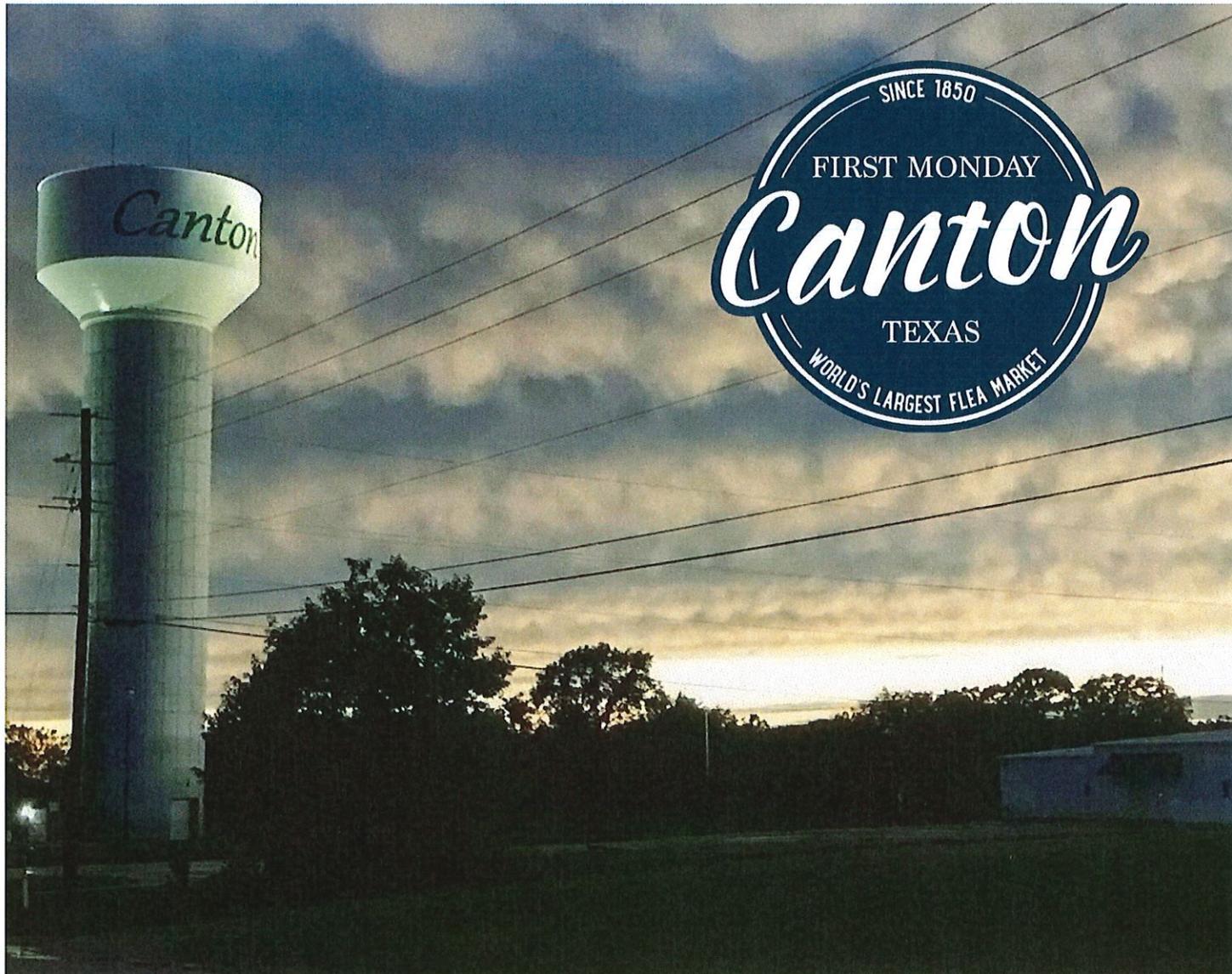


2019



Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2019

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***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

City of Canton, Texas

**For the Year Ended
September 30, 2019**

Prepared by the Finance Department

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City of Canton, Texas

TABLE OF CONTENTS

September 30, 2019

INTRODUCTORY SECTION

Letter of Transmittal	1
List of Principal Officials	4
Organizational Chart	5

FINANCIAL SECTION

Independent Auditor's Report	7
Management's Discussion and Analysis	13

Basic Financial Statements

Government-Wide Financial Statements

Statement of Net Position	24
Statement of Activities	28

Fund Financial Statements

Governmental Funds:

Balance Sheet	30
Reconciliation of the Balance Sheet to the Statement of Net Position	32
Statement of Revenues, Expenditures, and Changes in Fund Balance- Governmental Funds	34
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	39

Proprietary Funds:

Statement of Net Position	40
Statement of Revenues, Expenses, and Changes in Fund Net Position	42
Statement of Cash Flows	44

Notes to Financial Statements	49
--------------------------------------	-----------

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balances- Budget and Actual-General Fund	86
Schedule of Changes in Net Pension Liability and Related Ratios-Texas Municipal Retirement System	88
Schedule of Employer Contributions to Pension Plan- Texas Municipal Retirement System	90
Schedule of Changes in OPEB Liability and Related Ratios	92

Other Supplementary Information

Individual Fund Budget to Actual Schedules

Schedule of Revenues, Expenditures, and Changes in Fund Balances –

Budget and Actual:

Debt Service Fund	94
Capital Reserve Fund	95

STATISTICAL SECTION

Net Position by Component	98
Changes in Net Position	100
Fund Balances, Governmental Funds	104
Changes in Fund Balance, Governmental Funds	106
Assessed Value and Estimated Actual Value of Taxable Property	108
Property Tax Rates – Direct and Overlapping Governments	111
Principal Property Taxpayers	112
Property Tax Levies and Collections	114
Ratios of Outstanding Debt by Type	116
Ratio of General Bonded Debt Outstanding	118
Direct and Overlapping Governmental Activities Debt	121
Legal Debt Margin Information	122
Pledged Revenue Coverage (Utility Funds)	124
Demographic and Economic Statistics	126
Principal Employers	129
Full-Time Equivalent City Employees by Function/Program	130
Operating Indicators by Function/Program	132
Capital Asset Statistics by Function/Program	135

INTRODUCTORY SECTION

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City of Canton

June 11, 2020

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, 2019, is submitted herewith.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that is established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

BrooksWatson & Co., PLLC has issued an unmodified opinion on the City of Canton, Texas' financial statements for the year ended September 30, 2019. The Independent Auditor's Report is located in the beginning of the financial section of the CAFR.

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

ECONOMIC CONDITIONS AND OUTLOOK

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

Canton is home to the "World Famous" First Monday Trade Days, the largest flea market in the nation, which has provided economic benefits to the City since its opening over one hundred 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 developed. The City continues to receive a steady revenue stream from its First Monday operations directly and sales tax revenue has continued to increase steadily.

Canton is also a Texas and National Main Street City and Certified Retirement Community by the State of Texas. As the county seat of Van Zandt County, the vital downtown district of Canton is centered around the Courthouse. The district features the Plaza Museum, shops, eateries and professional service type businesses. The community is qualified and marketed as a retirement community with many quality-of-life features desirable to retirees include those mentioned above. The City of Canton offers many services and amenities for families and features of small town living for its residents.

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

MAJOR INITIATIVES

During the 2017-2018 fiscal year, the City replaced a retaining wall and worked on the streets and drainage around the First Monday Grounds. The City continues to pursue natural water rights. The City increased the size of the parking lot at the Library. The City purchased a new radio system which will be paid off in the 2018-2019 year.

During 2018-2019, the City made repairs to the Civic Center roof as well as completed an update to the downtown utilities. The City has filed with the State of Texas to expand its CCN so more businesses can have access to City water if they annex into the City. Also, in the 2018-2019 year, the City along with the Canton Economic Development Corporation, hired an outside marketing firm to place a major push of advertising for First Monday Trade Days. The City began an extensive update of the Wastewater Plant.

FINANCIAL INFORMATION

Accounting Procedures and Budgetary Controls

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

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

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

General Governmental Functions

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

The City's tax rate history, as adopted by the City Council, is shown below:

<u>Fiscal Year</u>	<u>Tax Rate</u>
2011-2012	.425230
2012-2013	.425230
2013-2014	.420332
2014-2015	.420332
2015-2016	.420332
2016-2017	.420332
2017-2018	.420332
2018-2019	.495000

OTHER INFORMATION

Independent Audit: The City of Canton has engaged the firm of BrooksWatson & Co., PLLC 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 as of September 30, 2019, and the changes in financial position and cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

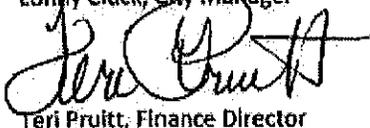
Acknowledgements: Many persons are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization, especially those employees of the Accounting Department who were instrumental in the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

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

Respectfully submitted,



Lonny Cluck, City Manager



Teri Pruitt, Finance Director

CITY OF CANTON, TEXAS
OFFICIALS AND ADMINISTRATIVE STAFF
For the Fiscal Year ended September 30, 2019

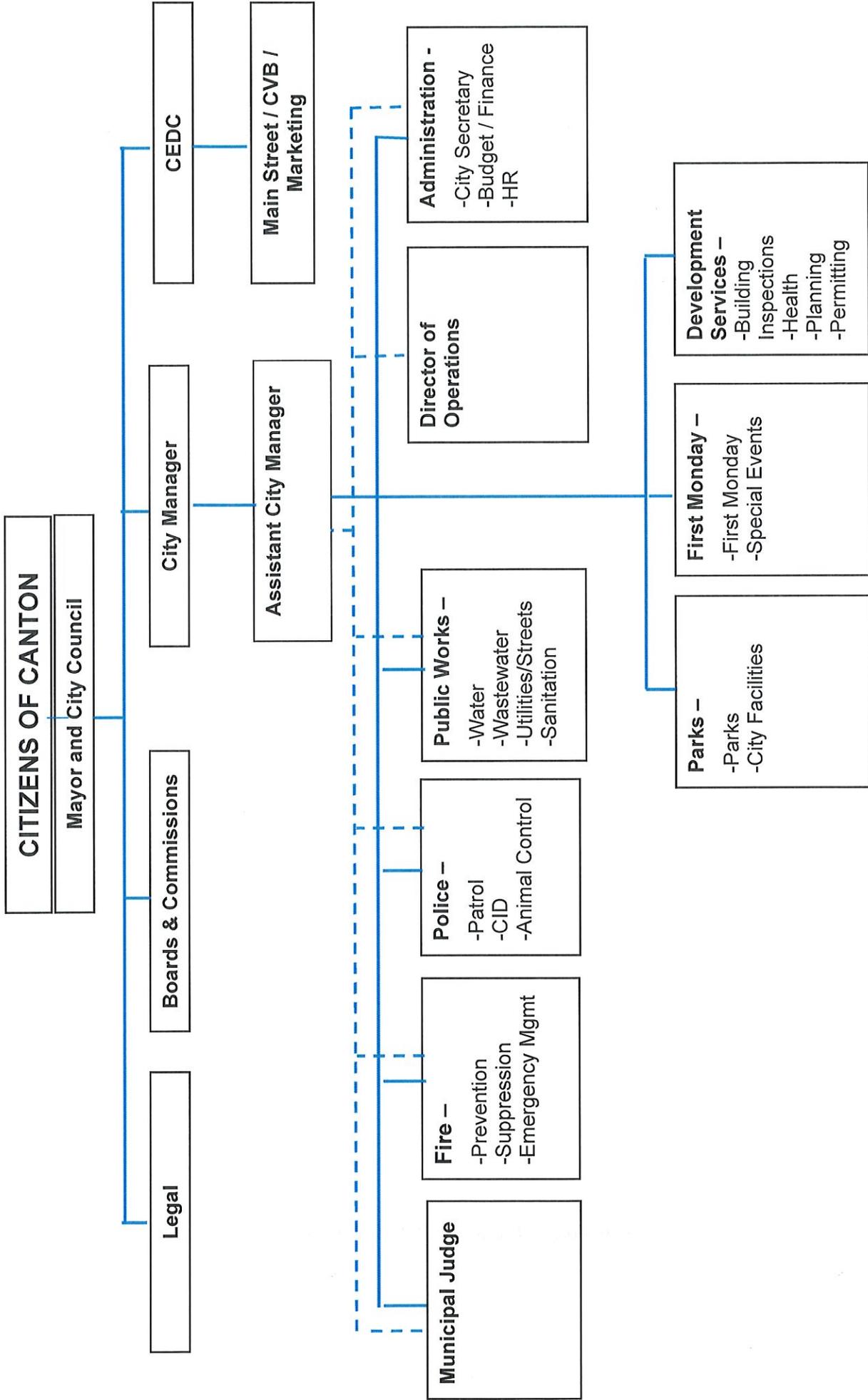
Council Members

Lou Ann Everett, Mayor
Nathan Moore, Mayor Pro Tem
Daniel Deibert
Cindy Malouf
Randon Sumner
Andrew Vaughn

Administrative Staff

Lonny Cluck, City Manager
Debra Johnson, City Secretary
Teri Pruitt, Finance Director
Bud Sanford, Fire Chief
Brad Allison, Police Chief
Lilia Durham, Municipal Court Judge
Walt Lehman, Public Works Director

CITY OF CANTON ORGANIZATIONAL CHART



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BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Canton, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Canton, Texas (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Canton, Texas, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As disclosed in Note V.F. to the financial statements, due to prior year accounting errors, the City restated its beginning net position within governmental activities, business-type activities, and discretely presented component unit activities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the general fund budgetary comparison information, the schedule of changes in net pension liabilities and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liability and related ratios, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, individual budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
June 11, 2020

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***MANAGEMENT'S DISCUSSION
AND ANALYSIS***

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City of Canton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2019

As management of the City of Canton, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019.

