source - Business Activities**



**CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS (continued)  
SEPTEMBER 30, 2007**

**Financial Analysis of the City's Funds**

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

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

The general fund is the chief operating fund of the City of Canton. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$960,626. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 26.87% of total General Fund expenditures.

At September 30, 2007, the governmental funds of the City of Canton reported a combined fund balance of \$2,427,597, a -7% decrease over last year. Included in this change in fund balance is an increase in fund balance in the Debt Service Fund and a decrease in the General Fund.

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

Revenues were slightly more than the budgeted amounts mainly in the areas of property taxes and sales taxes. However, expenditures were generally in line with budgeted amounts.

**Proprietary Funds** - The City of Canton's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net assets of the Utility Fund at the end of the fiscal year amounted to \$1,182,662.

**CITY OF CANTON, TEXAS  
MANAGEMENT DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2007**

**Capital assets** - The City of Canton's investment in capital assets for its governmental and business-type activities as of September 30, 2007, totals \$19,245,428 (net of accumulated depreciation). This investment in capital assets include 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:

- The City completed work on the Main Street Project to renovate infrastructure in the downtown area and along Hwy 19.
- The City began work on the Streetscape project for the downtown area.

**Figure 4**

**City of Canton  
Capital Assets  
As of September 30, 2007**

	Governmental Activities	Business Activities	Total
Land & Improvements	\$ 2,190,190	\$ 597,868	\$ 2,788,058
Machinery & Equipment	983,226	2,110,531	3,093,757
Buildings	760,091	8,233,226	8,993,317
Infrastructure	5,732,478	6,479,998	12,212,476
Construction in Progress	478,759	1,175,038	1,653,797
Accumulated Depreciation	(1,644,911)	(7,851,066)	(9,495,977)
<b>Total</b>	<b>\$ 8,499,833</b>	<b>\$ 10,745,595</b>	<b>\$ 19,245,428</b>

More detailed information about the City's capital assets is presented in Note F to the financial statements on pages 40 and 41.

**Long-term Debt** - As of September 30, 2007, the City of Canton had total bonded debt outstanding of \$6,020,000. This debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**City of Canton  
Outstanding Bonds  
As of September 30, 2007**

Enterprise Funds	\$ 2,381,347
General Funds	3,638,653
<b>Total</b>	<b>\$ 6,020,000</b>

The City of Canton's bonded debt decreased by \$675,000 (10.08%) during the past fiscal year.

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

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

The FY 07-08 budget incorporates a property tax rate of \$0.42523 per \$100 valuation year. This is an increase over the FY 06-07 rate of \$0.39 per \$100 valuation.

Canton's certified taxable value for 2007 is \$243,346,656. This is a .001% increase over last year's values, or \$27,524. Values increased negligibly while an ordinance was enacted to freeze taxes for homeowners sixty-five and over, resulting in a higher tax rate for the rest of the taxpayers.

The City's General Fund budget increased 5.4% from the previous fiscal year. Sales tax revenues continue to increase due to sales at First Monday and economic development.

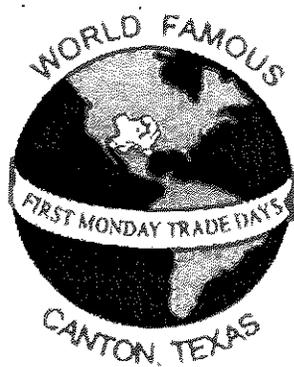
Compensation for employees include up to a 5% pay raise at the discretion of the department head.

Some major changes between the original budget and the final budget in the General Fund were the delay of a major park development project funded by a state grant, postponment of a major street reconstruction project due to design changes, and the addition of funds for the settlement of a lawsuit.

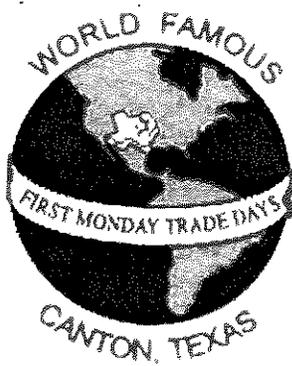
Some major changes between the original budget and the final budget in the Proprietary Funds were the addition of water plant improvements required to meet new TCEQ testing standards, the incomplection of a major water line project, and the emergency addition of two refurbished garbage trucks for First Monday to replace two that could not be repaired.

### **Requests for Information**

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



## BASIC FINANCIAL STATEMENTS



**CITY OF CANTON, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007**

	<u>Primary Government</u>			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS</b>				
Current Assets:				
Cash and Investments				
Unrestricted	\$ 812,082	\$ 1,439,272	\$ 2,251,354	\$ 809,580
Restricted	1,345,119	-	1,345,119	-
Receivables (net of allow for uncollectibles)				
Taxes	92,042	-	92,042	-
Warrants	61,462		61,462	
Grants	118,152		118,152	
Fees and Services	105,480	138,212	243,692	52,142
Total Current Assets	<u>2,534,337</u>	<u>1,577,484</u>	<u>4,111,821</u>	<u>861,722</u>
Capital Assets:				
Property, Plant & Equipment				
Land & Improvements	2,190,190	597,868	2,788,058	220,007
Machinery & Equipment	983,226	2,110,531	3,093,757	2,528
Buildings	760,091	8,233,226	8,993,317	222,821
Infrastructure	5,732,478	6,479,998	12,212,476	-
Construction in Progress	478,759	1,175,038	1,653,797	965,464
Accumulated Depreciation	(1,644,911)	(7,851,066)	(9,495,977)	(5,444)
Total Capital Assets	<u>8,499,833</u>	<u>10,745,595</u>	<u>19,245,428</u>	<u>1,405,376</u>
<b>Total Assets</b>	<u><u>11,034,170</u></u>	<u><u>12,323,079</u></u>	<u><u>23,357,249</u></u>	<u><u>2,267,098</u></u>
<b>LIABILITIES AND NET ASSETS</b>				
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	46,263	170,665	216,928	-
Other Liabilities	148,831	131,462	280,293	-
Deferred Revenue	341	-	341	-
Accrued Expenses	41,586	92,695	134,281	1,731
Current Portion of Long Term Debt				
Current Notes Payable	33,919	136,639	170,558	25,310
Current Bonds Payable	453,334	246,666	700,000	-
Total Current Liabilities	<u>724,274</u>	<u>778,127</u>	<u>1,502,401</u>	<u>27,041</u>
Noncurrent Liabilities:				
Long Term Debt				
Notes Payable	80,190	314,450	394,640	425,979
Revenue Bond Payable	3,638,653	2,381,347	6,020,000	-
Less: Current Portion	(487,253)	(383,305)	(870,558)	(25,310)
Total Noncurrent Liabilities	<u>3,231,590</u>	<u>2,312,492</u>	<u>5,544,082</u>	<u>400,669</u>
<b>Total Liabilities</b>	<u><u>3,955,864</u></u>	<u><u>3,090,619</u></u>	<u><u>7,046,483</u></u>	<u><u>427,710</u></u>
<b>NET ASSETS</b>				
Invested in capital assets (net of related debt)	4,780,990	8,049,798	12,830,788	979,397
Restricted for:				
Debt	1,068,338	-	1,068,338	-
Unrestricted	1,228,978	1,182,662	2,411,640	859,991
<b>Total Net Assets</b>	<u><u>\$ 7,078,306</u></u>	<u><u>\$ 9,232,460</u></u>	<u><u>\$ 16,310,766</u></u>	<u><u>\$ 1,839,388</u></u>

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

CITY OF CANTON, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

Function/Program Activities	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental Activities:				
Administrative Services	\$ 702,214	\$ 121,906	\$ 243,604	\$ -
Police	1,086,149	275,099	-	-
Fire	282,429	19,544	5,040	-
Animal Control	115,159	-	-	-
Municipal Court	105,896	-	-	-
Streets	616,528	2,055	-	-
Public services and operations	8,033	61,591	-	-
Parks and recreation	202,809	-	63,500	-
Interest on Long-Term Debt	210,684	-	-	-
<b>Total governmental activities</b>	<b>3,329,901</b>	<b>480,195</b>	<b>312,144</b>	<b>-</b>
Business-type Activities:				
Water and sewer	2,231,605	2,036,062	28,000	-
First Monday	2,884,669	3,515,950	-	-
<b>Total business-type activities</b>	<b>5,116,274</b>	<b>5,552,012</b>	<b>28,000</b>	<b>-</b>
<b>Total primary government</b>	<b>8,446,175</b>	<b>6,032,207</b>	<b>340,144</b>	<b>-</b>
<b>Component units:</b>				
Economic Development Corporation	190,652	10,040	-	-
<b>Total component units</b>	<b>\$ 190,652</b>	<b>\$ 10,040</b>	<b>\$ -</b>	<b>\$ -</b>

General revenues:  
Property taxes  
Sales taxes  
Franchise Fees  
Mixed Drink taxes  
Hotel/Motel tax  
Investment income  
Insurance Reimbursement  
Miscellaneous  
Intergovernmental  
Extraordinary Income (Loss)  
Transfers  
Total general revenues & transfers  
Change in net assets  
Net assets - beginning  
Prior Period Adjustment  
Net assets - ending

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

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

<b>Primary Government</b>			
<b>Governmental Activities</b>	<b>Business Activities</b>	<b>Total</b>	<b>Component Units</b>
\$ (336,704)	\$ -	\$ (336,704)	\$ -
(811,050)	-	(811,050)	-
(257,845)	-	(257,845)	-
(115,159)	-	(115,159)	-
(105,896)	-	(105,896)	-
(614,473)	-	(614,473)	-
53,558	-	53,558	-
(139,309)	-	(139,309)	-
(210,684)	-	(210,684)	-
<u>(2,537,562)</u>	<u>-</u>	<u>(2,537,562)</u>	<u>-</u>
-	(167,543)	(167,543)	-
-	631,281	631,281	-
-	463,738	463,738	-
<u>(2,537,562)</u>	<u>463,738</u>	<u>(2,073,824)</u>	<u>-</u>
-	-	-	(180,612)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (180,612)</u>
\$ 961,661	\$ -	\$ 961,661	\$ -
1,994,083	-	1,994,083	664,492
313,342	-	313,342	-
6,766	-	6,766	-
-	157,477	157,477	-
78,512	94,252	172,764	-
322	-	322	-
39,750	-	39,750	-
-	125,000	125,000	(125,000)
(300,000)	-	(300,000)	-
(43,517)	43,517	-	-
<u>3,050,919</u>	<u>420,246</u>	<u>3,471,165</u>	<u>539,492</u>
513,357	883,984	1,397,341	358,880
6,575,808	8,304,003	14,879,811	1,480,508
(10,859)	44,473	33,614	-
<u>\$ 7,078,306</u>	<u>\$ 9,232,460</u>	<u>\$ 16,310,766</u>	<u>\$ 1,839,388</u>