Financial Highlights

- The assets of the City exceeded its liabilities (net position) at September 30, 2019 by \$38,368,932. Of this amount, \$8,026,822 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$649,758 since September 30, 2018. The majority of the City's net position is invested in capital assets.
- The City's governmental funds reported combined ending fund balances of \$4,758,556 at September 30, 2019, a decrease of \$382,911 from the prior fiscal year; this includes an increase of \$480,455 in the general fund, an increase of \$20,141 in the debt service fund, a decrease of \$351,776 in the capital improvements fund, and a decrease of \$531,731 in the capital reserve fund.
- At the end of the fiscal period, unassigned fund balance for the general fund was \$3,914,012 or 93% of total annualized general fund expenditures.
- The City's net pension liability at the close of the fiscal year was \$2,043,025.
- The total outstanding debt obligations (excluding discounts/premiums) at the close of the fiscal year was approximately \$6,505,708.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City'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) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

City of Canton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2019

deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety (police, fire, EMS); municipal court; and elected officials. The business-type activities of the City include water, wastewater, solid waste, and First Monday Trade Days operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Canton Economic Development Corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 24 through 29 of this report.

FUND FINANCIAL STATEMENTS

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental and proprietary funds.

Governmental Funds

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

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

City of Canton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2019

revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general, debt service, capital improvements, and capital reserve funds. All funds, with the exception of the capital reserve fund, are considered to be major for reporting purposes.

The City adopts an annual appropriated budget for all government and enterprise funds, with the exception of the capital improvement fund. A budgetary comparison statement/schedule has been provided for the major governmental funds to demonstrate compliance with their budget.

The basic governmental fund financial statements can be found on pages 30 through 39 of this report.

Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water / sewer, sanitation, and First Monday operations. All activities associated with providing such services are accounted for in this fund, including administration, operation, maintenance, debt service, capital improvements, meter maintenance, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water / sewer, sanitation, and First Monday funds since they are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 40 through 47 of this report.

Component Unit

The City maintains the accounting and financial statements for one component unit. The Canton Economic Development Corporation is reported as a discretely presented component unit on the government-wide financial statements.

Notes to Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

The notes to the financial statements can be found on pages 49 through 82 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund. Required supplementary information can be found on pages 86 through 92 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Canton, assets exceeded liabilities by \$38,368,932 as of September 30, 2019, in the primary government.

The largest portion of the City's net position, \$29,313,159, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (2.7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$8,026,822 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Other liabilities of governmental activities were \$804,274 and \$674,344 as of September 30, 2019 and September 30, 2018, respectively. The increase of \$129,930 was primarily due to the increase in amounts owed to third party vendors at the end of the current year and an increase in the current portion of compensated absences. Other liabilities of business-type activities were \$382,555 and \$477,758 as of September 30, 2019 and September 30, 2018, respectively. The decrease of \$95,203 was primarily due to the decline in outstanding payables to third party vendors.

Total long-term liabilities were \$6,732,750 and \$8,751,968 as of September 30, 2019 and September 30, 2018, respectively. The decrease of \$2,019,218 was a direct result of principal payments made in the current year.

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

Statement of Net Position:

The following table reflects the condensed Statement of Net Position as of September 30:

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 5,319,907	\$ 6,537,497	\$ 11,857,404	\$ 5,539,620	\$ 7,341,351	\$ 12,880,971
Capital assets, net	15,938,433	19,994,824	35,933,257	16,063,353	20,069,067	36,132,420
Total Assets	21,258,340	26,532,321	47,790,661	21,602,973	27,410,418	49,013,391
Deferred outflows of resources	501,639	275,860	777,499	215,488	117,883	333,371
Other liabilities	804,274	382,555	1,186,829	674,344	477,758	1,152,102
Net pension liability	1,318,058	724,967	2,043,025	918,717	505,319	1,424,036
Long-term liabilities	3,853,958	2,878,792	6,732,750	5,407,638	3,344,330	8,751,968
Total Liabilities	5,976,290	3,986,314	9,962,604	7,000,699	4,327,407	11,328,106
Deferred inflows of resources	153,008	83,616	236,624	193,212	106,270	299,482
Net Position:						
Net investment in capital assets	12,164,178	17,148,981	29,313,159	10,580,107	16,722,565	27,302,672
Restricted	1,028,951	-	1,028,951	1,015,102	-	1,015,102
Unrestricted	2,437,552	5,589,270	8,026,822	3,029,341	6,372,059	9,401,400
Total Net Position	\$ 15,630,681	\$ 22,738,251	\$ 38,368,932	\$ 14,624,550	\$ 23,094,624	\$ 37,719,174

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

Statement of Activities:

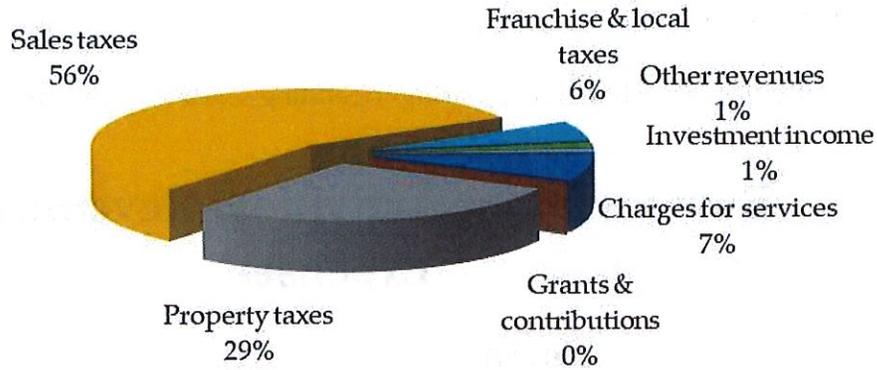
The following table provides a summary of the City's changes in net position over the last two years:

	September 30, 2019			September 30, 2018		
	Governmental Activities	Business Type Activities	Total Primary Government	Governmental Activities	Business Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 381,496	\$ 5,615,421	\$ 5,996,917	\$ 334,015	\$ 5,614,049	\$ 5,948,064
Grants & contributions	2,532	85,424	87,956	123,828	165,448	289,276
General revenues:						
Property taxes	1,465,828	-	1,465,828	1,251,200	-	1,251,200
Sales taxes	2,860,805	-	2,860,805	2,796,834	-	2,796,834
Franchise & local taxes	286,511	-	286,511	286,446	-	286,446
Investment income	71,439	2,596	74,035	25,427	5,101	30,528
Other revenues	53,391	-	53,391	71,374	-	71,374
Total Revenues	5,122,002	5,703,441	10,825,443	4,889,124	5,784,598	10,673,722
Expenses						
General government	1,312,980	-	1,312,980	1,367,179	-	1,367,179
Public safety	2,467,915	-	2,467,915	2,238,051	-	2,238,051
Parks and recreation	461,866	-	461,866	462,415	-	462,415
Public works	834,835	-	834,835	762,216	-	762,216
Interest on debt	97,705	-	97,705	111,000	-	111,000
Water/Sewer	-	2,491,749	2,491,749	-	2,409,702	2,409,702
Sanitation	-	523,309	523,309	-	508,287	508,287
First Monday	-	1,985,326	1,985,326	-	1,966,174	1,966,174
Total Expenses	5,175,301	5,000,384	10,175,685	4,940,861	4,884,163	9,825,024
Change in Net Position						
Before Transfers	(53,299)	703,057	649,758	(51,737)	900,435	848,698
Transfers	1,059,430	(1,059,430)	-	(496,265)	496,265	-
Loss on sale of capital assets	-	-	-	(143,156)	-	(143,156)
Total	1,059,430	(1,059,430)	-	(639,421)	496,265	(143,156)
Change in Net Position	1,006,131	(356,373)	649,758	(691,158)	1,396,700	705,542
Beginning Net Position	14,624,550	23,094,624	37,719,174	15,315,708	21,697,924	37,013,632
Ending Net Position	\$ 15,630,681	\$ 22,738,251	\$ 38,368,932	\$ 14,624,550	\$ 23,094,624	\$ 37,719,174

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
 September 30, 2019

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.

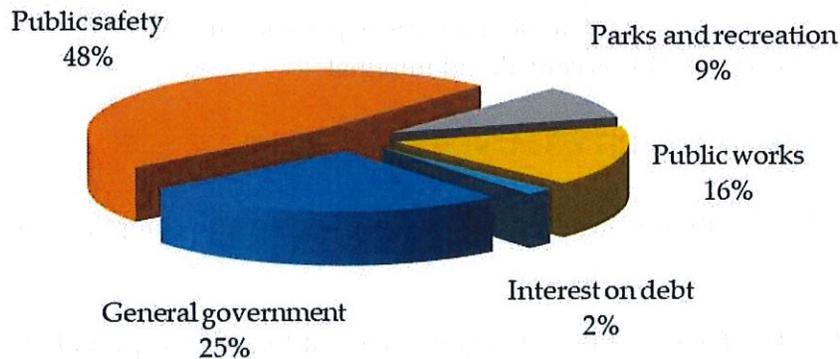
Governmental Activities - Revenues



For the year ended September 30, 2019, revenues from governmental activities totaled \$5,122,002. Sales tax and property taxes are the City's largest revenue sources. Sales taxes remained relatively consistent in comparison to the prior year. Property taxes increased by \$214,628 as a result of an increase in the tax rate and appraised property values. Grant and contribution revenue decreased by \$121,296 as a result of nonrecurring city improvement project related grants received in the prior year. Charges for services increased by \$47,481 primarily as a result of increased municipal court fines and building permit revenue. Other revenues decreased by \$17,983 primarily due to various nonrecurring activities and contributions received in the previous year. Investment income increased by \$46,012 as a result of increased interest-bearing cash balances. All other governmental revenues remained relatively consistent when compared to the prior year.

This graph shows the governmental function expenses of the City:

Governmental Activities - Expenses



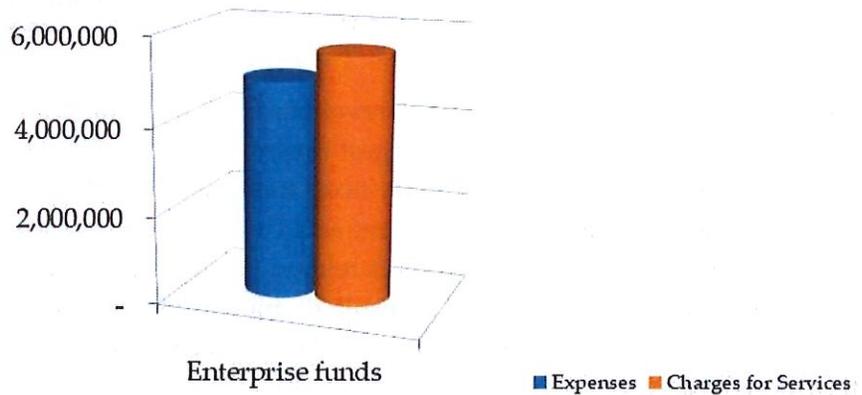
For the year ended September 30, 2019, expenses for governmental activities totaled \$5,175,301. This represents an increase of \$234,440 or 5% from the prior year ended. Public safety expenditures

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

increased by \$229,864 or 10% primarily as a result of increased police and animal control salaries and overall increasing personnel costs. Public works expenses increased by \$72,619 or 10% due primarily to personnel costs and storm drainage maintenance expenses. Interest and fiscal charges decreased by \$13,295 or 12% primarily as a result of debt obligations approaching maturity. All other expenses remained relatively consistent.

Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-Type Activities - Revenues and Expenses



For the year ended September 30, 2019, charges for services by business-type activities totaled \$5,615,421. This represents a slight increase of \$1,372 from the year ended September 30, 2018.

Total expenses increased \$116,221 or 2% when compared to the prior year. Water/Sewer expenses increased by \$82,047 or 3%. This increase was primarily due to increases in personnel costs, chemical and lab test expenses, and supplies expenses. Sanitation expenses increased by \$15,022 or 3%, which was primarily due to increases in solid waste services expenses. First Monday expenses increased by \$19,152 or approximately 0.97%. This is considered minimal.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds - The focus of the City's governmental funds is to provide information of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the period.

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

As of the end of the year the general fund reflected a fund balance of \$3,995,479. Of this, \$81,467 is restricted use. Unassigned fund balance in the general fund totaled \$3,914,012. The general fund increased by \$480,455 primarily due to proceeds received from other funds.

The debt service fund reflected a fund balance of \$947,484, an increase of \$20,141 from the prior year. The increase was a result of revenues exceeding expenditures and other financing uses.

The capital improvements fund reflected a deficit fund balance of \$407,202, a decrease of \$351,776. The decrease is due to capital outlay expenditures not being offset by any revenue in the current year.

The capital reserve fund reflected a fund balance of \$222,795, a decrease of \$531,731 from the prior year. The decrease was due to current year expenditures exceeding revenues and transfers in.

There was a decrease in governmental fund balance of \$382,911 from the prior year primarily due to significant debt service and capital outlay expenditures occurring in the current year.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

GENERAL FUND BUDGETARY HIGHLIGHTS

Actual general fund revenues were less than budgeted revenues by \$884,520 during the 2019 fiscal year. Budgeted general fund revenues exceeded actual revenues primarily due to grant revenues and other revenues being under expectations by \$269,404 and \$821,707, respectively.

Total actual expenditures were less than budgeted amounts by \$231,878 for the year. This is primarily due to budgeted expenditures exceeding actual expenditures for the general government, streets, and capital outlay departments by \$73,798, \$37,481, and \$50,617, respectively.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$15,938,433 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested \$19,994,824 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current period include the following:

- Improvements to the civic center for \$214,076.
- Improvements to Goshen Street for \$382,769.
- Water and Sewer improvements totaling \$258,309.

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2019

- Purchase of new equipment for wastewater treatment plant totaling \$113,411.
- Improvements to downtown water mains totaling \$402,535.
- Sanitary sewer improvements for \$85,111.

More detailed information about the City's capital assets is presented in note IV. C to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds, notes payable, and capital leases, net of discounts/premiums outstanding of \$6,539,591. No new debt was issued in the current year.

More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Canton and improving services provided to their public citizens. The City is anticipating a revenue shortage in the upcoming year as a result of the closure of First Monday events for two months during the COVID-19 pandemic. In addition, the City is budgeting for decreases in sale tax revenue caused by the pandemic.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Canton's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Finance Director, 201 N. Buffalo, Canton, Texas 75103.

FINANCIAL STATEMENTS

City of Canton, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Current assets:			
Cash and cash equivalents	\$ 8,040,440	\$ 601,455	\$ 8,641,895
Receivables, net	597,571	470,566	1,068,137
Internal balances	(3,318,104)	3,318,104	-
Accrued interest from component unit	-	27,372	27,372
Note receivable from component unit - current	-	140,000	140,000
Total Current Assets	5,319,907	4,557,497	9,877,404
Noncurrent assets:			
Note receivable from component unit, net	-	1,980,000	1,980,000
Capital assets:			
Non-depreciable	2,641,751	756,264	3,398,015
Net depreciable capital assets	13,296,682	19,238,560	32,535,242
Total Noncurrent Assets	15,938,433	21,974,824	37,913,257
Total Assets	21,258,340	26,532,321	47,790,661
<u>Deferred Outflows of Resources</u>			
Pension contributions	186,265	102,451	288,716
OPEB contributions	440	188	628
Pension changes in assumption	7,887	4,337	12,224
Pension investment earnings	307,047	168,884	475,931
Total Deferred Outflows of Resources	\$ 501,639	\$ 275,860	\$ 777,499

See Notes to Financial Statements.

Component Unit

CEDC

\$	2,062,637
	212,625
	-
	-
	-
	<u>2,275,262</u>
	-
	1,173,537
	238,542
	<u>1,412,079</u>
	<u>3,687,341</u>
	-
	-
	-
	-
\$	<u>-</u>

City of Canton, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
September 30, 2019

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 466,729	\$ 292,428	\$ 759,157
Accrued interest payable	10,777	22,277	33,054
Accrued interest owed to primary government	-	-	-
Note payable to primary government - current	-	-	-
Compensated absences, current	326,768	67,850	394,618
Long-term liabilities due within one year	592,804	481,753	1,074,557
Total Current Liabilities	1,397,078	864,308	2,261,386
Noncurrent liabilities:			
Note payable to primary government, noncurrent	-	-	-
Net pension liability	1,318,058	724,967	2,043,025
OPEB liability	104,518	44,794	149,312
Compensated absences, noncurrent	36,308	7,539	43,847
Long-term liabilities due in more than one year	3,120,328	2,344,706	5,465,034
	4,579,212	3,122,006	7,701,218
Total Liabilities	5,976,290	3,986,314	9,962,604
Deferred Inflows of Resources			
Pension - difference in experience	148,553	81,707	230,260
OPEB changes in assumptions	3,935	1,686	5,621
OPEB actual experience vs. assumptions	520	223	743
Total Deferred Inflows of Resources	153,008	83,616	236,624
Net Position			
Net investment in capital assets	12,164,178	17,148,981	29,313,159
Restricted for:			
Public safety	29,116	-	29,116
Municipal court	52,351	-	52,351
Debt service	947,484	-	947,484
Unrestricted	2,437,552	5,589,270	8,026,822
Total Net Position	\$ 15,630,681	\$ 22,738,251	\$ 38,368,932

See Notes to Financial Statements.

Component Unit

CEDC

\$	30,022
	-
	27,372
	140,000
	28,276
	-
	<u>225,670</u>
	1,980,000
	-
	-
	3,142
	-
	<u>1,983,142</u>
	<u>2,208,812</u>
	-
	-
	-
	-
	<u>1,412,079</u>
	-
	-
	-
	66,450
\$	<u>1,478,529</u>

City of Canton, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 1,312,980	\$ 233,033	\$ 2,532	\$ -
Public safety	2,467,915	148,463	-	-
Public works	834,835	-	-	-
Parks and recreation	461,866	-	-	-
Interest on long term debt	97,705	-	-	-
Total Governmental Activities	5,175,301	381,496	2,532	-
Business-Type Activities				
Water and sewer	2,491,749	2,277,201	-	85,424
Sanitation	523,309	614,601	-	-
First Monday	1,985,326	2,681,156	-	-
Total Business-Type Activities	5,000,384	5,572,958	-	85,424
Total Primary Government	\$ 10,175,685	\$ 5,954,454	\$ 2,532	\$ 85,424
Component Unit				
CEDC	\$ 1,145,374	\$ 226,474	\$ -	\$ -

General Revenues:

- Taxes
 - Property taxes
 - Sales taxes
 - Franchise and local taxes
- Investment income
- Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	CEDC
(1,077,415)	\$ -	\$ (1,077,415)	\$ -
(2,319,452)	-	(2,319,452)	-
(834,835)	-	(834,835)	-
(461,866)	-	(461,866)	-
(97,705)	-	(97,705)	-
<u>(4,791,273)</u>	<u>-</u>	<u>(4,791,273)</u>	<u>-</u>
-	(129,124)	(129,124)	-
-	91,292	91,292	-
-	695,830	695,830	-
-	657,998	657,998	-
<u>(4,791,273)</u>	<u>657,998</u>	<u>(4,133,275)</u>	<u>-</u>
			<u>\$ (918,900)</u>
1,465,828	-	1,465,828	-
2,860,805	-	2,860,805	955,963
286,511	-	286,511	285,146
71,439	2,596	74,035	8,425
53,391	42,463	95,854	10,605
1,059,430	(1,059,430)	-	-
<u>5,797,404</u>	<u>(1,014,371)</u>	<u>4,783,033</u>	<u>1,260,139</u>
1,006,131	(356,373)	649,758	341,239
14,624,550	23,094,624	37,719,174	1,137,290
<u>15,630,681</u>	<u>\$ 22,738,251</u>	<u>\$ 38,368,932</u>	<u>\$ 1,478,529</u>

City of Canton, Texas

BALANCE SHEET GOVERNMENTAL FUNDS

September 30, 2019

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvements</u>	<u>Capital Reserve</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 6,803,717	\$ 947,484	\$ -	\$ 289,239
Receivables, net	578,471	19,100	-	-
Total Assets	\$ 7,382,188	\$ 966,584	\$ -	\$ 289,239
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 362,186	\$ -	\$ 38,099	\$ 66,444
Due to other funds	2,949,001	-	369,103	-
Total Liabilities	3,311,187	-	407,202	66,444
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - franchise revenue	62,467	-	-	-
property taxes	13,055	19,100	-	-
Total Deferred Inflows	75,522	19,100	-	-
<u>Fund Balances</u>				
Restricted for:				
Public safety	29,116	-	-	-
Municipal court	52,351	-	-	-
Debt service	-	947,484	-	-
Committed for:				
Capital reserve	-	-	-	222,795
Unassigned reported in:				
General fund	3,914,012	-	-	-
Capital projects	-	-	(407,202)	-
Total Fund Balances	3,995,479	947,484	(407,202)	222,795
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 7,319,721	\$ 966,584	\$ -	\$ 289,239

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 8,040,440
597,571
\$ 8,638,011

\$ 466,729
3,318,104
3,784,833

62,467
32,155
94,622

29,116
52,351
947,484

222,795

3,914,012
(407,202)
4,758,556

\$ 8,575,544

City of Canton, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS September 30, 2019

Fund Balances - Total Governmental Funds

Adjustments for the Statement of Net Position:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Capital assets - non-depreciable

Capital assets - net depreciable

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expense/expenditure) until then.

Pension contributions

OPEB contributions

Pension changes in assumptions

Pension investment earnings

Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenues) until that time

Pension - difference in experience

OPEB actual experience vs. assumptions

OPEB changes in assumptions

Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.

Compensated absences

Accrued interest

Non-current liabilities due in one year

Non-current liabilities due in more than one year

OPEB liability

Net pension liability

Net Position of Governmental Activities

See Notes to Financial Statements.

\$ 4,758,556

2,641,751
13,296,682

94,622

186,265
440
7,887
307,047

(148,553)
(520)
(3,935)

(363,076)
(10,777)
(592,804)
(3,120,328)
(104,518)
(1,318,058)

\$ 15,630,681

City of Canton, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS (Page 1 of 2)

For the Year Ended September 30, 2019

	General	Debt Service	Capital Improvements	Capital Reserve
Revenues				
Property tax	\$ 715,517	\$ 755,062	\$ -	\$ -
Sales tax	2,860,805	-	-	-
Franchise and local taxes	224,044	-	-	-
License and permits	74,264	-	-	-
Donations	2,532	-	-	-
Fines and forfeitures	148,463	-	-	-
Investment income	59,941	7,282	-	4,216
Charges for services	74,994	-	-	-
Rental income	83,775	-	-	-
Other revenue	42,093	-	-	-
Total Revenues	4,286,428	762,344	-	4,216
Expenditures				
Current:				
General government	930,177	350	-	60,947
Developmental services	84,456	-	-	-
Police	1,388,443	-	-	-
Animal control	160,723	-	-	-
Municipal court	135,671	-	-	-
Fire	605,978	-	-	-
Streets	394,624	-	-	-
Parks	394,944	-	-	-
Grant & donation projects	12,880	-	-	-
Debt service				
Principal	-	589,198	-	967,239
Interest	-	98,838	-	-
Capital outlay	105,383	-	351,776	225,000
Total Expenditures	4,213,279	688,386	351,776	1,253,186
Excess of Revenues Over (Under) Expenditures	\$ 73,149	\$ 73,958	\$ (351,776)	\$ (1,248,970)

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 1,470,579
2,860,805
224,044
74,264
2,532
148,463
71,439
74,994
83,775
42,093

5,052,988

991,474
84,456
1,388,443
160,723
135,671
605,978
394,624
394,944
12,880

1,556,437
98,838
682,159

6,506,627

\$ (1,453,639)

City of Canton, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS (Page 2 of 2)

For the Year Ended September 30, 2019

<u>Other Financing Sources (Uses)</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvements</u>	<u>Capital Reserve</u>
Sale of capital assets	\$ 500	\$ -	\$ -	\$ -
Insurance recoveries	10,798	-	-	-
Transfers in	613,247	289,878	-	717,239
Transfers (out)	(217,239)	(343,695)	-	-
Other Financing Sources (Uses)	<u>407,306</u>	<u>(53,817)</u>	<u>-</u>	<u>717,239</u>
Net Change in Fund Balances	480,455	20,141	(351,776)	(531,731)
Beginning fund balances	3,515,024	927,343	(55,426)	754,526
Ending Fund Balances	<u>\$ 3,995,479</u>	<u>\$ 947,484</u>	<u>\$ (407,202)</u>	<u>\$ 222,795</u>

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$	500
	10,798
	1,620,364
	(560,934)
	<u>1,070,728</u>
	(382,911)
	<u>5,141,467</u>
\$	<u><u>4,758,556</u></u>

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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, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	(382,911)
---------------------------------------------------------	----	-----------

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.