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

CITY OF CANTON, TEXAS  
 BALANCE SHEET - GOVERNMENT FUNDS  
 SEPTEMBER 30, 2007

	General Fund	Debt Service Fund	Capital Improvement Fund	Total
<b>ASSETS AND OTHER DEBITS</b>				
<b>ASSETS</b>				
Cash and Investments				
Unrestricted	\$ 809,710	\$ -	\$ 2,370	\$ 812,080
Restricted	(73,926)	787,140	631,907	1,345,121
Receivables (net of allowance for uncollectible)				
Taxes	39,899	52,143	-	92,042
Grants	118,152	-	-	118,152
Warrants	61,462	-	-	61,462
Fees and Services	105,476	-	-	105,476
<b>Total Assets</b>	<u>1,060,773</u>	<u>839,283</u>	<u>634,277</u>	<u>2,534,333</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	39,675	6,589	-	46,264
Other Liabilities	18,544	-	-	18,544
Accrued Expenses	41,586	-	-	41,586
Deferred Revenue	342	-	-	342
<b>Total Liabilities</b>	<u>100,147</u>	<u>6,589</u>	<u>-</u>	<u>106,736</u>
<b>Fund Balances</b>				
Reserved for:				
Debt	-	832,694	634,277	1,466,971
Unreserved-Undesignated	960,626	-	-	960,626
<b>Total Fund Balances</b>	<u>960,626</u>	<u>832,694</u>	<u>634,277</u>	<u>2,427,597</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 1,060,773</u>	<u>\$ 839,283</u>	<u>\$ 634,277</u>	<u>\$ 2,534,333</u>

The accompanying notes are an integral part of these financial statements

**CITY OF CANTON, TEXAS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007**

Total fund balances - governmental funds balance sheet	\$ 2,427,597
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	8,499,833
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(3,849,124)
Net assets of governmental activities - statement of net assets	<u>\$ 7,078,306</u>

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

**CITY OF CANTON, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENT FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	General Fund	Debt Service Fund	Capital Improvement Fund	Total Governmental Funds
<b>REVENUE</b>				
Property Taxes	480,071	481,589	-	961,660
Sales Tax Collected	1,329,388	664,695	-	1,994,083
Franchise Fees	313,342	-	-	313,342
Licenses and Permits	33,114	-	-	33,114
Fines and Forfeitures	275,099	-	-	275,099
Mixed Drink Taxes	6,766	-	-	6,766
Insurance Reimbursement	322	-	-	322
Rental Income	32,755	-	-	32,755
Charge for Services	17,321	-	-	17,321
Grant Revenue	312,144	-	-	312,144
Miscellaneous	189,355	-	-	189,355
<b>Total Revenues</b>	<b>2,989,677</b>	<b>1,146,284</b>	<b>-</b>	<b>4,135,961</b>
<b>EXPENDITURES</b>				
Current:				
Administrative Services	993,892	-	-	993,892
Police	1,049,837	-	-	1,049,837
Fire	298,756	-	-	298,756
Municipal Court	102,758	-	-	102,758
Streets	715,880	-	-	715,880
Parks and Recreation	246,987	-	-	246,987
Animal Shelter	167,211	-	-	167,211
Debt Service				
Principal Retirement	-	253,142	-	253,142
Interest and Fiscal Agent Fees	-	208,712	-	208,712
<b>Total Expenditures</b>	<b>3,575,321</b>	<b>461,854</b>	<b>-</b>	<b>4,037,175</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(585,644)</b>	<b>684,430</b>	<b>-</b>	<b>98,786</b>
<b>Other Revenues and Financing Sources (uses)</b>				
Operating Transfers In	655,806	(688,493)	(38,533)	(71,220)
Extraordinary Loss	(300,000)	-	-	(300,000)
Investment Income	32,193	12,288	34,030	78,511
<b>Total Other Financing Sources (uses)</b>	<b>387,999</b>	<b>(676,205)</b>	<b>(4,503)</b>	<b>(292,709)</b>
<b>Net Change in Fund Balances</b>	<b>(197,645)</b>	<b>8,225</b>	<b>(4,503)</b>	<b>(193,923)</b>
<b>Fund Balances/Equity, October 1</b>	<b>1,148,059</b>	<b>824,469</b>	<b>638,780</b>	<b>2,611,308</b>
<b>Prior Period Adjustments</b>	<b>10,212</b>	<b>-</b>	<b>-</b>	<b>10,212</b>
<b>Fund Balances/Equity, September 30</b>	<b>\$ 960,626</b>	<b>\$ 832,694</b>	<b>\$ 634,277</b>	<b>\$ 2,427,597</b>

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

**CITY OF CANTON, TEXAS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Net change in fund balances - total governmental funds \$ (193,923)

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 reports as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. 467,126

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 240,154

Change in net assets of governmental activities - statement of activities \$ 513,357

**CITY OF CANTON, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2007**

<b>ASSETS AND OTHER DEBITS</b>	<b>Water/Sewer Fund</b>	<b>First Monday Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets			
Cash and Investments			
Unrestricted	\$ -	\$ 1,439,723	\$ 1,439,723
Receivables (net of allow for uncollectibles)			
Fees and Services	137,761	-	137,761
<b>Total Current Assets</b>	<u>137,761</u>	<u>1,439,723</u>	<u>1,577,484</u>
Capital Assets			
Property, Plant & Equipment			
Land	248,652	349,216	597,868
Building	4,451,251	3,781,975	8,233,226
Machinery & Equipment	1,436,492	674,039	2,110,531
Improvements	4,524,055	1,955,943	6,479,998
Construction In Progress	1,175,038	-	1,175,038
Accumulated Depreciation	(4,603,489)	(3,247,577)	(7,851,066)
<b>Total Capital Assets</b>	<u>7,231,999</u>	<u>3,513,596</u>	<u>10,745,595</u>
<b>Total Assets</b>	<u><u>7,369,760</u></u>	<u><u>4,953,319</u></u>	<u><u>12,323,079</u></u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable and Other Liabilities	120,226	50,439	170,665
Other Liabilities	118,031	13,431	131,462
Accrued Expenses	58,707	33,988	92,695
<b>Total Current Liabilities</b>	<u>296,964</u>	<u>97,858</u>	<u>394,822</u>
Non-Current Liabilities			
Long Term Debt			
Notes Payable	-	314,450	314,450
Revenue Bond Payable	2,381,347	-	2,381,347
<b>Total Non-Current Liabilities</b>	<u>2,381,347</u>	<u>314,450</u>	<u>2,695,797</u>
<b>Total Liabilities</b>	<u>2,678,311</u>	<u>412,308</u>	<u>3,090,619</u>
<b>NET ASSETS</b>			
Invested in Capital Assets (net of related debt)	4,850,652	3,199,146	8,049,798
Unreserved	(159,203)	1,341,865	1,182,662
<b>Total Net Assets</b>	<u><u>\$ 4,691,449</u></u>	<u><u>\$ 4,541,011</u></u>	<u><u>\$ 9,232,460</u></u>

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

**CITY OF CANTON, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND NET ASSETS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Water/Sewer Fund</u>	<u>First Monday Fund</u>	<u>Total</u>
<b>OPERATING REVENUES:</b>			
Charges for Services	\$ 1,980,018	\$ 3,459,695	\$ 5,439,713
Hotel Tax	-	157,477	157,477
Grant Revenue	28,000	-	28,000
Miscellaneous	56,044	56,255	112,299
<b>Total Operating Revenues</b>	<u>2,064,062</u>	<u>3,673,427</u>	<u>5,737,489</u>
<b>OPERATING EXPENSES:</b>			
Salary	528,068	721,236	1,249,304
Supplies and Materials	170,269	111,345	281,614
Maintenance and Repair	122,164	129,745	251,909
Contractual Services	875,967	910,826	1,786,793
Other	20,858	39,465	60,323
Capital Outlay	86,213	25,387	111,600
Rent	-	752,901	752,901
Depreciation	323,883	193,764	517,647
Interest Expense	104,183	-	104,183
<b>Total Operating Expenses</b>	<u>2,231,605</u>	<u>2,884,669</u>	<u>5,116,274</u>
<b>Operating Income (Loss)</b>	<u>(167,543)</u>	<u>788,758</u>	<u>621,215</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Transfers In	313,733	(270,216)	43,517
Intergovernmental	125,000	-	125,000
Investment Income	49,006	45,246	94,252
<b>Total Non-Operating Revenues (Expenses)</b>	<u>487,739</u>	<u>(224,970)</u>	<u>262,769</u>
<b>Change in Net Assets</b>	320,196	563,788	883,984
<b>Net assets - Beginning, October 1</b>	4,355,235	3,948,768	8,304,003
<b>Prior Period Adjustments</b>	16,018	28,455	44,473
<b>Net Assets - Ending, September 30</b>	<u>\$ 4,691,449</u>	<u>\$ 4,541,011</u>	<u>\$ 9,232,460</u>

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

**CITY OF CANTON, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Proprietary Funds</u>
Cash Flows from Operating Activities	
Cash Received from Customers	\$ 5,703,002
Cash Received from Other Sources	140,297
Cash Paid to Employees and Suppliers	<u>(4,393,351)</u>
Net Cash Provided by Operating Activities	<u>1,449,948</u>
Cash Flows from Non-capital Financing Activities	
Interest Income	94,252
Interest Expense	(104,183)
Principal Proceeds	(587,564)
Operating Transfers from Primary Government	168,517
Net Cash Provided by Non-capital Financing Activities	<u>(428,978)</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition or Construction of Capital Assets	(733,704)
Disposal of Capital Assets	608
Net Cash Used for Capital & Related Financing Activities	<u>(733,096)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	287,874
Cash and Cash Equivalents at Beginning of Year	1,151,849
Cash and Cash Equivalents at End of Year	<u>\$ 1,439,723</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operation Activities:</b>	
Operating Income (Loss)	<u>\$ 621,215</u>
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	517,647
Interest Expense	104,183
Prior Period Adjustment	44,473
Change in Assets and Liabilities	
Decrease (Increase) in Receivables	105,810
Increase (Decrease) in Accounts Payable	29,591
Increase (Decrease) in Accrued Expenses	32,713
Increase (Decrease) in Other Liabilities	<u>(5,684)</u>
Total Adjustments	828,733
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,449,948</u>