Capital outlay		718,939
Depreciation expense		(843,859)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense		(60,921)
OPEB expense		(11,979)
Compensated absences		(28,424)
Accrued interest		1,133

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when they are 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.

Principal payments		1,556,437
Change in Net Position of Governmental Activities	\$	<u>1,006,131</u>

See Notes to Financial Statements.

City of Canton, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2019

	Water & Sewer	Sanitation	First Monday
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 404,986	\$ 181,197	\$ 15,272
Receivables, net	387,335	81,726	1,505
Due from other funds	1,341,825	-	1,976,279
Accrued interest from component unit	27,372	-	-
Note receivable from component unit	140,000	-	-
Total Current Assets	2,301,518	262,923	1,993,056
<u>Noncurrent Assets</u>			
Note receivable from component unit	1,980,000	-	-
Capital assets:			
Non-depreciable	407,048	-	349,216
Net depreciable capital assets	15,562,784	-	3,675,776
Total Noncurrent Assets	17,949,832	-	4,024,992
Total Assets	20,251,350	262,923	6,018,048
<u>Deferred Outflows of Resources</u>			
Pension contributions	62,008	3,352	37,091
OPEB contributions	119	-	69
Pension changes in assumption	2,625	142	1,570
Pension investment earnings	102,216	5,526	61,142
Total Deferred Outflows of Resources	166,968	9,020	99,872
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued liabilities	224,690	47,213	20,525
Accrued interest	22,277	-	-
Compensated absences, current	43,108	-	24,742
Long-term liabilities - due in one year	140,000	-	341,753
Total Current Liabilities	430,075	47,213	387,020
<u>Noncurrent Liabilities</u>			
Net pension liability	438,783	23,721	262,463
OPEB liability	28,370	-	16,424
Compensated absences, noncurrent	4,790	-	2,749
Long-term liabilities due in more than one year	2,013,883	-	330,823
Total Liabilities	2,915,901	70,934	999,479
<u>Deferred Inflows of Resources</u>			
Pension - difference in experience	49,453	2,673	29,581
OPEB changes in assumptions	1,068	-	618
OPEB actual experience vs. assumptions	141	-	82
Total Deferred Inflows of Resources	50,662	2,673	30,281
<u>Net Position</u>			
Net investment in capital assets	13,796,565	-	3,352,416
Unrestricted	3,655,190	198,336	1,735,744
Total Net Position	\$ 17,451,755	\$ 198,336	\$ 5,088,160

See Notes to Financial Statements.

Total

\$	601,455
	470,566
	3,318,104
	27,372
	140,000
	<u>4,557,497</u>
	1,980,000
	756,264
	19,238,560
	<u>21,974,824</u>
	<u>26,532,321</u>
	102,451
	188
	4,337
	168,884
	<u>275,860</u>
	292,428
	22,277
	67,850
	481,753
	<u>864,308</u>
	724,967
	44,794
	7,539
	2,344,706
	<u>3,986,314</u>
	81,707
	1,686
	223
	<u>83,616</u>
	17,148,981
	5,589,270
\$	<u><u>22,738,251</u></u>

City of Canton, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended September 30, 2019

	Water & Sewer	Sanitation	First Monday
<u>Operating Revenues</u>			
Charges for services	\$ 2,277,201	\$ 614,601	\$ 2,681,156
Other revenue	-	-	42,463
Total Operating Revenues	2,277,201	614,601	2,723,619
<u>Operating Expenses</u>			
Cost of sales	1,704,281	523,309	1,347,814
Depreciation	702,933	-	393,390
Other	700	-	228,738
Total Operating Expenses	2,407,914	523,309	1,969,942
Operating Income (Loss)	(130,713)	91,292	753,677
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	214	-	2,382
Intergovernmental	85,424	-	-
Interest expense	(83,835)	-	(15,384)
Total Nonoperating Revenues (Expenses)	1,803	-	(13,002)
Income (Loss) Before			
Transfers	(128,910)	91,292	740,675
Transfers in	1,500	-	343,695
Transfers (out)	(550,000)	(3,247)	(851,378)
	(548,500)	(3,247)	(507,683)
Change in Net Position	(677,410)	88,045	232,992
Beginning net position	18,129,165	110,291	4,855,168
Ending Net Position	\$ 17,451,755	\$ 198,336	\$ 5,088,160

See Notes to Financial Statements.

Total

\$ 5,572,958
42,463

5,615,421

3,575,404
1,096,323
229,438

4,901,165

714,256

2,596
85,424
(99,219)

(11,199)

703,057

345,195
(1,404,625)

(1,059,430)

(356,373)

23,094,624

\$ 22,738,251

City of Canton, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2019

	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>First Monday</u>
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 2,238,131	\$ 609,927	\$ 2,723,619
Payments to suppliers and employees	(3,088,965)	(514,020)	(3,570,789)
Net Cash Provided by Operating Activities	(850,834)	95,907	(847,170)
<u>Cash Flows from Noncapital Financing Activities</u>			
Cash received from CEDC receivable	130,000	-	-
Transfer in	1,500	-	343,695
Transfer (out)	(550,000)	(3,247)	(851,378)
Net Cash Provided (Used) by Noncapital Financing Activities	(418,500)	(3,247)	(507,683)
<u>Cash Flows from Capital and Related Financing</u>			
Capital purchases	(964,792)	-	(57,288)
Intergovernmental revenue	85,424	-	-
Principal paid on debt	(130,000)	-	(328,311)
Interest paid on debt	(86,421)	-	(15,384)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,095,789)	-	(400,983)
<u>Cash Flows from Investing Activities</u>			
Interest on investments	214	-	2,382
Net Cash Provided by Investing Activities	214	-	2,382
Net Increase (Decrease) in Cash and Cash	(2,364,909)	92,660	(1,753,454)
Beginning cash and cash equivalents	2,769,895	88,537	1,768,726
Ending Cash and Cash Equivalents	\$ 404,986	\$ 181,197	\$ 15,272

See Notes to Financial Statements.

Total

\$ 5,571,677
(7,173,774)
(1,602,097)

130,000
345,195
(1,404,625)

(929,430)

(1,022,080)
85,424
(458,311)
(101,805)

(1,496,772)

2,596

2,596

(4,025,703)

4,627,158

\$ 601,455

City of Canton, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2019

	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>First Monday</u>
<u>Reconciliation of Operating Income (Loss)</u>			
<u>to Net Cash Provided by Operating Activities</u>			
Operating Income (Loss)	\$ (130,713)	\$ 91,292	\$ 753,677
Adjustments to reconcile operating income (loss) to net cash provided:			
Depreciation	702,933	-	393,390
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(33,069)	(4,674)	-
Due from other funds	-	-	(1,976,279)
Accrued interest from component unit	(6,001)	-	-
Deferred outflows:			
Pension contributions	(7,510)	(406)	4,215
OPEB contributions	(6)	-	1,469
Pension changes in assumptions	11,934	645	(1,570)
Pension investment earnings	(153,994)	(8,325)	(92,113)
Deferred inflows:			
Pension difference in experience	36,911	1,995	22,079
OPEB changes in assumptions	1,068	-	618
OPEB difference in experience	2,277	-	82
Increase (Decrease) in:			
Accounts payable and accrued liabilities	(85,069)	8,193	(16,440)
Due from other funds	(1,331,825)	-	-
Compensated absences	10,147	-	(12,244)
OPEB liability	(858)	-	(3,574)
Net pension liability	132,941	7,187	79,520
Net Cash Provided (Used) by Operating Activities	\$ (850,834)	\$ 95,907	\$ (847,170)

See Notes to Financial Statements.

Total

\$ 714,256

1,096,323

(37,743)

(1,976,279)

(6,001)

(3,701)

1,463

11,009

(254,432)

60,985

1,686

2,359

(93,316)

(1,331,825)

(2,097)

(4,432)

219,648

\$ (1,602,097)

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City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2019

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Canton, Texas (the "City") was incorporated in 1919 and operates under a Council-Manager form of government. The City provides: police; fire; code enforcement; public works; street repair and maintenance; general administrative services; water; wastewater; and sanitation.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Canton Economic Development Corporation ("CEDC"), although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

Canton Economic Development Corporation

The Canton Economic Development Corporation ("CEDC") was incorporated on March 12, 1997. The CEDC serves all citizens of the City and is governed by a seven member board of directors appointed by the Canton City Council. The purpose of the CEDC is to promote economic development within the City and the State of Texas in order to enhance the employment and the public welfare for, and on behalf of, the City. The CEDC uses the same

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

fiscal year as the City. The CEDC's financial statements are presented discretely as a part of the financial statements of the City. Copies of the CEDC's financial statements may be obtained from the Canton EDC located at 119 N. Buffalo Street, Canton Texas.

B. Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has one discretely presented component unit and is shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and transit functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, municipal court, parks and recreation, streets, and grant and donation projects.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of governmental funds. The primary source of revenue for debt service is local property taxes. The debt service fund is considered to be a major fund for reporting purposes.

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

Capital Improvements Fund

The City's capital improvements fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds. The capital improvements fund is considered to be a major fund for reporting purposes.

Capital Reserve Fund

The capital reserve fund is used to set aside money for future construction projects and major purchases. The capital reserve fund is a major fund for reporting purposes.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB) and all financial Accounting Standards Board's standards issued prior to November 30, 1989. Subsequent to this date, the City accounts for its enterprise funds as presented by GASB. The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise funds:

Water and Sewer Fund

This fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, and water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

Sanitation Fund

This fund is used to account for the provision of garbage and brush removal services to the residents of the City. Activities of the fund include administration, operations and maintenance and contract garbage services. The fund also accounts for the accumulation

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

First Monday Fund

This fund is used to account for the operations of the City's First Monday Trade Days. This is a self-supporting trade show operated by the City. Activities of the fund include administration and operations relating to the trade show. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to customers.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

C. Measurement Focus and Basis of Accounting

The government-wide statements of net position and statements of activities and all proprietary funds are accounted for on a flow of economic resources measurement focus, accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the balance sheet. Proprietary fund equity consists of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and component units are accounted for using a

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The City utilizes the modified accrual basis of accounting in the governmental fund type and component units. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes, sales taxes, franchise taxes, and interest associated with the current period are all considered to be susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The accrual basis of accounting is used for the proprietary fund types. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable, and expenses in the accounting period in which they are incurred and become measurable.

The statements of net position, statements of activities, and financial statements of proprietary fund types are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

4. 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. All taxing entities in Van Zandt County allow taxpayers to pay one-half of their taxes on or before November 30 and the other half on or before June 30, without incurring any late fees. 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.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The inventories are valued at the lower of cost or market using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Infrastructure	15 - 40 years
Buildings and improvements	10 - 40 years
Machinery and equipment	5 - 20 years

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. An example is a deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund Balance Flow Assumption

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

10. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (Council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

The general fund balance should be at least 15% of the general fund annual expenditures. This percentage is the equivalent of 55 days expenditures. As of September 30, 2019, the general fund balance was 95% of the general fund annual expenditures. Debt service fund reserves are maintained at a level to support interest and principal payments in the event of a delay in property tax collections. The City should set aside resources to fund a reserve for years of decline and/or to fund capital out of current funds for projects that would have otherwise been funded by debt financing.