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

**CITY OF CANTON, TEXAS  
STATEMENT OF NET ASSETS - COMPONENT UNITS  
ECONOMIC DEVELOPMENT CORPORATION  
SEPTEMBER 30, 2007**

**ASSETS AND OTHER DEBITS**

**ASSETS**

Current Assets:

Cash and Investments	
Unrestricted	\$ 809,580
Receivables (net of allowances for uncollectibles)	
Fees and Services	52,142
Total Current Assets	<u>861,722</u>

Capital Assets:

Property, Land and Equipment	
Land & Improvements	220,007
Buildings	222,821
Machinery and Equipment	2,528
Construction in Progress	965,464
Accumulated Depreciation	(5,444)
Total Capital Assets	<u>1,405,376</u>

<b>Total Assets</b>	<u><u>2,267,098</u></u>
---------------------	-------------------------

**LIABILITIES AND NET ASSETS**

**LIABILITIES**

Current Liabilities:

Notes Payable Current	25,310
Accrued Expenses	1,731
Total Current Liabilities	<u>27,041</u>

Noncurrent Liabilities

Notes Payable	425,979
Less: Current Portion	(25,310)
Total Noncurrent Liabilities	<u>400,669</u>

<b>Total Liabilities</b>	<u><u>427,710</u></u>
--------------------------	-----------------------

**Net Assets**

Invested in capital assets, net of related debt	979,397
Unrestricted	859,991
<b>Total Net Assets</b>	<u><u>\$ 1,839,388</u></u>

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

CITY OF CANTON, TEXAS  
 STATEMENT OF ACTIVITIES - COMPONENT UNITS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	Program Revenues			Component Units
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Expenses				
Component units:				
Economic Development	\$ 190,652	\$ 10,040	\$ -	\$ -
<b>Total</b>	<u>\$ 190,652</u>	<u>\$ 10,040</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:	
Sales Tax	\$ 664,492
Intergovernmental	(125,000)
Total general revenues and transfers	<u>539,492</u>
Change in net assets	358,880
Net assets - beginning	<u>1,480,508</u>
Net assets - ending	<u>\$ 1,839,388</u>

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

**CITY OF CANTON, TEXAS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
OF COMPONENT UNITS TO THE STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2007**

Total fund balances - governmental funds balance sheet	\$ 859,991
Amounts reported for governmental activities in the statement of activities are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,405,376
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(425,979)
Net assets of governmental activities - statement of net assets	<u>\$ 1,839,388</u>

**CITY OF CANTON, TEXAS  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF COMPONENT UNIT FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

Net change in fund balances - total component units	\$ 324,919
<p>Amounts reported for governmental activities in the statement of net assets are different because:</p>	
<p>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. This is the amount by which capital outlays exceeded depreciation in the current period</p>	9,792
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This transaction, however, has no effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.</p>	24,169
Change in net assets of component units	\$ 358,880

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

CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations. Each discretely presented component unit is reported in a separate column in the City-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

**Discretely presented component units.** The Canton Economic Development Corporation ("EDC") is a discretely presented component unit for the City. The EDC was incorporated March 12, 1997. The corporation is governed by a seven-member board appointed by and serving at the pleasure of the City Council. The funding for the EDC occurs by the City transferring 1/4 of sales tax revenues collected by the City to the corporation. Adding the creation of the EDC to the resources currently available will more than double the current ability to assist economic development in the community. The nature and significance of the relationship between the primary government and the EDC is such that exclusion would cause the City's financial statements to be misleading or incomplete.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

A. Summary of Significant Accounting Policies

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

The City reports the following major funds:

1. Governmental Funds:

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

- a. General Fund accounts for several of the City's primary services (Police, Fire, Public Works, Parks and Recreation, etc.) and is the primary operating unit of the City.
- b. Debt Service Fund accounts for the resources used in the redemption of Serial Bonds and Notes.

2. Enterprise Funds:

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

- a. Water and Sewer Fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the Fund. In addition, this fund accounts for water and sewer projects while under construction.

- b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of sales taxes and property taxes. Sales tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. The City chose to collect property taxes for the first time during 2006. Property tax Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

A. Summary of Significant Accounting Policies

2. Basis of Presentation, Basis of Accounting
  - b. Measurement Focus, Basis of Accounting (continued)

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

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

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

3. Financial Statement Amounts

- a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

- b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes penalties and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

- b. Property Taxes

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

- c. Inventories and Prepaid Items

Inventories on the balance sheet are stated at weighted average cost. Inventory items are recorded as expenditures when they are consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

d. Restricted Assets

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

e. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. A capitalization threshold of \$1,000 is used.

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	30 - 40
Buildings	30 - 40
Building Improvements	10
Machinery and equipment	7 - 20

f. Receivable and Payable Balances

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

There are no significant receivables which are not scheduled for collection within one year of year-end.

g. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, overtime not paid (comp time), and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation and comp time is accrued at close of fiscal year-end in the government-wide and proprietary fund financial statements.

h. Long-term Obligations

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

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 financial sources while discounts on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

A. Summary of Significant Accounting Policies

3. Financial Statement Amounts (continued)

i. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. In the proprietary fund, restricted fund balances are for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

j. Comparative Data/Reclassification

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

k. Interfund Activity

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

l. Use of Estimates

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

m. Program Expenses

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

B. Reconciliation of Government-Wide and Fund Financial Statements

1. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

The governmental fund balance sheet includes a reconciliation between fund balances - total governmental funds and net assets - governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds". The detail of this \$ 3,664,243 difference are as follows:

Bonds Payable	\$ 3,638,653
Notes Payable	80,190
Compensated Absences	<u>130,289</u>
 Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	   <u>\$ 3,849,132</u>

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

B. Reconciliation of Government-Wide and Fund Financial Statements (continued)

- Explanation of certain differences between the governmental fund statements of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expenses". The details of the \$ 467,126 difference are as follows:

Capital Outlay	\$ 739,387
Depreciation expense	<u>(272,261)</u>
Net adjustment to reduce net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 467,126</u>

C. Compliance and Accountability

- Finance-Related Legal and Contractual Provisions

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

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

- Deficit Fund Balance or Fund Net Assets of Individual Funds

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

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

- Budgets and Budgetary Accounting

Annual budgets are adopted on a GAAP basis. Annual appropriated budgets are legally adopted for the general fund, water and sewer fund, and the First Monday fund. All annual appropriations lapse at fiscal year-end.

Prior to September 1, the City Council prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments. The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the City Council. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund. No supplemental appropriations were made during the fiscal year. The budget approved for the Water and Sewer and First Monday Funds follows the similar approval procedures. No supplemental appropriations were made during the fiscal year.

The level of control (the level at which expenditures may not exceed the budget) is the fund level. The City Manager and/or Director of Finance are authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

**CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**D. Deposits 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 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, 2007, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$3,596,473, and the bank balance was \$3,336,985. The City's cash deposits at September 30, 2006 and during the year ended September 30, 2007, 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 \$1,571,957.

**Investments:**

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

As of September 30, 2007, the government had the following investments;

<u>Investment Type</u>	
Interest-bearing checking accounts	\$ 2,489,270
Texpool	631,906
LPL American National Bank	475,297
	<u>\$ 3,596,473</u>

**Investment Accounting Policy**

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

**Interest Rate Risk**

As a means of limiting its exposure to fair value losses arising from increasing interest rates, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase.

**Credit Risk**

The City's investment policy, in conjunction with state law, specifies the type of credit rating of all authorized investments. The City's investments in U.S. Agency securities (FHLB, FNMA, FHLMC and FFCB) are rated AAA by Standards & Poor's and Aaa by Moody's Investors Service. These securities are guaranteed by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

**Concentration of Credit Risk**

The City's investment policy limits the amount that may be invested in any one issuer to 50% of the total investment portfolio. Currently all of the City's investments are in Texpool (18%) and LPL Financial (13%).

**Custodial Credit Risk - Deposits**

The City is not exposed to custodial credit risk for its deposits, as all are covered by depository insurance and pledged securities.

**Custodial Credit Risk - Investment**

The City is not exposed to custodial credit risk for its investments.

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

D. Deposits and Investments (continued)

Foreign Currency Risk

The City is not exposed to foreign currency risk.

E. Receivables

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

	General	Proprietary	Total
Receivables			
Taxes	\$ 92,042	\$ -	\$ 92,042
Warrants	283,664	-	283,664
Grants	118,152	-	118,152
Fees and Charges	105,480	138,212	243,692
Gross Receivables	599,338	138,212	737,550
Less: allowance for Uncollectibles	(222,202)	-	(222,202)
Net Total Receivables	\$ 377,136	\$ 138,212	\$ 515,348

F. Capital Assets

Capital asset activity for the period ended September 30, 2007 was as follows:

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
<b>Governmental activities:</b>					
Land	\$ 2,190,190	\$ -	\$ -	\$ -	\$ 2,190,190
Buildings & Improvements	594,839	-	168,910	-	763,749
Infrastructure	5,493,268	-	235,552	-	5,728,820
Machinery & Equipment	394,999	-	33,994	-	428,993
Vehicles	479,234	51,433	23,566	-	554,233
Construction in Progress	218,089	-	357,777	(97,107)	478,759
Total	\$ 9,370,619	\$ 51,433	\$ 819,799	\$ (97,107)	\$ 10,144,744

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
<b>Accumulated Depreciation</b>					
Buildings & Improvements	\$ (369,366)	\$ -	\$ (57,503)	\$ -	\$ (426,869)
Infrastructure	(335,508)	-	(141,163)	-	(476,671)
Machinery & Equipment	(323,877)	-	(23,201)	-	(347,078)
Vehicles	(343,899)	-	(50,394)	-	(394,293)
Total	\$ (1,372,650)	\$ -	\$ (272,261)	\$ -	\$ (1,644,911)

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
<b>Water Sewer Fund</b>					
Land	\$ 173,652	\$ -	\$ 75,000	\$ -	\$ 248,652
Buildings & Improvements	4,451,250	-	-	-	4,451,250
Infrastructure	4,451,654	-	72,400	-	4,524,054
Machinery & Equipment	1,163,695	-	21,390	-	1,185,085
Vehicles	240,274	-	11,133	-	251,407
Construction in Progress	939,398	-	235,640	-	1,175,038
Total	\$ 11,419,923	\$ -	\$ 415,563	\$ -	\$ 11,835,486

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

F. Capital Assets (continued)

Accumulated Depreciation	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Buildings & Improvements	\$ (1,856,797)	\$ -	\$ (129,094)	\$ -	\$ (1,985,891)
Infrastructure	(1,886,776)	-	(143,192)	-	(2,029,968)
Machinery & Equipment	(354,921)	-	(46,186)	-	(401,107)
Vehicles	(180,504)	-	(6,019)	-	(186,523)
<b>Total</b>	<b>\$ (4,278,998)</b>	<b>\$ -</b>	<b>\$ (324,491)</b>	<b>\$ -</b>	<b>\$ (4,603,489)</b>

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
<b>First Monday</b>					
Land	\$ 349,216	\$ -	\$ -	\$ -	\$ 349,216
Buildings	3,760,644	-	155,795	-	3,916,439
Infrastructure	1,781,749	-	39,732	-	1,821,481
Vehicles	149,495	-	37,849	-	187,344
Equipment	401,930	-	84,765	-	486,695
CIP-Pavilion #4	-	-	-	-	-
<b>Total</b>	<b>\$ 6,443,034</b>	<b>\$ -</b>	<b>\$ 318,141</b>	<b>\$ -</b>	<b>\$ 6,761,175</b>

Accumulated Depreciation	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Buildings	\$ (984,488)	\$ -	\$ (122,122)	\$ -	\$ (1,106,610)
Improvements	(1,594,416)	-	(45,630)	-	(1,640,046)
Vehicles	(125,639)	-	(7,016)	-	(132,655)
Equipment	(349,270)	-	(18,996)	-	(368,266)
<b>Total</b>	<b>\$ (3,053,813)</b>	<b>\$ -</b>	<b>\$ (193,764)</b>	<b>\$ -</b>	<b>\$ (3,247,577)</b>

	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
<b>Economic Development Corporation</b>					
Land	\$ 220,007	\$ -	\$ -	\$ -	\$ 220,007
Buildings and Improvements	25,000	-	197,821	-	222,821
Office Equipment	2,528	-	-	-	2,528
Construction in Progress	1,152,665	-	10,620	(197,821)	965,464
<b>Total</b>	<b>\$ 1,400,200</b>	<b>\$ -</b>	<b>\$ 208,441</b>	<b>\$ (197,821)</b>	<b>\$ 1,410,820</b>

Accumulated Depreciation	Beginning Balances	Prior Period Adjustments	Additions	Decreases	Ending Balances
Building	\$ (2,083)	\$ -	\$ (833)	\$ -	\$ (2,916)
Office Equipment	(2,528)	-	-	-	(2,528)
<b>Total</b>	<b>\$ (4,611)</b>	<b>\$ -</b>	<b>\$ (833)</b>	<b>\$ -</b>	<b>\$ (5,444)</b>

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

G. Long-Term Obligations

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2007 is as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
General obligation bonds & certificates of obligation	\$ -	\$ -	\$ -	\$ -	\$ -
Revenue Bonds	3,875,320		(236,667)	3,638,653	453,334
Notes Payable	112,869		(32,679)	80,190	33,919
Total Bonds/Notes Payable	3,988,189	-	(269,346)	3,718,843	487,253
Compensated absences	88,214	130,289	(88,214)	130,289	
Governmental activity Long-term Debt	<u>\$ 4,076,403</u>	<u>\$ 130,289</u>	<u>\$ (357,560)</u>	<u>\$ 3,849,132</u>	<u>\$ 487,253</u>

	Beginning Balance	Increase	Decrease	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
Water & Sewer					
Revenue Bonds	\$ 1,749,680		\$ (93,333)	\$ 1,656,347	\$ 96,666
Refunding Bonds	1,070,000		(345,000)	725,000	150,000
Total Bonds Payable	2,819,680	-	(438,333)	2,381,347	246,666
Compensated absences	42,806	44,279	(42,806)	44,279	
Total Water & Sewer	2,862,486	44,279	(481,139)	2,425,626	246,666
First Monday					
Notes Payable	464,080		(149,630)	314,450	136,639
Compensated absences	15,165	20,226	(15,165)	20,226	
Total First Monday	479,245	20,226	(164,795)	334,676	136,639
Business-type activity Long-term debt	<u>\$ 3,341,731</u>	<u>\$ 64,505</u>	<u>\$ (645,934)</u>	<u>\$ 2,760,302</u>	<u>\$ 383,305</u>

Changes in General Long-Term Debt

Description	Interest Rate Payable	Amounts Issued	Amounts Outstanding 2006	Issued	Retired	Amounts Outstanding 2007	Due Within One Year
Comb Tax & Rev, Series 1995	5.5% - 8.5%	\$ 4,000,000	\$ 3,000,000	\$ -	\$ 190,000	\$ 2,810,000	\$ 405,000
Series 2003	4% - 4.4%	1,000,000	875,320	-	46,667	828,653	48,333
American Na'l Bank	5.50%	20,822	17,578	-	6,762	10,816	7,111
American Na'l Bank	5.50%	30,611	25,845	-	9,933	15,912	10,446
Lease/Purchase EMS Building	6.27%	143,700	69,446	-	15,984	53,462	16,362
Totals		<u>\$ 5,195,133</u>	<u>\$ 3,988,189</u>	<u>\$ -</u>	<u>\$ 269,346</u>	<u>\$ 3,718,843</u>	<u>\$ 487,252</u>

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

G. Long-Term Obligations (continued)

Debt service requirements are as follows:

Year Ending September 30:	Principal		Interest		Total
					Requirements
2008	\$ 487,252		\$ 197,549		\$ 684,801
2009	508,017		168,978		676,995
2010	523,619		142,742		666,361
2011	537,116		111,903		649,019
2012	572,839		83,258		656,097
Thereafter	1,090,000		115,404		1,205,404
Totals	<u>\$ 3,718,843</u>		<u>\$ 819,834</u>		<u>\$ 4,538,677</u>

Changes in Water Sewer Long-Term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding			Amounts Outstanding September 30 2007	Due Within One Year
			September 30 2006	Issued	Retired		
Series 2003-Refunding	2.5% - 3.5%	\$ 2,230,000	\$ 1,070,000	\$ -	\$ 345,000	\$ 725,000	\$ 150,000
Series 2003-W/S	4% - 4.4%	2,000,000	1,749,680		93,333	1,656,347	96,666
		<u>\$ 4,230,000</u>	<u>\$ 2,819,680</u>	<u>\$ -</u>	<u>\$ 438,333</u>	<u>\$ 2,381,347</u>	<u>\$ 246,666</u>

Debt service requirements are as follows:

Year Ending September 30:	Principal		Interest		Total
					Requirements
2008	\$ 246,666		\$ 91,592		\$ 338,258
2009	255,000		83,600		338,600
2010	263,333		74,950		338,283
2011	275,000		65,617		340,617
2012	231,348		55,442		286,790
Thereafter	1,110,000		171,958		1,281,958
Totals	<u>\$ 2,381,347</u>		<u>\$ 543,159</u>		<u>\$ 2,924,506</u>

Changes in First Monday Long-Term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding			Amounts Outstanding September 30 2007	Due Within One Year
			September 30 2006	Issued	Retired		
Pavillion #4	3.95%	\$ 528,000	\$ 355,165	\$ -	\$ 123,727	\$ 231,438	\$ 110,038
American National Bank	4.00%	133,000	108,915	-	25,903	83,012	26,601
		<u>\$ 661,000</u>	<u>\$ 464,080</u>	<u>\$ -</u>	<u>\$ 149,630</u>	<u>\$ 314,450</u>	<u>\$ 136,639</u>

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

G. Long-Term Obligations (continued)

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2008	\$ 136,639	\$ 9,337	\$ 145,976
2009	132,439	3,827	136,266
2010	45,372	593	45,965
Totals	<u>\$ 314,450</u>	<u>\$ 13,757</u>	<u>\$ 328,207</u>

Changes in EDC Long-Term Debt

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30 2006	Issued	Retired	Amounts Outstanding September 30 2007	Due Within One Year
Ind Park Phase 4-ANB	6.00%	\$ 493,831	\$ 450,148	\$ -	\$ 24,169	\$ 425,979	\$ 25,310
		<u>\$ 493,831</u>	<u>\$ 450,148</u>	<u>\$ -</u>	<u>\$ 24,169</u>	<u>\$ 425,979</u>	<u>\$ 25,310</u>

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2007	\$ 25,310	\$ 23,776	\$ 49,086
2008	26,783	22,303	49,086
2009	28,341	20,744	49,085
2010	29,991	19,095	49,086
2011	31,736	17,349	49,085
Thereafter	283,818	65,478	349,296
Totals	<u>\$ 425,979</u>	<u>\$ 168,745</u>	<u>\$ 594,724</u>

1. General Obligation Bonds and Certificates of Obligations

The City is required by ordinance to create from ad valorem tax revenues a sinking fund sufficient to pay the current interest and principal installments as they become due. The Debt Service Fund has \$797,968 available to service the general obligation debt after debt due in the current fiscal year has been paid.

2. Water and Sewer Revenue Bonds

The Water and Sewer Revenue Bonds are secured by the net revenues of the Water and Sewer Fund as defined in the respective bond indentures.

The City is required by the applicable revenue bond indentures to pledge the net revenues of the Water and Sewer Fund for the retirement of its outstanding revenue bonds, including interest thereon, and is required to maintain debt service funds and bond reserve funds for all such bonds outstanding.

**CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**H. Pension Plan**

**1. Plan Description**

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 821 administered by TMRS, an agent multiple-employer public employee retirement system. Benefits depend upon the sum of the employees contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent (100%, 150%, or 200%) of the employees accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employees accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and city matching percent had always been in existence and if the employees salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employees accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

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

Plan provisions for the City were as follows:

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

**2. Contributions**

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employees retirement date, not at the time the employees contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarially liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions 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 is the basis for the rate and the calendar year when the rate goes into effect. (i.e., December 31, 2006 valuations effective for rates beginning January 2008.)

**City of Canton  
Schedule of Actuarial Liabilities and Funding Progress**

Actuarial Valuation Date	<u>12/31/04</u>	<u>12/31/05</u>	<u>12/31/06</u>
Actuarial Value of Assets	\$ 1,620,561	\$ 1,784,362	\$ 2,133,962
Actuarial Accrued Liability	2,392,511	3,111,695	3,506,012
Percentage Funded	68%	57%	61%
Unfunded (Over-funded) Actuarial Accrued Liability (UAAL)	771,950	1,327,333	1,372,050
Annual Covered Payroll	1,333,351	1,612,817	1,869,660
UAAL as a Percentage of Covered Payroll	57.9%	82.3%	73.4%
 Net Pension Obligation (NPO) at the Beginning of Period	 \$ -	 \$ -	 \$ -
Annual Pension Cost:			
Annual required contribution (ARC) Plus	107,915	155,352	229,113
Contributions Made Less	(107,915)	(155,352)	(229,113)
NPO at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**H. Pension Plan (continued)**

CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

Actuarial cost method	Unit Credit	Unit Credit	Unit Credit
Amortization method	Level %	Level %	Level %
Asset Valuation method	Amortized	Amortized	Amortized
	Cost	Cost	Cost
Amortization period	25-years open	25-years open	25-years open
Actuarial assumptions:			
Investment rate of return	7%	7%	7%
Inflation rate	3.5%	3.5%	3.5%
Projected salary increase	N/A	N/A	N/A

I. Health Care Coverage

During the year ended September 30, 2007, employees of the City were covered by a health insurance plan (the Plan). The City contributed \$341 per month per employee and \$100 of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

J. Insurance Coverage

Below is a schedule of insurance in force.