The utility fund working capital should be maintained at a minimum of 20-25% of the total operating expenditures or the equivalent of 75 days.

11. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation, holiday, and sick compensation balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

12. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

13. Estimates

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

14. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

15. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary, calculated based on the employee's actual earnings on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement 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 position of governmental states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Equity

At September 30, 2019, the capital improvements fund had a deficit fund balance of \$407,202. The deficit will be eliminated in the future through reimbursements from other funds.

B. Expenditures in Excess of Appropriations

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund and debt service fund. The City did not adopt a budget for the capital improvements fund. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the fund level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year.

Budgeted transfers out exceeded appropriations at the legal level of control within the debt service fund. The debt service fund expenditures had a positive budget variance of \$343,827, offset by a negative budget variance of \$343,695 of transfers out, for a net overage of \$132.

IV. DETAILED NOTES ON ALL FUNDS

A. **Deposits and Investments**

As stated in I.D.1., the City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. The City's investments in 2a7-like pools such as TexPool are included in this category. Although the City's investments in TexPool are available for immediate withdrawal, disclosure of the pool's weighted average maturity and bond rating are required. The City had the following investments at year end:

Investment Type	Value	Weighted Average Maturity (Days)	Credit Rating
External investment pools			
TexPool	\$ 3,815,368	34	AAAm
Total value	\$ 3,815,368		

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed the anticipated cash flow requirements of the funds; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations. Authorized securities

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

will be of the highest credit quality, and when not matched to liabilities, they will be short-term and liquid.

Credit risk. The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2019, the City's investment in TexPool was rated AAAM by Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2019, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

B. Receivables

The following comprise receivable balances of the primary government at year end:

	General	Debt Service	Water & Sewer	Sanitation	First Monday	Total
Property taxes	\$ 13,586	\$ 19,100	\$ -	\$ -	\$ -	\$ 32,686
Sales tax	495,109	-	-	-	-	495,109
Franchise taxes	64,893	-	-	-	-	64,893
Accounts	-	-	497,334	107,232	-	604,566
Other	5,414	-	-	-	1,505	6,919
Allowance	(531)	-	(109,999)	(25,506)	-	(136,036)
	<u>\$ 578,471</u>	<u>\$ 19,100</u>	<u>\$ 387,335</u>	<u>\$ 81,726</u>	<u>\$ 1,505</u>	<u>\$ 1,068,137</u>

The following comprise receivable balances of the component unit at year end:

	Component Unit
Sales tax	\$ 165,036
Hotel tax	47,589
	<u>\$ 212,625</u>

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

C. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

Governmental Activities:	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 2,427,676	\$ -	\$ -	\$ 2,427,676
Construction in progress	624,310	564,110	(974,345)	214,075
Total capital assets not being depreciated	<u>3,051,986</u>	<u>564,110</u>	<u>(974,345)</u>	<u>2,641,751</u>
Capital assets, being depreciated:				
Infrastructure	13,339,183	55,988	974,345	14,369,516
Buildings and improvements	2,333,205	33,135	-	2,366,340
Machinery and equipment	3,923,378	65,706	(73,318)	3,915,766
Total capital assets being depreciated	<u>19,595,766</u>	<u>154,829</u>	<u>901,027</u>	<u>20,651,622</u>
Less accumulated depreciation				
Infrastructure	(3,794,454)	(427,526)	-	(4,221,980)
Buildings and improvements	(967,244)	(63,004)	-	(1,030,248)
Machinery and equipment	(1,822,701)	(353,329)	73,318	(2,102,712)
Total accumulated depreciation	<u>(6,584,399)</u>	<u>(843,859)</u>	<u>73,318</u>	<u>(7,354,940)</u>
Net capital assets being depreciated	<u>13,011,367</u>	<u>(689,030)</u>	<u>974,345</u>	<u>13,296,682</u>
Total Capital Assets	<u>\$ 16,063,353</u>	<u>\$ (124,920)</u>	<u>\$ -</u>	<u>\$ 15,938,433</u>

Depreciation was charged to governmental departments as follows:

General government	\$ 132,330
Police	211,159
Animal control	5,184
Fire	88,864
Streets	348,017
Parks	58,305
Total Governmental Activities Depreciation Expense	<u>\$ 843,859</u>

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

A summary of changes in business-type activities capital assets for the year end was as follows:

Business-Type Activities:	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 666,608	\$ -	\$ -	\$ 666,608
Construction in progress	284,465	475,228	(670,037)	89,656
Total capital assets not being depreciated	<u>951,073</u>	<u>475,228</u>	<u>(670,037)</u>	<u>756,264</u>
Capital assets, being depreciated:				
Infrastructure	21,027,014	376,152	670,037	22,073,203
Buildings and improvements	11,294,119	7,500	-	11,301,619
Machinery & equipment	2,926,284	163,200	-	3,089,484
Total capital assets being depreciated	<u>35,247,417</u>	<u>546,852</u>	<u>670,037</u>	<u>36,464,306</u>
Less accumulated depreciation				
Infrastructure	(7,466,287)	(606,052)	-	(8,072,339)
Buildings and improvements	(6,613,855)	(354,183)	-	(6,968,038)
Machinery & equipment	(2,049,281)	(136,088)	-	(2,185,369)
Total accumulated depreciation	<u>(16,129,423)</u>	<u>(1,096,323)</u>	<u>-</u>	<u>(17,225,746)</u>
Net capital assets being depreciated	<u>19,117,994</u>	<u>(549,471)</u>	<u>670,037</u>	<u>19,238,560</u>
Total Capital Assets	<u>\$ 20,069,067</u>	<u>\$ (74,243)</u>	<u>\$ -</u>	<u>\$ 19,994,824</u>

Depreciation was charged to business-type activities as follows:

Water/Sewer	\$ 702,933
First Monday	393,390
Total Business-Type Activities Depreciation Expense	<u>\$ 1,096,323</u>

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

A summary of changes in component unit activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 1,173,537	\$ -	\$ -	\$ 1,173,537
Construction in progress	130,458	49,114	(179,572)	-
Total capital assets not being depreciated	<u>1,303,995</u>	<u>49,114</u>	<u>(179,572)</u>	<u>1,173,537</u>
Capital assets, being depreciated:				
Buildings and improvements	28,740	-	-	28,740
Industrial park and improvements	89,400	-	179,572	268,972
Office equipment	17,639	-	-	17,639
Total capital assets being depreciated	<u>135,779</u>	<u>-</u>	<u>179,572</u>	<u>315,351</u>
Less accumulated depreciation				
Buildings and improvements	(29,298)	(2,874)	-	(32,172)
Industrial park and improvements	(20,115)	(8,969)	-	(29,084)
Office equipment	(13,795)	(1,758)	-	(15,553)
Total accumulated depreciation	<u>(63,208)</u>	<u>(13,601)</u>	<u>-</u>	<u>(76,809)</u>
Net capital assets being depreciated	<u>72,571</u>	<u>(13,601)</u>	<u>179,572</u>	<u>238,542</u>
Total Capital Assets	<u><u>\$ 1,376,566</u></u>	<u><u>\$ 35,513</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,412,079</u></u>

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

D. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2019.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Tax and revenue bonds	\$ 2,964,000	\$ -	\$ (214,000)	\$ 2,750,000	\$ 220,000
Tax notes	1,029,110	-	(336,690)	692,420	333,248
Notes payable	309,219	-	(38,507)	270,712	39,556
Capital lease	967,240	-	(967,240)	-	-
Total Governmental Activities	<u>\$ 5,269,569</u>	<u>\$ -</u>	<u>\$ (1,556,437)</u>	<u>\$ 3,713,132</u>	<u>\$ 592,804</u>
Long-term liabilities due in more than one year				<u>\$ 3,120,328</u>	
Business-Type Activities:					
Revenue bonds	\$ 2,250,000	\$ -	\$ (130,000)	\$ 2,120,000	\$ 140,000
Premiums	45,676	-	(3,235)	42,441	-
Discounts	(9,207)	-	649	(8,558)	-
Tax notes	1,000,887	-	(328,311)	672,576	341,753
Total Business-Type Activities	<u>\$ 3,287,356</u>	<u>\$ -</u>	<u>\$ (460,897)</u>	<u>\$ 2,826,459</u>	<u>\$ 481,753</u>
Long-term liabilities due in more than one year				<u>\$ 2,344,706</u>	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Long-term debt at year end was comprised of the following debt issues:

Description	Interest Rates	Original Balance	Yearend Balance
Governmental Activities:			
Tax & Revenue Bonds			
Series 2017	2.56%	3,000,000	2,750,000
Total		<u>3,000,000</u>	<u>2,750,000</u>
Tax notes			
Series 2015	1.8%	1,265,750	692,420
Total		<u>1,265,750</u>	<u>692,420</u>
Note Payable			
Canton Fire Truck	2.7%	379,000	270,712
Total		<u>379,000</u>	<u>270,712</u>
Business-type Activities:			
Revenue bonds			
Series 2010	4.25%	1,060,000	675,000
Series 2012	3.50%	2,000,000	1,445,000
Total		<u>3,060,000</u>	<u>2,120,000</u>
Tax notes			
Series 2015	1.79%	1,234,250	672,576
Total		<u>1,234,250</u>	<u>672,576</u>
Total Long-Term Debt		<u>\$ 9,906,240</u>	<u>\$ 6,505,708</u>

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

The annual requirements to amortize debt issues outstanding at year ending were as follows:

Combination tax, revenue bonds, and certificates of obligation

Year Ending September 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 553,248	\$ 79,712	\$ 632,960	\$ 481,753	\$ 91,697	\$ 573,450
2021	584,172	67,895	652,067	489,345	50,230	539,575
2022	231,000	59,008	290,008	131,478	72,635	204,113
2023	237,000	53,094	290,094	150,000	67,110	217,110
2024	243,000	47,027	290,027	160,000	61,585	221,585
2025	249,000	40,806	289,806	165,000	55,595	220,595
2026	255,000	34,432	289,432	175,000	49,430	224,430
2027	262,000	27,904	289,904	180,000	42,720	222,720
2028	269,000	21,197	290,197	190,000	35,260	225,260
2029	276,000	14,310	290,310	195,000	27,380	222,380
2030	283,000	7,245	290,245	200,000	19,300	219,300
2031	-	-	-	135,000	11,000	146,000
2032	-	-	-	140,000	5,600	145,600
Total	\$ 3,442,420	\$ 452,630	\$ 3,895,050	\$ 2,792,576	\$ 589,542	\$ 3,382,118

Tax and revenue bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of tax and revenue bonds are from taxes levied on all taxable property located within the City and revenues earned from the enterprise funds. The bonds were issued to fund improvements to the City's water and treatment facilities as well as improvements to the First Monday facilities.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Note Payable

The City entered into a note agreement for \$379,000 in December 2015 in order to finance the purchase of a new fire truck. Semi-annual payments of \$23,300 are due November 1 and May 1. Annual interest will accrue at 2.70%.

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2020	\$ 39,556	\$ 7,044	\$ 46,600
2021	40,631	5,969	46,600
2022	41,736	4,864	46,600
2023	42,870	3,730	46,600
2024	44,036	2,564	46,600
2025	45,233	1,368	46,601
2026	16,650	225	16,875
Total	\$ 270,712	\$ 25,764	\$ 296,476

Capital Lease

The City entered into a capital lease for \$967,240 in December 2016 in order to finance public safety radio equipment. Annual payments of \$122,572 are due December 1. Annual interest will accrue at 3.44%. The capital lease obligation was paid in full during the year ending September 30, 2019.

The following is a summary of changes in the CEDC's long-term liabilities for the year ended September 30, 2019.