Company	Policy Number	Description of Coverage	Amount of Coverage	Period Covered	Premium	Deductible
Liability Coverage:						
TX Municipal League	4477	General	1,000,000 per occurrence	10/01/06 to 10/01/07	\$ 13,387	\$ -
TX Municipal League	4477	Errors & Omissions	1,000,000 per occurrence	10/01/06 to 10/01/07	20,066	1,000
TX Municipal League	4477	Automobile	1,000,000 per claim	10/01/06 to 10/01/07	21,101	-
TX Municipal League	4477	Law Enforcement	1,000,000 per occurrence	10/01/06 to 10/01/07	10,398	5,000
Property Coverage:						
TX Municipal League	4477	Real and Personal	1,000,000 per accident	10/01/06 to 10/01/07	\$ 16,309	\$ 1,000
TX Municipal League	4477	Airport	1,000,000 per occurrence	10/01/06 to 10/01/07	1,684	-
TX Municipal League	4477	Mobile Equipment	391,300	10/01/06 to 10/01/07	1,566	500
TX Municipal League	4477	Boiler	1,000,000	10/01/06 to 10/01/07	included	1,000
TX Municipal League	4477	Automobile-Phys. Dm.	Comprehensive Scheduled	10/01/06 to 10/01/07	4,895	500

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims up to \$125,000 and for aggregate loss. According to the latest actuarial opinion dated October 1, 2006, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred, but not reported.

**CITY OF CANTON, TEXAS  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**K. Risk Management**

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

**L. Litigation**

The City is party to several legal actions arising in the ordinary course of business. In the opinion of the City's management, the City has adequate legal defense and/or insurance coverage regarding each of these actions and does not believe that they will materially affect the City's operations or financial position.

**M. Additional Water and Sewer Information**

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

Gallons Pumped	291,047,000
Gallons Billed	267,447,200

**N. Prior Period Adjustments**

Prior period adjustments were made in the amount of (\$10,859) in the General fund largely due to the recording of the fire departments cash account. In the Proprietary fund a prior period adjustment was made in the amount of \$44,473 to clear prior year balances in Due to and Due From accounts.

**O. Interfund Transfers**

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 13,225	\$ 696,734
Debt Service Fund	688,493	-
Capital Improvements Fund	38,533	-
Water Sewer Fund	241,973	555,706
First Monday Fund	636,721	366,505
Total Transfers	<u>\$ 1,618,945</u>	<u>\$ 1,618,945</u>

**P. New Accounting Pronouncements**

In May 2004, GASB issued Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. GASB No. 43 addressed the financial reporting for other postemployment benefits plans. This statement is effective for the City's financial statements for period beginning after December 15, 2007. The adoption of this statements has no impact on the City's financial statements.

In August 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB No. 45 requires employer governments to account for and report the annual cost of other postemployment benefits in the same manner as they do for pension. This statement is effective for the City's financial statements for the period beginning after December 15, 2008. The City is in the process of reviewing and evaluating this statement. Therefore, the potential affect of this new accounting pronouncement on the financial statements cannot be determined at this time.

CITY OF CANTON, TEXAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

P. New Accounting Pronouncements (continued)

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

In December 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which identifies situations in which a government is required to report obligations relating to pollution remediation, estimate expected outlays for the remediations, and disclose information about pollution obligations associated with clean up efforts. This statement is effective for the City's financial statements for periods beginning December 15, 2007. The City is in the process of reviewing and evaluating this statement and its potential impact on the City's financial statements.

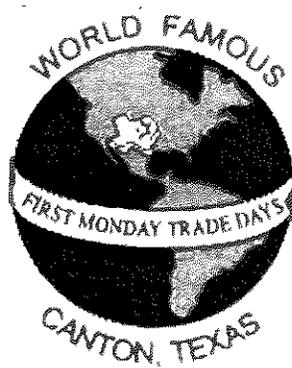
Q Subsequent Events

The City has a long-term commitment for Ambulance Services from Champion EMS for \$2,950 per month until January 2010. The City leases building space to Champion for \$1,525 per month.

R. Extraordinary Items

The City incurred a loss (\$300,000) as a result of the settlement of an employment lawsuit arising within the police department due to a reorganization.

## REQUIRED SUPPLEMENTARY INFORMATION



CITY OF CANTON, TEXAS  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

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

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) -Unit Credit	(Over-funded) Actuarial Accrued Liability UAAL	Funded Percent	Covered Payroll	UAAL as Percent of Covered Payroll	Contributions		Percent Contributed
								Annual Required	Actual	
2005	12/31/2004	\$ 1,620,561	\$ 2,392,511	\$ 771,950	67.70%	\$ 1,333,351	57.90%	\$ 107,915	\$ 107,915	100%
2006	12/31/2005	1,784,362	3,111,695	1,327,333	57.30%	1,612,817	82.30%	155,352	155,352	100%
2007	12/31/2006	2,133,962	3,506,012	1,372,050	60.87%	1,869,660	73.39%	229,113	229,113	100%

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

CITY OF CANTON, TEXAS  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
<b>REVENUE</b>				
Mixed Drink Tax	\$ 7,500	\$ 7,500	\$ 6,766	\$ (734)
Property Tax	450,480	450,480	480,071	29,591
Fines and Forfeitures	105,000	156,000	275,099	119,099
Licenses and Permits	66,200	66,200	33,114	(33,086)
Sales Tax Collected	1,315,600	1,315,600	1,329,388	13,788
Franchise Fees	262,000	262,000	313,342	51,342
Grant Revenue	411,500	264,550	312,144	47,594
Charge for Services	67,480	15,000	17,321	2,321
Rental Income	28,800	28,800	32,755	3,955
Insurance Reimbursement	-	-	322	322
Miscellaneous	269,000	239,300	189,355	(49,945)
<b>Total Revenues</b>	<u>2,983,560</u>	<u>2,805,430</u>	<u>2,989,677</u>	<u>184,247</u>
<b>EXPENDITURES</b>				
Administrative Services	1,197,375	1,060,965	993,892	67,073
Public Safety - Police	1,018,580	1,046,190	1,049,837	(3,647)
Public Safety - Fire	322,120	266,705	298,756	(32,051)
Municipal Court	106,840	121,840	102,758	19,082
Streets	1,407,185	684,585	715,880	(31,295)
Parks and Recreation	613,550	215,515	246,987	(31,472)
Animal Shelter	160,550	185,750	167,211	18,539
<b>Total Expenditures</b>	<u>4,826,200</u>	<u>3,581,550</u>	<u>3,575,321</u>	<u>6,229</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	(1,842,640)	(776,120)	(585,644)	190,476
<b>Other Revenues and Financing Sources (uses)</b>				
Operating Transfers In	501,000	61,480	655,806	594,326
Extraordinary Loss	-	(300,000)	(300,000)	-
Investment Income	21,300	21,300	32,193	10,893
<b>Total Other Financing Sources (uses)</b>	<u>522,300</u>	<u>(217,220)</u>	<u>387,999</u>	<u>605,219</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing</b>	(1,320,340)	(993,340)	(197,645)	795,695
<b>Fund Balances/Equity, October 1</b>	1,148,059	1,148,059	1,148,059	
<b>Prior Period Adjustment</b>	-	-	10,212	
<b>Fund Balances/Equity, September 30</b>	<u>\$ (172,281)</u>	<u>\$ 154,719</u>	<u>\$ 960,626</u>	

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

## SUPPLEMENTARY INFORMATION

CITY OF CANTON, TEXAS  
GENERAL FUND  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
<b><u>Administrative Services</u></b>				
Payroll Costs	\$ 301,800	\$ 293,470	\$ 244,825	\$ 48,645
Supplies	18,750	18,750	20,642	(1,892)
Contract Services	722,425	583,845	565,691	18,154
Maintenance	20,350	23,350	18,760	4,590
Sundry	32,050	32,050	24,214	7,836
Capital Outlay	102,000	109,500	119,760	(10,260)
<b>Total Expenditures</b>	<u>1,197,375</u>	<u>1,060,965</u>	<u>993,892</u>	<u>67,073</u>
<b><u>Police</u></b>				
Payroll Costs	667,295	671,945	683,085	(11,140)
Supplies	42,325	56,215	61,603	(5,388)
Contract Services	216,860	216,860	192,133	24,727
Maintenance	14,700	14,700	24,365	(9,665)
Sundry	6,250	9,220	9,136	84
Capital Outlay	71,150	77,250	79,515	(2,265)
<b>Total Expenditures</b>	<u>1,018,580</u>	<u>1,046,190</u>	<u>1,049,837</u>	<u>(3,647)</u>
<b><u>Animal Control</u></b>				
Payroll Costs	68,830	68,830	57,622	11,208
Supplies	15,500	15,500	13,528	1,972
Contract Services	26,870	32,870	33,314	(444)
Maintenance	3,500	3,500	2,579	921
Capital Outlay	45,850	65,050	60,168	4,882
<b>Total Expenditures</b>	<u>160,550</u>	<u>185,750</u>	<u>167,211</u>	<u>18,539</u>
<b><u>Municipal Court</u></b>				
Payroll Costs	47,720	47,720	46,861	859
Supplies	7,800	7,800	8,497	(697)
Contract Services	14,650	14,650	12,086	2,564
Maintenance	1,200	1,200	1,448	(248)
Sundry	35,000	50,000	33,436	16,564
Capital Outlay	470	470	430	40
<b>Total Expenditures</b>	<u>106,840</u>	<u>121,840</u>	<u>102,758</u>	<u>19,082</u>

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

CITY OF CANTON, TEXAS  
GENERAL FUND  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
<b><u>Fire</u></b>				
Payroll Costs	130,790	130,790	131,513	(723)
Supplies	28,800	28,800	28,983	(183)
Contract Services	42,610	43,860	70,438	(26,578)
Maintenance	24,300	32,300	46,853	(14,553)
Sundry	500	500	383	117
Capital Outlay	95,120	30,455	20,586	9,869
<b>Total Expenditures</b>	<u>322,120</u>	<u>266,705</u>	<u>298,756</u>	<u>(32,051)</u>
<b><u>Street</u></b>				
Payroll Costs	179,475	179,475	164,282	15,193
Supplies	13,200	13,200	12,472	728
Contract Services	172,570	198,570	202,606	(4,036)
Maintenance	34,000	34,000	72,243	(38,243)
Sundry	2,100	2,100	525	1,575
Capital Outlay	1,005,840	257,240	263,752	(6,512)
<b>Total Expenditures</b>	<u>1,407,185</u>	<u>684,585</u>	<u>715,880</u>	<u>(31,295)</u>
<b><u>Parks and Recreation</u></b>				
Payroll Costs	58,450	58,450	57,926	524
Supplies	4,000	4,000	7,283	(3,283)
Contract Services	37,510	37,510	29,914	7,596
Maintenance	49,700	49,700	43,961	5,739
Sundry	2,450	3,150	29,392	(26,242)
Capital Outlay	461,440	62,705	78,511	(15,806)
<b>Total Expenditures</b>	<u>613,550</u>	<u>215,515</u>	<u>246,987</u>	<u>(31,472)</u>
<b>Total Expenditures</b>	<u>\$4,826,200</u>	<u>\$3,581,550</u>	<u>\$3,575,321</u>	<u>\$ 6,229</u>

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

CITY OF CANTON, TEXAS  
WATER SEWER FUND  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
<b><u>Water</u></b>				
Payroll Costs	\$ 387,325	\$ 378,990	\$ 382,323	\$ (3,333)
Supplies	137,900	139,200	134,102	5,098
Contract Services	584,140	635,410	690,138	(54,728)
Maintenance	60,650	63,650	57,394	6,256
Sundry	10,800	10,800	7,293	3,507
Capital Outlay	943,620	488,815	82,468	406,347
<b>Total Expenditures</b>	<u>2,124,435</u>	<u>1,716,865</u>	<u>1,353,718</u>	<u>363,147</u>
<b><u>Sewer</u></b>				
Payroll Costs	194,185	164,185	145,745	18,440
Supplies	73,095	49,095	36,167	12,928
Contract Services	173,175	189,175	185,827	3,348
Maintenance	89,500	89,500	64,770	24,730
Sundry	12,800	16,570	13,565	3,005
Capital Outlay	208,380	199,480	3,745	195,735
<b>Total Expenditures</b>	<u>751,135</u>	<u>708,005</u>	<u>449,819</u>	<u>258,186</u>
<b>Total Expenditures</b>	<u><u>\$2,875,570</u></u>	<u><u>\$2,424,870</u></u>	<u><u>\$1,803,537</u></u>	<u><u>\$ 621,333</u></u>

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

CITY OF CANTON, TEXAS  
 FIRST MONDAY FUND  
 STATEMENT OF FUNCTIONAL EXPENSES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
Payroll Costs	\$ 811,775	\$ 803,440	\$ 721,236	\$ 82,204
Supplies	100,400	110,400	111,345	(945)
Contract Services	860,845	880,845	910,826	(29,981)
Maintenance	117,450	127,200	129,745	(2,545)
Rent	740,000	740,000	752,901	(12,901)
Sundry	48,700	59,800	39,465	20,335
Capital Outlay	331,800	289,285	25,387	263,898
<b>Total Expenditures</b>	<u>\$3,010,970</u>	<u>\$3,010,970</u>	<u>\$2,690,905</u>	<u>\$ 320,065</u>

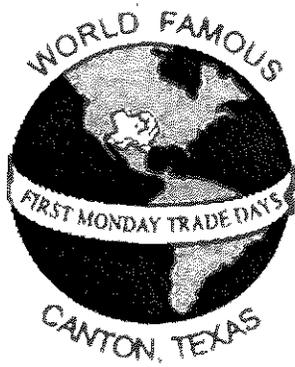
The notes to the financial statements are an integral part of these financial statements

**CITY OF CANTON, TEXAS  
ECONOMIC DEVELOPMENT CORPORATION  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Difference</u>
<b>REVENUE</b>				
Sales Tax	\$ 657,800	\$ 657,800	\$ 664,492	\$ 6,692
Miscellaneous	1,300	1,300	10,040	8,740
<b>Total Revenues</b>	<u>659,100</u>	<u>659,100</u>	<u>674,532</u>	<u>15,432</u>
<b>EXPENDITURES</b>				
Current:				
Development	578,445	578,445	104,025	474,420
Personal Services	43,905	43,905	45,579	(1,674)
Contractual Services	33,000	33,000	24,519	8,481
Supplies	2,200	2,200	1,405	795
Association Dues	250	250	-	250
Debt Service				
Principal	-	-	24,133	(24,133)
Interest	-	-	24,952	(24,952)
<b>Total Expenditures</b>	<u>657,800</u>	<u>657,800</u>	<u>224,613</u>	<u>433,187</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	1,300	1,300	449,919	448,619
<b>Other Revenues and Financing Sources (uses)</b>				
Intergovernmental	-	-	(125,000)	(125,000)
<b>Total Other Financing Sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(125,000)</u>	<u>(125,000)</u>
<b>Excess of revenues and other financing sources over (under) expenditures and other financing uses</b>	1,300	1,300	324,919	323,619
<b>Fund Balances/Equity, October 1</b>	<u>535,072</u>	<u>535,072</u>	<u>535,072</u>	
<b>Fund Balances/Equity, September 30</b>	<u>\$ 536,372</u>	<u>\$ 536,372</u>	<u>\$ 859,991</u>	

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

STATISTICAL SECTION  
(UNAUDITED)

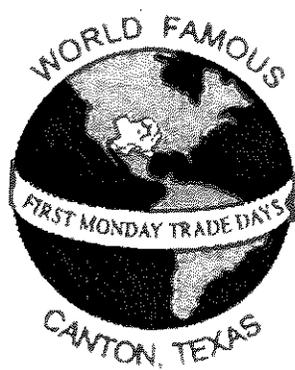


## STATISTICAL SECTION

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

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

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



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

**Table 1**

	FISCAL YEAR			
	2004	2005	2006	2007
<b>Governmental activities</b>				
Invested in capital assets, net of related debt	\$ 3,239,307	\$ 3,392,419	\$ 4,052,709	\$ 4,780,990
Restricted	3,149,064	2,564,366	1,749,141	1,068,338
Unrestricted	<u>874,067</u>	<u>394,235</u>	<u>773,952</u>	<u>1,228,978</u>
<b>Total governmental activities net assets</b>	<u>7,262,438</u>	<u>6,351,020</u>	<u>6,575,802</u>	<u>7,078,306</u>
<b>Business-type activities</b>				
Invested in capital assets, net of related debt	3,593,216	5,099,501	7,246,782	8,049,798
Restricted	-	-	-	-
Unrestricted	<u>869,072</u>	<u>1,368,354</u>	<u>1,057,221</u>	<u>1,182,662</u>
<b>Total business-type activities net assets</b>	<u>4,462,288</u>	<u>6,467,855</u>	<u>8,304,003</u>	<u>9,232,460</u>
<b>Primary government</b>				
Invested in capital assets, net of related debt	6,832,523	8,491,920	11,299,491	12,830,788
Restricted	3,149,064	2,564,366	1,749,141	1,068,338
Unrestricted	<u>1,743,139</u>	<u>1,762,589</u>	<u>1,831,173</u>	<u>2,411,640</u>
<b>Total primary government net assets</b>	<u>\$ 11,724,726</u>	<u>\$ 12,818,875</u>	<u>\$ 14,879,805</u>	<u>\$ 16,310,766</u>

**Note:** Accrual-basis financial information for the city as a whole is only available back to 2004, the year GASB Statement 34 was implemented

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

	2004	2005	2006	2007
<b>EXPENSES</b>				
Governmental activities:				
General government	\$ 770,401	\$ 621,221	\$ 834,783	\$ 695,308
Public Safety	1,056,838	921,820	1,124,601	1,297,739
Public Works	271,479	260,624	311,485	466,698
Public Services and Operations	124,044	122,250	164,485	215,320
Cultural and Recreation	74,091	111,339	197,652	171,891
Interest Expense	119,474	238,810	266,110	210,684
Unallocated Depreciation	187,717	256,612	263,996	272,261
Total governmental activities expenses	<u>2,604,044</u>	<u>2,532,676</u>	<u>3,163,112</u>	<u>3,329,901</u>
Business-type activities:				
Water and Sewer	2,095,020	2,154,148	2,260,908	2,231,605
First Monday	2,284,470	2,420,318	2,769,036	2,884,669
Total business-type activities expenses	<u>4,379,490</u>	<u>4,574,466</u>	<u>5,029,944</u>	<u>5,116,274</u>
Total primary government expenses	<u>6,983,534</u>	<u>7,107,142</u>	<u>8,193,056</u>	<u>8,446,175</u>
<b>PROGRAM REVENUES</b>				
Governmental activities:				
Charge for services:				
General government	190,378	259,736	245,698	121,906
Public Safety	194,064	140,869	188,708	294,643
Public Works	222,459	243,319	5,071	2,055
Public Services and Operations	36,160	27,209	61,016	61,591
Total governmental activities program revenues	<u>643,061</u>	<u>671,133</u>	<u>500,493</u>	<u>480,195</u>
Business-type activities				
Charge for services:				
Water and Sewer	1,575,445	1,900,319	2,102,690	2,036,062
First Monday	3,375,221	3,281,485	3,385,051	3,515,950
Total business-type activities program revenues	<u>4,950,666</u>	<u>5,181,804</u>	<u>5,487,741</u>	<u>5,552,012</u>
Total primary government program revenues	<u>5,593,727</u>	<u>5,852,937</u>	<u>5,988,234</u>	<u>6,032,207</u>
<b>NET (EXPENSE) REVENUES</b>				
Governmental activities	(1,960,983)	(1,861,543)	(2,662,619)	(2,849,706)
Business-type activities	571,176	607,338	457,797	435,738
Total primary government program net expenses	<u>\$ (1,389,807)</u>	<u>\$ (1,254,205)</u>	<u>\$ (2,204,822)</u>	<u>\$ (2,413,968)</u>

(continued)