	Rate	Original Amounts Issued	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year
Note Payable - City	2% to 4%	\$ 2,000,000	\$ 1,530,000	\$ -	\$ (85,000)	\$ 1,445,000	\$ 90,000
Note Payable - City	4% to 4.4%	1,060,000	720,000	-	(45,000)	675,000	50,000
Total		\$ 3,560,000	\$ 2,250,000	\$ -	\$ (130,000)	\$ 2,120,000	\$ 140,000
Long-term liabilities due in more than one year						\$ 1,980,000	

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

The annual requirements to amortize debt issues for the CEDC outstanding at year ending September 30, 2019 were as follows:

Year ending September 30,	Component Unit Activities	
	Principal	Interest
2020	\$ 140,000	\$ 82,385
2021	140,000	77,785
2022	150,000	72,634
2023	150,000	67,110
2024	160,000	30,792
Thereafter	1,380,000	1,002,748
	<u>\$ 2,120,000</u>	<u>\$ 1,333,454</u>

E. Other Long-term Liabilities

The following is a summary of changes in the City's other long-term liabilities for the year ended. The general fund normally liquidates compensated absences for all governmental funds. The water/sewer, sanitation, and First Monday each liquidate their own portion of compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 334,652	\$ 28,424	\$ -	\$ 363,076	\$ 326,768
Total Governmental Activities	<u>\$ 334,652</u>	<u>\$ 28,424</u>	<u>\$ -</u>	<u>\$ 363,076</u>	<u>\$ 326,768</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 36,308</u>	
Business-Type Activities:					
Compensated Absences	\$ 77,486	\$ -	\$ (2,097)	\$ 75,389	\$ 67,850
Total Business-Type Activities	<u>\$ 77,486</u>	<u>\$ -</u>	<u>\$ (2,097)</u>	<u>\$ 75,389</u>	<u>\$ 67,850</u>
Other Long-term Liabilities Due in More than One Year				<u>\$ 7,539</u>	

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

F. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

Transfer out:	Transfer In:					Total
	General	Capital Reserve	Debt Service	Water & Sewer	First Monday	
General	\$ -	\$ 217,239	\$ -	\$ -	\$ -	\$ 217,239
Water & Sewer	50,000	500,000	-	-	-	550,000
First Monday	560,000	-	289,878	1,500	-	851,378
Sanitation	3,247	-	-	-	-	3,247
Debt service	-	-	-	-	343,695	343,695
Total	\$ 613,247	\$ 717,239	\$ 289,878	\$ 1,500	\$ 343,695	\$ 1,965,559

Due to:	Due from:		
	General	Capital Improvements	Total
Water & Sewer	\$ 972,722	\$ 369,103	\$ 1,341,825
First Monday	1,976,279	-	1,976,279
Total	\$ 2,949,001	\$ 369,103	\$ 3,318,104

Amounts transferred between funds relate to amounts collected by general and enterprise funds for various governmental expenditures, capital expenditures and debt payments.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs monthly calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations if indicated.

D. Defined Benefit Pension Plans

1. Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tMrs.com.

All eligible employees of the city are required to participate in TMRS.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the city, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

	<u>Plan Year 2018</u>	<u>Plan Year 2017</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	30% of CPI Repeating	30% of CPI Repeating

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	49
Active employees	66
Total	149

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Canton were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Canton were 13.79% and 12.77% in calendar years 2019 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$392,651.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5% per year, including inflation
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

(APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate:

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/17	\$ 10,627,899	\$ 9,203,863	\$ 1,424,036
Changes for the year:			
Service Cost	422,944	-	422,944
Interest (on the Total Pension Liab.)	719,457	-	719,457
Difference between expected and actual experience	(251,065)	-	(251,065)
Contributions – employer	-	357,682	(357,682)
Contributions – employee	-	196,067	(196,067)
Net investment income (loss)	-	(275,795)	275,795
Benefit payments, including refunds of emp. contributions	(361,487)	(361,487)	-
Administrative expense	-	(5,328)	5,328
Other changes	-	(279)	279
Net changes	529,849	(89,140)	618,989
Balance at 12/31/18	<u>\$ 11,157,748</u>	<u>\$ 9,114,723</u>	<u>\$ 2,043,025</u>

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 3,633,982	\$ 2,043,025	\$ 740,433

Pension Plan Fiduciary Net Position:

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2019

5. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the City recognized pension expense of \$487,079.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Difference between projected and investment earnings	\$ 475,931	\$ -
Differences between expected and actual economic experience	-	(230,260)
Changes in assumptions	12,224	-
Contributions subsequent to the measurement date	288,716	-
Total	<u>\$ 776,871</u>	<u>\$ (230,260)</u>

The City reported \$288,716 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2020.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	\$ 99,630
2020	(14,779)
2021	352
2022	172,692
2023	-
Thereafter	-
	<u>\$ 257,895</u>

Other Postemployment Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2019

terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

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

Employees covered by benefit terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	11
Active employees	66
Total	96

The City's contributions to the TMRS SDBF for the years ended 2019, 2018, and 2017 were \$872, \$842, and \$836, respectively, which equaled the required contributions each year. The required contribution rates for 2019, 2018, and 2017 were 0.03%, 0.03%, and 0.03%, respectively.

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2018, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%, including inflation per year
Discount rate	3.71%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.71%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2018.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.71%) or 1-percentage-point higher (4.71%) than the current rate:

1% Decrease (2.71%)	Current Single Rate Assumption 3.71%	1% Increase (4.71%)
\$ 181,382	\$ 149,312	\$ 124,459

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/17	\$ 153,830
Changes for the year:	
Service Cost	9,523
Interest	5,235
Difference between expected and actual experience	(6,767)
Changes of assumptions	(11,670)
Benefit payments	(839)
Net changes	(4,518)
Balance at 12/31/18	\$ 149,312

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2019, the City recognized OPEB expense of \$13,928.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between expected and actual experience	\$ -	(743)
Changes in assumptions	-	(5,621)
Contributions subsequent to measurement date	628	-
Total	\$ 628	\$ (6,364)

The City reported \$628 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2020.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2019

Other amounts reported as deferred outflows of resources related to OPEB will be recognized to expense as follows:

Year ended December 31:		
2019	\$	(830)
2020		(830)
2021		(830)
2022		(1,038)
2023		(2,836)
Thereafter		-
	<u>\$</u>	<u>(6,364)</u>

E. Related Party Transactions

Cindy Malouf is a member of the City Council. Malouf's husband is a member of a limited liability corporation that owns a building on First Monday Trade grounds. Currently, the City holds a lease for use of this building with the corporation.

All full time active City employees that are residents of the City receive a 20% discount for utility services.

F. Restatement

The City restated its beginning net position within governmental activities, business-type activities, and component unit activities to correct prior year accounting errors relating to accounts payable, accrued receivables, and capital assets.

	Governmental Activities	General Fund	Capital Improvements
Prior year ending net position/ fund balance, as reported	\$ 14,548,103	\$ 3,593,004	\$ (209,853)
Correction to accounts payable	76,447	(77,980)	154,427
Restated beginning net position/fund balance	<u>\$ 14,624,550</u>	<u>\$ 3,515,024</u>	<u>\$ (55,426)</u>

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2019

	Business-Type Activities	Water & Sewer	Sanitation	First Monday
Prior year ending net position/ fund balance, as reported	\$ 22,940,298	\$ 18,030,249	\$ 68,909	\$ 4,841,140
Correction to accounts payable	115,274	59,864	41,382	14,028
Correction to accrued receivables	39,052	39,052	-	-
Restated beginning net position/fund balance	\$ 23,094,624	\$ 18,129,165	\$ 110,291	\$ 4,855,168

	Component Unit Activities
Prior year ending net position, as reported	\$ 1,121,590
Correction to capital assets	15,700
Restated beginning net position	\$ 1,137,290

G. Subsequent Events

The City approved the closure of First Monday events in April and May of fiscal year 2020 during the COVID-19 pandemic.

Subsequent events were evaluated through June 11, 2020, the date the financial statements were available to be issued.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Canton, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)
GENERAL FUND

For the Year Ended September 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 699,744	\$ 699,744	\$ 715,517	\$ 15,773
Sales tax	2,750,000	2,750,000	2,860,805	110,805
Franchise and local taxes	221,000	221,000	224,044	3,044
License and permits	69,850	69,850	74,264	4,414
Grant revenues	269,404	269,404	-	(269,404)
Donations	2,400	2,400	2,532	132
Fines and forfeitures	164,850	164,850	148,463	(16,387)
Investment income	-	-	59,941	59,941
Charges for services	66,500	66,500	74,994	8,494
Rental income	63,400	63,400	83,775	20,375
Other revenue	7,800	863,800	42,093	(821,707)
Total Revenues	4,314,948	5,170,948	4,286,428	(884,520)
Expenditures				
Current:				
General government	1,003,975	1,003,975	930,177	73,798
Developmental services	151,414	111,414	84,456	26,958
Police	1,499,080	1,389,080	1,388,443	637
Animal control	160,541	190,611	160,723	29,888
Municipal court	160,048	160,048	135,671	24,377
Fire	677,247	603,247	605,978	(2,731)
Streets	474,105	432,105	394,624	37,481
Parks	434,677	384,677	394,944	(10,267)
Grant & donation projects	4,000	14,000	12,880	1,120
Capital Outlay	156,000	156,000	105,383	50,617
Total Expenditures	4,721,087	4,445,157	4,213,279	231,878
Revenues Over (Under) Expenditures	\$ (406,139)	\$ 725,791	\$ 73,149	\$ (652,642)

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Canton, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)
GENERAL FUND

For the Year Ended September 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Other Financing Sources (Uses)</u>				
Sale of capital assets	\$ -	\$ -	\$ 500	\$ 500
Insurance recoveries	-	-	10,798	10,798
Transfers in	700,000	700,000	613,247	(86,753)
Transfers (out)	(967,239)	(967,239)	(217,239)	750,000
Total Other Financing Sources (Uses)	<u>(267,239)</u>	<u>(267,239)</u>	<u>407,306</u>	<u>674,545</u>
Net Change in Fund Balance	<u>\$ (673,378)</u>	<u>\$ 458,552</u>	480,455	<u>\$ 21,903</u>
Beginning fund balance			3,515,024	
Ending Fund Balance			<u>\$ 3,995,479</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Canton, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

Years Ended:

	<u>12/31/2018</u>	<u>12/31/2017</u>	<u>12/31/2016</u>
Total pension liability			
Service cost	\$ 422,944	\$ 423,920	\$ 413,384
Interest (on the Total Pension Liability)	719,457	675,243	625,175
Differences between expected and actual experience	(251,065)	(87,851)	7,587
Changes of assumptions	-	-	-
Benefit payments, including refunds of participant contributions	(361,487)	(350,118)	(269,197)
Net change in total pension liability	<u>529,849</u>	<u>661,194</u>	<u>776,949</u>
Total pension liability - beginning	<u>10,627,899</u>	<u>9,966,705</u>	<u>9,189,756</u>
Total pension liability - ending (a)	<u>\$ 11,157,748</u>	<u>\$ 10,627,899</u>	<u>\$ 9,966,705</u>
Plan fiduciary net position			
Contributions - employer	\$ 357,682	\$ 331,653	\$ 323,389
Contributions - members	196,067	196,910	192,656
Net investment income	(275,795)	1,099,437	486,800
Benefit payments, including refunds of participant contributions	(361,487)	(350,118)	(269,197)
Administrative expenses	(5,328)	(5,697)	(5,499)
Other	(279)	(288)	(296)
Net change in plan fiduciary net position	<u>(89,140)</u>	<u>1,271,897</u>	<u>727,853</u>
Plan fiduciary net position - beginning	<u>9,203,863</u>	<u>7,931,966</u>	<u>7,204,113</u>
Plan fiduciary net position - ending (b)	<u>\$ 9,114,723</u>	<u>\$ 9,203,863</u>	<u>\$ 7,931,966</u>
Fund's net pension liability - ending (a) - (b)	<u>\$ 2,043,025</u>	<u>\$ 1,424,036</u>	<u>\$ 2,034,739</u>
Plan fiduciary net position as a percentage of the total pension liability	81.69%	86.60%	79.58%
Covered payroll	\$ 2,800,955	\$ 2,813,003	\$ 2,752,224
Fund's net pension liability as a percentage of covered payroll	72.94%	50.62%	73.93%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

	<u>12/31/2015</u>	<u>12/31/2014</u> ¹
\$	380,783	\$ 330,020
	580,386	548,014
	76,183	(137,484)
	234,476	-
	<u>(365,811)</u>	<u>(241,141)</u>
	906,017	499,409
	<u>8,283,739</u>	<u>7,784,330</u>
\$	<u>9,189,756</u>	\$ <u>8,283,739</u>
\$	310,568	\$ 278,003
	184,080	164,638
	10,436	372,020
	(365,811)	(241,141)
	(6,356)	(3,883)
	<u>(314)</u>	<u>(319)</u>
	132,603	569,318
	<u>7,071,510</u>	<u>6,502,192</u>
\$	<u>7,204,113</u>	\$ <u>7,071,510</u>
\$	<u>1,985,643</u>	\$ <u>1,212,229</u>
	78.39%	85.37%
\$	2,629,717	\$ 2,351,967
	75.51%	51.54%

City of Canton, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Fiscal Years Ended

	9/30/2019	9/30/2018	9/30/2017
Actuarially determined employer contributions	\$ 392,651	\$ 350,442	\$ 329,690
Contributions in relation to the actuarially determined contribution	\$ 392,651	\$ 350,442	\$ 334,459
Contribution deficiency (excess)	\$ -	\$ -	\$ (4,769)
Annual covered payroll	\$ 2,907,559	\$ 2,807,199	\$ 2,787,155
Employer contributions as a percentage of covered payroll	13.50%	12.48%	12.00%

1) This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes There were no benefit changes during the year.