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

Table 2

	2004	2005	2006	2007
<b>GENERAL REVENUES AND OTHER CHANGES</b>				
<b>IN NET ASSETS</b>				
Government activities:				
Taxes:				
Property	\$ -	\$ -	\$ 847,126	\$ 961,661
Sales	1,258,338	1,230,662	1,937,551	1,994,083
Franchise	588,183		264,934	313,342
Beverage	-	6,112	6,908	6,766
Hotel/Motel	8,528	3,273	-	-
Investment Income	43,060	95,892	115,021	78,512
Insurance Reimbursement			126,660	322
Miscellaneous	86,980	669,834	78,581	39,750
Extraordinary Loss				(300,000)
Operating Grants				312,144
Intergovernmental	(44,870)	11,772	86,744	-
Prior Period Adjustment	-	-	-	(10,859)
Transfers	427,996	(1,115,968)	(793,876)	(43,517)
Total governmental activities	<u>2,368,215</u>	<u>901,577</u>	<u>2,669,649</u>	<u>3,352,204</u>
Business-type activities:				
Investment Income	-	12,295	41,829	94,252
Hotel/Motel	125,425	207,757	131,989	157,477
Miscellaneous	-	18,559	-	-
Sale of Assets	-	-	12,646	-
Operating Grants				28,000
Prior Period Adjustment	-	-	-	44,473
Intergovernmental	-	50,000	386,214	125,000
Transfers	(427,996)	1,115,968	793,876	43,517
Total business-type activities	<u>(302,571)</u>	<u>1,404,579</u>	<u>1,366,554</u>	<u>492,719</u>
Total primary government revenues	<u>2,065,644</u>	<u>2,306,156</u>	<u>4,036,203</u>	<u>3,844,923</u>
<b>CHANGE IN NET ASSETS</b>				
Governmental activities	407,232	(959,966)	7,030	502,498
Business-type activities	268,605	2,011,917	1,824,351	928,457
Total primary government program net expenses	<u>\$ 675,837</u>	<u>\$ 1,051,951</u>	<u>\$ 1,831,381</u>	<u>\$ 1,430,955</u>

Note: Accrual-basis financial information for the city as a whole is only available back to 2004, the year GASB Statement 34 was implemented

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

**Table 3**

<u>Fiscal Year</u>	<u>Property Tax</u>	<u>Sales Tax</u>	<u>Franchise Tax</u>	<u>Hotel/Motel</u>	<u>Total</u>
2004	\$ -	\$ 1,258,338	\$ 207,599	\$ 125,425	1,591,362
2005	-	1,230,662	241,779	136,507	1,608,948
2006	847,126	1,937,551	264,934	131,989	3,181,600
2007	961,661	1,994,083	313,342	157,477	3,426,563

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

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

Table 4

	FISCAL YEAR			
	2004	2005	2006	2007
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	1,073,842	1,425,190	1,148,056	960,626
	<u>\$ 1,073,842</u>	<u>\$ 1,425,190</u>	<u>\$ 1,148,056</u>	<u>\$ 960,626</u>
All Other Government Funds				
Reserved	\$ 3,149,064	\$ 1,319,582	\$ 1,068,340	\$ 1,466,971
Unreserved				
Debt Service	50,272	429,560	394,909	-
	<u>\$ 3,199,336</u>	<u>\$ 1,749,142</u>	<u>\$ 1,463,249</u>	<u>\$ 1,466,971</u>

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

Table 5

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ 847,126	\$ 961,660
Non-Property Taxes	1,855,049	1,851,396	2,209,393	2,314,191
License and permits	287,705	283,359	65,757	33,114
Charge for Services	62,042	70,676	12,556	17,321
Fines/Court	125,673	111,274	129,011	275,099
Capital Grant	-	127,143	29,679	312,144
Insurance Reimbursement	-	-	126,660	322
Rental Income	-	-	43,145	32,755
Intergovernmental	93,639	-	-	-
Miscellaneous	227,143	264,305	328,603	189,355
<b>Total Revenues</b>	<u>2,651,251</u>	<u>2,708,153</u>	<u>3,791,930</u>	<u>4,135,961</u>
<b>EXPENDITURES</b>				
General government	773,383	610,816	1,117,052	993,892
Public Safety	1,125,963	1,023,107	1,072,538	1,348,594
Public Works	271,479	316,410	350,402	715,880
Public Services and Operations	129,677	122,250	285,309	269,968
Parks and Cultural	125,285	159,035	287,619	246,987
Capital Outlay	695,160	67,491	29,548	-
Debt Service				
Principal	216,070	230,885	244,663	253,142
Interest and other charges	119,474	238,810	265,990	208,712
<b>Total Expenditures</b>	<u>3,456,491</u>	<u>2,768,804</u>	<u>3,653,121</u>	<u>4,037,175</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Sale of Assets	36,209	-	-	-
Intergovernmental	-	11,772	-	-
Extraordinary Loss	-	-	-	(300,000)
Investment Income	6,851	95,893	115,022	78,511
Transfers	427,996	(1,115,969)	(793,876)	(71,220)
<b>Total other financing sources (uses)</b>	<u>471,056</u>	<u>(1,008,304)</u>	<u>(678,854)</u>	<u>(292,709)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>\$ (334,184)</u>	<u>\$ (1,068,955)</u>	<u>\$ (540,045)</u>	<u>\$ (193,923)</u>
Debt service as a percentage of noncapital expenditures	13.83%	21.05%	16.40%	12.92%

Table 6

CITY OF CANTON, TEXAS  
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY  
 SEPTEMBER 30, 2007

Fiscal Year Ended Sept. 30	Real Property		Personal Property		Less: Tax Exempt Real Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value <sup>a</sup> as a Percentage of Actual Value
	Residential Property	Commercial Property	Motor Vehicles	Other					
2007	132,898,480	129,840,220	439,170	332,694,570	35,614,780	560,257,660	0.3900	240,735,720	84.46%

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 \$1,000 of assessed value.

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

Commercial: includes real property, industrial and utilities

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

**CITY OF CANTON, TEXAS  
 DIRECT AND OVERLAPPING PROPERTY TAX RATES  
 (PER \$1,000 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	0.3900	1.471	0.35533

Source: Van Zandt County Appraisal District

Note: The City's basic property tax rate may be increased only by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements.

\* 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, 2007**

**Table 8**

<b>Taxpayer</b>	<b>Assessed Taxable Value 2007 Fiscal Year</b>	<b>Rank</b>	<b>Percentage of Assessed Taxable Value</b>
Wal-Mart Real Estate Business	6,474,670	1	2.66%
Wal-Mart Stores Texas LP #827	5,978,960	2	2.46%
Henry Lewis	4,155,898	3	1.71%
May Minor Harrington Trust	3,994,980	4	1.64%
Starship League City LP	3,449,920	5	1.42%
Gary E Michaels	2,722,700	6	1.12%
Kingdom Perspectives GP Ltd	2,583,360	7	1.06%
Gary D & Marcelyn Norrell	2,423,290	8	1.00%
TXU Electric Delivery	2,351,940	9	0.97%
Steven and Bobby Jensen	1,994,280	10	0.82%
	<u>\$ 36,129,998</u>		<u>14.86%</u>
 Total Assessed Valuation	 <u>\$ 283,276,940</u>		

Source: Van Zandt County Appraisal District

**CITY OF CANTON, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
SEPTEMBER 30, 2007**

**Table 9**

**Last Two Fiscal Years**

Fiscal Year	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	% of Levy		Amount	% of Levy
2006	863,978	847,126	98.05%	2,288	849,414	98.31%
2007	938,869	921,761	98.18%	39,900	961,661	102.43%

Note: First year property taxes collected was in FYE 9.30.2006 since 1992

Table 10

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

FISCAL YEAR	Governmental Activities			Business-Type Activities			Total Primary Government	Per Capita (1)
	General Obligation Bonds	Certificates of Obligation	Revenue Bonds	General Obligation Bonds	Certificates of Obligation	Refunding Bonds		
2004	961,670	-	3,360,000	1,923,329	-	1,730,000	8,074,237	n/a
2005	920,321	-	3,185,000	1,839,680	-	1,405,000	8,014,652	n/a
2006	875,320	-	3,000,000	1,749,680	-	1,070,000	7,228,624	n/a
2007	828,623	-	2,810,000	1,656,347	-	725,000	6,415,103	1,246

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**  
**as of SEPTEMBER 30, 2007**

Table 11

<b>Fiscal Year</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	3,719,337	487,252	3,232,085	1.14%	\$ 723

**Source:** City Staff  
 (1) Van Zandt County Appraisal District  
 (2) Schedule of Bonds Payable  
 (3) Notes to the Financial Statement

CITY OF CANTON, TEXAS  
 DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
 SEPTEMBER 30, 2007

Table 12

Governmental Subdivision	Gross Bonded Debt	Percentage of Debt Applicable to Area	City Share of Overlapping Debt
Van Zandt County	\$ 1,220,000	11.60%	\$ 141,520
Canton Independent School District	<u>41,722,913</u>	42.00%	<u>17,523,623</u>
	<u>\$42,942,913</u>		17,665,143
City of Canton			<u>3,719,307</u>
			<u>\$21,384,450</u>
Ratio of overlapping bonded debt to taxable assessed valuation (valued at 100% of market value)			<u>7.55%</u>
Per capita overlapping bonded debt			<u>\$4,155</u>

Source: "Texas Municipal Report" as of September 30, 2007, 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 FOUR FISCAL YEARS**

**Table 13**

	<u>2006</u>	<u>2007</u>
Tax Rate Limit	\$ 2.50	\$ 2.50
Current Tax Rate	<u>0.4000</u>	<u>0.3900</u>
Available Tax Rate	<u>\$2.1000</u>	<u>\$2.1100</u>

Article XI, Section 5 of the State of Texas Constituion states in part:

The tax rate at October 1, 2006 is \$0.39 per \$100 of assessed valuation at 100% of market value. The city is recognized and operates as a general law city of the State of Texas. The tax rate is 15.60% of the legal limit.