<u>9/30/2016</u>	<u>9/30/2015</u> ¹
\$ 313,759	\$ 307,850
\$ 324,058	\$ 309,170
<u>\$ (10,299)</u>	<u>\$ (1,320)</u>
\$ 2,699,244	\$ 2,583,178
12.01%	11.97%

City of Canton, Texas

SCHEDULE OF CHANGES IN POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Year Ended:

	12/31/2017	12/31/2018 ¹
Total OPEB liability		
Service cost	\$ 8,439	\$ 9,523
Interest	4,972	5,235
Changes of assumptions	13,532	(11,670)
Differences between expected and actual experience	-	(6,767)
Benefit payments, including refunds of participant contributions	(844)	(839)
Net change in total OPEB liability	26,099	(4,518)
Total OPEB liability - beginning	127,731	153,830
Total OPEB liability - ending (a)	\$ 153,830	\$ 149,312
Covered payroll	\$ 2,813,003	\$ 2,800,955
City's total OPEB liability as a percentage of covered payroll	5.47%	5.33%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

OTHER SUPPLEMENTARY INFORMATION

***INDIVIDUAL FUND BUDGET TO ACTUAL
SCHEDULES***

City of Canton, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND
For the Year Ended September 30, 2019

	Original Budget	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 736,703	\$ 736,703	\$ 755,062	\$ 18,359
Investment income	12,000	12,000	7,282	(4,718)
Total Revenues	748,703	748,703	762,344	13,641
<u>Expenditures</u>				
Current:				
Agent fees	-	-	350	(350)
Debt service:				
Principal	1,031,863	1,032,213	589,198	443,015
Interest	-	-	98,838	(98,838)
Total Expenditures	1,031,863	1,032,213	688,386	343,827
<u>Other Financing Sources (Uses)</u>				
Transfers in	289,878	289,878	289,878	-
Transfers (out)	-	-	(343,695)	(343,695) *
Total Other Financing Sources	289,878	289,878	(53,817)	(343,695)
Net Change in Fund Balance	\$ 6,718	\$ 6,368	20,141	\$ 13,773
Beginning fund balance			927,343	
Ending Fund Balance			\$ 947,484	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

* Expenditures exceeded appropriates at the legal level of control.

City of Canton, Texas

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL CAPITAL RESERVE FUND

For the Year Ended September 30, 2019

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Interest income	\$ -	\$ 4,216	\$ 4,216
Total Revenues	-	4,216	4,216
 <u>Expenditures</u>			
Current:			
General government	-	60,947	(60,947)
Debt service:			
Principal	967,239	967,239	-
Capital outlay	750,000	225,000	525,000
Total Expenditures	1,717,239	1,253,186	464,053
 <u>Other Financing Sources</u>			
Transfers in	1,467,239	717,239	(750,000)
Total Other Financing Sources	1,467,239	717,239	(750,000)
Net Change in Fund Balance	\$ (250,000)	(531,731)	\$ (281,731)
Beginning fund balance		754,526	
Ending Fund Balance		\$ 222,795	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles.

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STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
-----------------	-------------

Financial Trends	98
-------------------------	----

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	108
-------------------------	-----

These schedules contain information to help the reader assess the City's most significant local revenue source, sales and property tax.

Debt Capacity	116
----------------------	-----

These schedules 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.

Demographic and Economic Information	126
---------------------------------------------	-----

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	130
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These schedules 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 and the activities it performs.

City of Canton, Texas
NET POSITION BY COMPONENT
Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities				
Net investment in				
capital assets	\$ 6,879,822	\$ 8,630,990	\$ 9,103,788	\$ 9,664,211
Restricted	1,088,389	518,215	1,022,432	91,213
Unrestricted	554,154	1,713,158	1,151,819	2,553,020
Total governmental activities Net				
Position	<u>\$ 8,522,365</u>	<u>\$ 10,862,363</u>	<u>\$ 11,278,039</u>	<u>\$ 12,308,444</u>
 Business-type activities				
Net investment in				
capital assets	\$ 10,025,715	\$ 11,782,292	\$ 13,004,997	\$ 14,099,071
Restricted	130,509	99,246	81,223	98,576
Unrestricted	1,111,558	2,043,836	6,236,087	5,556,515
Total business-type activities				
Net Position	<u>\$ 11,267,782</u>	<u>\$ 13,925,374</u>	<u>\$ 19,322,307</u>	<u>\$ 19,754,162</u>
 Primary government				
Net investment in				
capital assets	\$ 16,905,537	\$ 20,413,282	\$ 22,108,785	\$ 23,763,282
Restricted	1,218,898	617,461	1,103,655	189,789
Unrestricted	1,665,712	3,756,994	7,387,906	8,109,535
Total primary government Net				
Position	<u>\$ 19,790,147</u>	<u>\$ 24,787,737</u>	<u>\$ 30,600,346</u>	<u>\$ 32,062,606</u>

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 10,328,448	\$ 10,460,628	\$ 11,773,742	\$ 12,214,257	\$ 10,580,107	\$ 12,164,178
1,188,126	1,253,208	1,263,708	1,218,254	1,015,102	1,028,951
1,266,490	1,702,858	1,738,157	1,883,197	3,029,341	2,437,552
<u>\$ 12,783,064</u>	<u>\$ 13,416,694</u>	<u>\$ 14,775,607</u>	<u>\$ 15,315,708</u>	<u>\$ 14,624,550</u>	<u>\$ 15,630,681</u>
\$ 14,637,447	\$ 15,399,638	\$ 15,730,654	\$ 16,143,038	\$ 16,722,565	\$ 17,148,981
86,787	-	-	-	-	-
5,659,947	5,869,483	5,654,873	5,554,886	6,372,059	5,589,270
<u>\$ 20,384,181</u>	<u>\$ 21,269,121</u>	<u>\$ 21,385,527</u>	<u>\$ 21,697,924</u>	<u>\$ 23,094,624</u>	<u>\$ 22,738,251</u>
\$ 24,965,895	\$ 25,860,266	\$ 27,504,396	\$ 28,357,295	\$ 27,302,672	\$ 29,313,159
1,274,913	1,253,208	1,263,708	1,218,254	1,015,102	1,028,951
6,926,437	7,572,341	7,393,030	7,438,083	9,401,400	8,026,822
<u>\$ 33,167,245</u>	<u>\$ 34,685,815</u>	<u>\$ 36,161,134</u>	<u>\$ 37,013,632</u>	<u>\$ 37,719,174</u>	<u>\$ 38,368,932</u>

City of Canton, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	2010	2011	2012	2013
Expenses				
Governmental activities:				
General government	\$ 821,677	\$ 884,368	\$ 966,692	\$ 951,008
Public safety	1,584,341	1,682,441	1,659,571	1,712,959
Public works	668,367	659,366	645,380	642,939
Public services and operations	278,595	301,828	273,145	323,425
Parks and recreation	277,565	276,160	287,693	293,094
Interest expense	155,545	203,416	151,592	120,239
Total governmental activities expenses	3,786,090	4,007,579	3,984,073	4,043,664
Business-type activities:				
Water and sewer	1,852,580	1,857,049	1,830,652	1,895,691
Sanitation	543,142	573,396	525,861	536,929
First Monday	2,087,038	1,753,961	1,730,693	1,722,955
Total business-type activities expenses	4,482,760	4,184,406	4,087,206	4,155,575
Total primary government expenses	\$ 8,268,850	\$ 8,191,985	\$ 8,071,279	\$ 8,199,239
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 30,325	\$ 64,276	\$ 69,959	\$ 179,437
Public safety	42,465	95,932	199,989	21,755
Public works	-	1,809	-	-
Public services and operations	276,852	396,541	269,329	370,285
Total gov. activities program revenues	349,642	558,558	539,277	571,477
Business-type activities:				
Charges for services:				
Water and sewer	1,636,119	1,947,269	1,838,225	1,802,741
Sanitation	553,448	587,270	567,465	552,804
First Monday	2,624,051	2,657,207	2,892,819	2,735,419
Total bus.-type activities program rev.	4,813,618	5,191,746	5,298,509	5,090,964
Total primary gov. program revenues	\$ 5,163,260	\$ 5,750,304	\$ 5,837,786	\$ 5,662,441
Net (Expense)/Revenue				
Governmental activities	\$ (3,436,448)	\$ (3,449,021)	\$ (3,444,796)	\$ (3,472,187)
Business-type activities	330,858	1,007,340	1,211,303	935,389
Total primary government net expense	\$ (3,105,590)	\$ (2,441,681)	\$ (2,233,493)	\$ (2,536,798)

2014	2015	2016	2017	2018	2019
\$ 725,581	\$ 1,060,061	\$ 1,298,933	\$ 1,656,125	\$ 1,367,179	\$ 1,312,980
1,776,166	2,034,074	2,092,032	2,166,265	2,238,051	2,467,915
322,669	691,552	738,580	783,429	762,216	834,835
606,861	-	-	-	-	-
299,906	315,011	377,795	362,442	462,415	461,866
92,575	103,570	62,933	146,421	111,000	97,705
<u>3,823,758</u>	<u>4,204,268</u>	<u>4,570,273</u>	<u>5,114,682</u>	<u>4,940,861</u>	<u>5,175,301</u>
1,863,588	1,821,449	2,360,135	2,536,480	2,409,702	2,491,749
503,897	566,184	557,573	523,445	508,287	523,309
1,722,232	1,828,623	1,848,712	1,852,274	1,966,174	1,985,326
<u>4,089,717</u>	<u>4,216,256</u>	<u>4,766,420</u>	<u>4,912,199</u>	<u>4,884,163</u>	<u>5,000,384</u>
<u>\$ 7,913,475</u>	<u>\$ 8,420,524</u>	<u>\$ 9,336,693</u>	<u>\$ 10,026,881</u>	<u>\$ 9,825,024</u>	<u>\$ 10,175,685</u>
\$ 36,046	\$ 291,461	\$ 739,049	\$ 251,627	\$ 202,885	\$ 233,033
26,455	226,039	196,008	197,755	131,130	148,463
-	-	-	-	-	-
403,613	2,875	-	-	-	-
<u>466,114</u>	<u>520,375</u>	<u>935,057</u>	<u>449,382</u>	<u>334,015</u>	<u>381,496</u>
1,815,831	2,086,274	2,062,154	1,961,823	2,191,409	2,277,201
542,756	554,336	536,453	554,271	607,288	614,601
2,940,810	2,991,965	3,042,705	3,082,402	2,815,352	2,681,156
<u>5,299,397</u>	<u>5,632,575</u>	<u>5,641,312</u>	<u>5,598,496</u>	<u>5,614,049</u>	<u>5,572,958</u>
<u>\$ 5,765,511</u>	<u>\$ 6,152,950</u>	<u>\$ 6,576,369</u>	<u>\$ 6,047,878</u>	<u>\$ 5,948,064</u>	<u>\$ 5,954,454</u>
\$ (3,357,644)	\$ (3,683,893)	\$ (3,635,216)	\$ (4,665,300)	\$ (4,606,846)	\$ (4,793,805)
1,209,680	1,416,319	874,892	686,297	729,886	572,574
<u>\$ (2,147,964)</u>	<u>\$ (2,267,574)</u>	<u>\$ (2,760,324)</u>	<u>\$ (3,979,003)</u>	<u>\$ (3,876,960)</u>	<u>\$ (4,221,231)</u>