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

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

Table 14

Water and Sewer Revenue Bonds					
<u>Fiscal Year</u>	<u>Total Revenues <sup>a</sup></u>	<u>Less: Operating Expenses <sup>b</sup></u>	<u>Net Available Revenue</u>	<u>Annual Requirement <sup>c</sup></u>	<u>Times Coverage</u>
2004	\$ 1,575,445	\$ 2,095,020	(519,575)	\$ 391,671	(1.33)
2005	1,900,319	2,154,148	(253,829)	556,219	(0.46)
2006	2,102,690	2,260,908	(158,218)	557,584	(0.28)
2007	5,709,489	5,116,274	593,215	338,258	1.75

Note: <sup>a</sup> Total Revenues does not include non-operating revenues  
<sup>b</sup> Operating Expenses only - not transfers or depreciation  
<sup>c</sup> Includes Principal and Interest

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

**Table 15**

<u>Fiscal Year</u>	<u>Estimated Population <sup>1</sup></u>	<u>Personal Income</u>	<u>Per Capita Income <sup>2</sup></u>	<u>Average Age <sup>3</sup></u>	<u>Grade School Enrollment <sup>4</sup></u>	<u>Unemployment Rate <sup>5</sup></u>
2007	5,147	41,626	20,153	42.4	908	8.20%

**Sources:**

- 1 City of Canton
- 2 Claritas
- 3 Census Bureau
- 4 Canton ISD
- 5 Bureau of Economic Analysis (BEA)

**CITY OF CANTON, TEXAS  
PRINCIPAL EMPLOYERS  
SEPTEMBER 30, 2007**

**Table 16**

<u>Name of Employer</u>	<u>No. of Employees</u>
Canton Independent School District	220
Van Zandt County	205
Homemade Gourmet, Inc	200
Winning Strategies	170
Wal-Mart	160
Splash Kingdom	140
City of Canton	60
Trinity Mother Francis Clinic	32
Millwood Cabinets	29
Cleanline	25

**Source:** Texas Workforce Commission, Labor Market Information Dept

**CITY OF CANTON, TEXAS  
 FULL-TIME EQUIVALENT CITY GOVERNMENT  
 EMPLOYEES BY FUNCTION/PROGRAM  
 as of SEPTEMBER 30, 2007**

**Table 17**

<u>Function / Program</u>	<u>2007</u>
General Government	6.5
Public Safety	
Police	18
Municipal Court	1.5
Fire	3
Public Works	7.5
Streets	5.5
Parks and Recreation	2
Utility Administration	2
Water, Wastewater	11
First Monday	14

**Source:** City Staff

**CITY OF CANTON, TEXAS  
OPERATING INDICATORS BY FUNCTION  
SEPTEMBER 30, 2007**

**Table 18**

	<u>2007</u>
<b>Function/Program</b>	
Police	
Number of police officers	13
Number of violations (citations)	1,731
Fire	
Number of firefighters	20
Number of fire suppression runs	96
Number of EMS runs	173
Development Services	
Construction permits issued <sup>1</sup>	170
Estimated valuation <sup>1</sup>	\$ 1,543,844
Public Works	
Streets paved (miles)	26
Parks and Recreation	
Park land and municipal acreage maintained	236
Water and Wastewater	
Number of water customers	1,983
Average daily water consumption (millions of gallons)	0.607
Maximum storage capacity (millions of gallons)	1.39
Solid Waste	
Solid waste collected (tons)	5,000

**Source:** City Departments

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

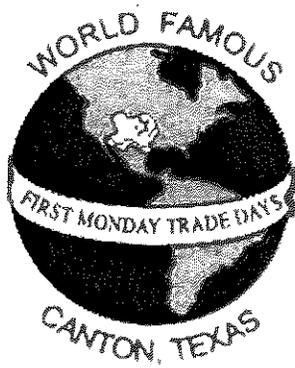
**CITY OF CANTON, TEXAS  
CAPITAL ASSET STATISTICS BY FUNCTION  
SEPTEMBER 30, 2007**

**Table 19**

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

**Source:** City Departments

CONTINUING  
DISCLOSURE SECTION  
(UNAUDITED)



**CITY OF CANTON, TEXAS  
VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT  
SEPTEMBER 30, 2007**

Table 1CD

2006-07 Market Valuation Established by Van Zandt County Appraisal District (excluding totally exempt property & Homestead Cap. Adj.)		\$ 283,276,940 **
Less Exemptions/Reductions at 100% Market Value:		
Agricultural/Open Space Land Use	10,160,070	
Over 65 and Disabled	3,546,050	
Local Percentage	16,933,310	
Disabled Veterans	430,000	
Const Exempt	<u>11,471,790</u>	<u>42,541,220</u>
2006-2007 Taxable Assessed Valuation		<u>\$ 240,735,720 **</u>
General Obligation Debt Payable from Ad Valorem Taxes		<u>\$ 3,638,653</u>
General Obligation Interest and Sinking Fund as of September 30, 2007		<u>\$ 832,694</u>
Ratio General Obligation Tax Debt to Taxable Assessed Valuation		1.51%
2007 Estimated Population	5,147	
Per Capita Taxable Assessed Valuation	\$ 46,772	
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes	\$ 707	

\*\*NOTE Van Zandt County Appraisal District - 2006 Certified Roll - dated 9/1/07

CITY OF CANTON, TEXAS  
 TAX RATE LEVY AND COLLECTION HISTORY  
 LAST TWO FISCAL YEAR

Table 2CD

Fiscal Year	Tax Rate	General Fund	Interest and Sinking Fund	Total Tax Levy	Current Tax Collections	% of Levy Collected	% of Total Tax Collections to Tax Levy
2006	0.40000	0.23350	0.16645	863,978	847,126	98.05%	98.31%
2007	0.39000	0.18514	0.20486	938,869	921,761	98.18%	98.18%

CITY OF CANTON, TEXAS  
 GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS  
 SEPTEMBER 30, 2007

Table 3CD

Fiscal Year	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2008	\$ 487,252	\$ 197,549	\$ 684,801	
2009	508,017	168,978	676,995	
2010	523,619	142,742	666,361	
2011	537,116	111,903	649,019	
2012	573,333	83,258	656,591	
2013	615,000	52,750	667,750	46.88%
2014	88,333	20,125	108,458	
2015	91,667	16,592	108,258	
2016	95,000	12,788	107,788	
2017	100,000	8,750	108,750	
2018	100,000	4,400	104,400	53.12%
	<u>\$ 3,719,337</u>	<u>\$ 819,834</u>	<u>\$ 4,539,171</u>	

CITY OF CANTON, TEXAS  
 GOVERNMENTAL REVENUES AND EXPENDITURES HISTORY  
 LAST FOUR FISCAL YEARS

Table4CD

	Fiscal Year Ended September 30			
	2007	2006	2005	2004
<b>Revenues</b>				
Ad Valorem Taxes	\$ 961,661	\$ 847,126	\$ -	\$ -
Non-Property Taxes	2,314,191	2,209,393	1,851,396	1,855,049
Permits and Licenses	33,114	65,757	283,359	287,705
Fines and Forfeitures	275,099	129,011	111,274	125,673
Charge for Services	17,321	12,556	70,676	62,042
Intragovernmental			11,772	93,639
Insurance Reimbursement	322	126,660	-	-
Rental Income	32,755	43,145	-	-
Grants	307,104	29,679	127,143	-
Miscellaneous	189,355	328,603	264,305	227,143
<b>Total Revenues</b>	<u>4,130,922</u>	<u>3,791,930</u>	<u>2,719,925</u>	<u>2,651,251</u>
<b>Expenditures</b>				
General Government	993,892	1,117,052	610,816	773,383
Public Safety	1,348,593	1,072,538	1,023,107	1,125,963
Public Works	715,880	350,402	316,410	271,479
Public Services and Operations	269,967	285,309	122,250	129,677
Cultural and Recreation	246,987	287,619	159,035	125,285
Capital Outlay		29,548	67,491	695,160
Debt Service	462,124	510,653	469,695	335,544
<b>Total Expenditures</b>	<u>4,037,443</u>	<u>3,653,121</u>	<u>2,768,804</u>	<u>3,456,491</u>
Excess (Deficiency) of revenues over Expenditures	<u>93,479</u>	<u>138,809</u>	<u>(48,879)</u>	<u>(805,240)</u>
<b>Other Financing Sources (Uses)</b>				
Sale of Assets	-	-	-	36,209
Extraordinary Loss	(300,000)	-	-	-
Intergovernmental	5,040	-	-	-
Investment Income	78,511	115,022	95,893	6,851
Transfers	(71,220)	(793,876)	(1,115,969)	427,996
<b>Total Other Sources (Uses)</b>	<u>(287,669)</u>	<u>(678,854)</u>	<u>(1,020,076)</u>	<u>471,056</u>
<b>Beginning Fund Balance</b>	2,611,205	3,174,232	4,273,178	4,607,362
<b>Prior Period Adjustment</b>	<u>(10,859)</u>	<u>(22,982)</u>	<u>(29,991)</u>	<u>-</u>
<b>Ending Fund Balance</b>	<u>\$ 2,406,156</u>	<u>\$ 2,611,205</u>	<u>\$ 3,174,232</u>	<u>\$ 4,273,178</u>

Note: First year property taxes collected was in FYE 9.30.2006 since 1992

**CITY OF CANTON, TEXAS  
MUNICIPAL SALES TAX HISTORY  
LAST TWO FISCAL YEARS**

**Table 5CD**

<u>Fiscal Year</u>	<u>Economic Development</u>	<u>City of Canton</u>	<u>Total Collected</u>	<u>% of Ad Valorem Tax Levy</u>	<u>Equivalent of Ad Valorem Tax Rate</u>	<u>Per Capita</u>
2006	645,850	1,937,257	2,583,107	33.44%	13.37%	n/a
2007	664,492	1,994,083	2,658,575	35.32%	13.77%	\$ 516

**NOTE:** FYE 9.30.2006 was first year to collect ad valorem tax

CITY OF CANTON, TEXAS  
CASH AND INVESTMENTS FOR PRIMARY GOVERNMENT  
SEPTEMBER 30, 2007

---

Table 6CD

<u>Type of Investment</u>		
Interest-Bearing Checking accounts	71.99%	\$ 2,589,269
Texpool Accounts	14.79%	531,906
Federal Home Loan Mortgage Corporation	13.20%	474,715
Money Market Account	0.02%	583
	<hr/>	<hr/>
Total	100.00%	\$ 3,596,473
	<hr/>	<hr/>

CITY OF CANTON, TEXAS  
 ENTERPRISE FUNDS OBLIGATION DEBT SERVICE REQUIREMENTS  
 SEPTEMBER 30, 2007

Table 7CD

Fiscal Year	Outstanding Debt			% of Principal Retired
	Principal	Interest	Total	
2008	\$ 246,667	\$ 91,592	\$ 338,259	
2009	255,000	83,600	338,600	
2010	263,333	74,950	338,283	
2011	275,000	65,617	340,617	
2012	231,667	55,442	287,109	30.44%
2013	160,000	46,650	206,650	
2014	176,667	40,250	216,917	
2015	183,333	33,183	216,516	
2016	190,000	25,575	215,575	
2017	200,000	17,500	217,500	
2018	200,000	8,800	208,800	69.56%
	<u>\$ 2,381,667</u>	<u>\$ 543,159</u>	<u>\$ 2,924,826</u>	