City of Canton, Texas
CHANGES IN NET POSITION (Continued)
Last Ten Fiscal Years
 (accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 1,147,211	\$ 1,104,103	\$ 1,120,330	\$ 1,114,335
Sales taxes	2,087,499	2,151,471	2,264,281	2,393,254
Franchise and local taxes	236,694	283,430	260,605	235,750
Investment earnings	11,859	15,200	8,509	8,407
Miscellaneous	56,807	9,701	29,938	7,762
Operating & capital grants & donations	288,862	463,021	223,649	60,748
Intergovernmental-state and local	-	-	-	50,000
Transfers, net	331,682	333,035	23,238	594,585
Net Gain(Loss) on sale of capital assets	-	-	-	-
Total governmental activities	<u>4,160,614</u>	<u>4,359,961</u>	<u>3,930,550</u>	<u>4,464,841</u>
Business-type activities:				
Investment earnings	7,174	3,926	4,782	1,478
Hotel/motel	210,697	63,410	-	-
Miscellaneous	69,182	30,003	40,887	27,955
Sale of assets	-	-	-	-
Operating & capital grants & donations	1,069,158	85,308	4,245,941	-
Intergovernmental-state & local	20,000	-	-	90,000
Transfers, net	(331,682)	(333,035)	(23,238)	(594,585)
Total business-type activities	<u>1,044,529</u>	<u>(150,388)</u>	<u>4,268,372</u>	<u>(475,152)</u>
Total primary government	<u>\$ 5,205,143</u>	<u>\$ 4,209,573</u>	<u>\$ 8,198,922</u>	<u>\$ 3,989,689</u>
Change in Net Position				
Governmental activities	\$ 724,166	\$ 910,940	\$ 485,754	\$ 992,654
Business-type activities	1,375,387	856,952	5,479,675	460,237
Total primary government	<u>\$ 2,099,553</u>	<u>\$ 1,767,892</u>	<u>\$ 5,965,429</u>	<u>\$ 1,452,891</u>

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 1,121,246	\$ 1,140,729	\$ 1,161,988	\$ 1,210,221	\$ 1,251,200	\$ 1,465,828
2,461,789	2,561,510	2,655,170	2,769,178	2,796,834	2,860,805
313,620	333,923	257,795	266,234	286,446	286,511
8,971	9,089	9,949	15,978	25,427	71,439
4,832	60,279	126,356	125,309	71,374	53,391
144,846	-	-	347,461	123,828	2,532
-	-	-	-	-	-
495,589	211,993	782,871	471,020	(496,265)	1,059,430
-	-	-	-	(143,156)	-
<u>4,550,893</u>	<u>4,317,523</u>	<u>4,994,129</u>	<u>5,205,401</u>	<u>3,915,688</u>	<u>5,799,936</u>
1,715	3,078	6,573	4,238	5,101	2,596
-	-	-	-	-	-
43,144	31,096	17,812	-	-	42,463
-	-	-	-	-	-
108,500	-	-	-	-	-
-	-	-	92,882	165,448	85,424
(495,589)	(211,993)	(782,871)	(471,020)	496,265	(1,059,430)
<u>(342,230)</u>	<u>(177,819)</u>	<u>(758,486)</u>	<u>(373,900)</u>	<u>666,814</u>	<u>(928,947)</u>
<u>\$ 4,208,663</u>	<u>\$ 4,139,704</u>	<u>\$ 4,235,643</u>	<u>\$ 4,831,501</u>	<u>\$ 4,582,502</u>	<u>\$ 4,870,989</u>
\$ 1,193,249	\$ 633,630	\$ 1,358,913	\$ 540,101	\$ (691,158)	\$ 1,006,131
867,450	1,238,500	116,406	312,397	1,396,700	(356,373)
<u>\$ 2,060,699</u>	<u>\$ 1,872,130</u>	<u>\$ 1,475,319</u>	<u>\$ 852,498</u>	<u>\$ 705,542</u>	<u>\$ 649,758</u>

City of Canton, Texas
FUND BALANCES, GOVERNMENTAL FUNDS
Last Ten Years
(modified accrual basis of accounting)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General fund:				
Assigned	\$ 119,140	\$ 2,666	\$ -	\$ -
Restricted	39,679	39,455	35,254	38,213
Unassigned	716,087	1,177,088	1,214,037	1,795,405
Total general fund	<u>\$ 874,906</u>	<u>\$ 1,219,209</u>	<u>\$ 1,249,291</u>	<u>\$ 1,833,618</u>
All other governmental funds:				
Restricted	\$ 983,567	\$ 1,337,086	\$ 1,192,338	\$ 1,053,664
Committed	-	123,697	-	-
Assigned	-	98,820	92,586	-
Unassigned, reported in:				
Special revenue funds	-	-	(58,173)	-
Total all other governmental funds	<u>\$ 983,567</u>	<u>\$ 1,559,603</u>	<u>\$ 1,226,751</u>	<u>\$ 1,053,664</u>

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
43,650	214,967	83,032	89,829	87,759	81,467
2,364,908	2,493,030	2,750,305	3,132,520	3,427,265	3,914,012
<u>2,408,558</u>	<u>2,707,997</u>	<u>\$ 2,833,337</u>	<u>\$ 3,222,349</u>	<u>\$ 3,515,024</u>	<u>\$ 3,995,479</u>
\$ 1,147,473	\$ 2,148,738	\$ 1,513,637	\$ 3,431,051	\$ 1,836,296	\$ 1,170,279
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	(209,853)	(407,202)
<u>\$ 1,147,473</u>	<u>\$ 2,148,738</u>	<u>\$ 1,513,637</u>	<u>\$ 3,431,051</u>	<u>\$ 1,626,443</u>	<u>\$ 763,077</u>

City of Canton, Texas
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
Last Ten Years
(modified accrual basis of accounting)

	2010	2011	2012	2013
Revenues				
Taxes	\$ 1,147,211	\$ 1,104,103	\$ 1,116,283	\$ 1,114,335
Non-property taxes	2,324,193	2,434,901	2,524,886	2,629,004
License and permits	43,873	64,018	51,070	89,330
Charges for services	67,565	67,738	61,981	60,232
Fines and forfeitures	167,744	342,061	337,264	223,077
Capital & operating grants	279,767	349,937	154,708	12,775
Rental income	48,601	46,697	48,937	48,240
Donations	9,095	7,584	6,879	270
Other revenue	-	-	-	-
Investment income	11,860	15,200	8,510	8,408
Total Revenues	4,099,909	4,432,239	4,310,518	4,185,671
Expenditures				
General government	795,167	849,814	928,968	1,034,573
Public safety	1,459,063	1,507,941	1,518,593	1,541,765
Public works	708,120	686,958	637,721	670,256
Parks and recreation	221,869	238,155	234,709	246,285
Capital outlay	369,691	743,531	550,590	421,675
Intergovernmental	-	-	-	-
Debt service				
Issuance costs	-	22,100	-	-
Interest	667,482	690,342	717,439	751,833
Principal	180,367	186,381	153,514	126,883
Total Expenditures	4,401,759	4,925,222	4,741,534	4,793,270
Excess of Revenues				
Over (Under) Expenditures	(301,850)	(492,983)	(431,016)	(607,599)
Other Financing Sources (Uses)				
Sale of assets	-	-	-	-
Debt proceeds	-	750,000	-	-
Escrow payment of retired debt	-	-	-	-
Intergovernmental	-	105,500	41,650	228,147
Insurance reimbursement	40,136	34,336	39,322	149,497
Miscellaneous	38,531	13,407	24,139	8,861
Transfers	331,681	333,035	23,238	594,585
Total Other Financing Sources (Uses)	410,348	1,236,278	128,349	981,090
Net Change in Fund Balances	\$ 108,498	\$ 743,295	\$ (302,667)	\$ 373,491
Debt service as a percentage of noncapital expenditures	21.03%	21.49%	20.78%	20.10%

	2014	2015	2016	2017	2018	2019
\$	1,137,994	\$ 1,133,744	\$ 1,160,650	\$ 1,206,026	\$ 1,251,200	\$ 1,470,579
	2,775,409	2,832,294	2,912,965	3,035,412	3,083,280	3,084,849
	109,307	98,298	81,231	91,211	68,386	74,264
	58,648	73,607	70,950	60,979	63,081	74,994
	242,171	220,863	190,832	197,755	131,130	148,463
	141,830	37,084	522,265	342,216	121,100	-
	54,346	61,844	68,369	99,437	71,418	83,775
	7,555	31,821	3,187	5,245	2,728	2,532
	-	-	-	-	23,811	42,093
	8,971	9,089	9,949	15,978	25,427	71,439
	<u>4,536,231</u>	<u>4,498,644</u>	<u>5,020,398</u>	<u>5,054,259</u>	<u>4,841,561</u>	<u>5,052,988</u>
	710,861	1,179,236	1,322,920	1,490,437	1,162,666	1,235,256
	1,637,044	1,921,641	1,863,848	1,573,708	2,149,370	2,107,589
	597,702	330,095	320,129	456,333	355,993	394,624
	262,257	292,389	343,569	545,366	400,264	394,944
	305,707	354,246	2,395,632	1,535,475	1,570,178	718,939
	-	-	-	-	50,000	-
	29,584	21,500	-	50,375	-	-
	627,604	74,317	72,601	91,088	113,133	98,838
	107,670	812,465	497,910	601,380	488,130	1,556,437
	<u>4,278,429</u>	<u>4,985,889</u>	<u>6,816,609</u>	<u>6,344,162</u>	<u>6,289,734</u>	<u>6,506,627</u>
	257,802	(487,245)	(1,796,211)	(1,289,903)	(1,448,173)	(1,453,639)
	-	220,963	7,125	47,361	384,940	500
	368,750	1,265,750	379,000	3,000,000	-	-
	(470,250)	-	-	-	-	-
	-	-	-	-	-	-
	-	26,104	117,454	50,206	47,563	10,798
	6,472	-	-	27,742	-	-
	495,589	211,993	782,871	471,020	(496,265)	1,059,430
	<u>400,561</u>	<u>1,724,810</u>	<u>1,286,450</u>	<u>3,596,329</u>	<u>(63,762)</u>	<u>1,070,728</u>
\$	<u>658,363</u>	<u>\$ 1,237,565</u>	<u>\$ (509,761)</u>	<u>\$ 2,306,426</u>	<u>\$ (1,511,935)</u>	<u>\$ (382,911)</u>
	19.25%	19.61%	12.90%	15.45%	12.88%	28.60%

City of Canton, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Residential real estate	\$ 139,534,250	\$ 139,947,640	\$ 148,369,050	\$ 146,435,480
Commercial real estate	179,636,930	164,330,874	154,960,053	158,059,040
Other Property	9,891,220	10,976,940	6,287,803	5,808,060
Less: tax-exempt property	(42,279,716)	(53,090,014)	(47,777,448)	(46,176,854)
Taxable value	<u>\$ 286,782,684</u>	<u>\$ 262,165,440</u>	<u>\$ 261,839,458</u>	<u>\$ 264,125,726</u>
Total direct property tax rate	0.425230	0.425230	0.425230	0.425230

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

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 156,782,282	\$ 196,091,860	\$ 240,917,309	\$ 284,298,510	\$ 303,710,750	\$ 275,498,988
150,933,786	90,302,440	22,082,160	17,278,350	12,511,870	43,655,376
4,156,300	37,103,113	39,798,887	43,697,955	43,462,537	44,268,071
(47,300,774)	(51,814,346)	(24,666,350)	(55,796,298)	(59,786,273)	(57,085,548)
<u>\$ 264,571,594</u>	<u>\$ 271,683,067</u>	<u>\$ 278,132,006</u>	<u>\$ 289,478,517</u>	<u>\$ 299,898,884</u>	<u>\$ 306,336,887</u>
0.420332	0.420332	0.420332	0.420332	0.420332	0.495500

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City of Canton, Texas

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

Fiscal Year Ended 9/30	Operating/ General Rate	General Obligation Debt Service	Total Direct	Canton Independent School District	Van Zandt County
2010	\$ 0.1271	\$ 0.2981	\$ 0.4252	\$ 1.4710	\$ 0.4270
2011	0.0982	0.3270	0.4252	1.4710	0.4701
2012	0.0982	0.3270	0.4252	1.4710	0.4701
2013	0.0982	0.3270	0.4252	1.4710	0.4701
2014	0.1033	0.3170	0.4203	1.4710	0.4592
2015	0.1530	0.2673	0.4203	1.4710	0.4858
2016	0.1704	0.2499	0.4203	1.4710	0.4858
2017	0.1740	0.2463	0.4203	1.4710	0.4858
2018	0.1812	0.2391	0.4203	1.4710	0.6158
2019	0.2414	0.2536	0.4950	1.4710	0.6142

Source: Van Zandt County Appraisal District

Notes: The City's basic property tax rate may be increased over the rollback rate only by a majority vote of the City's residents. Rates for debt service are 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 PROPERTY TAXPAYERS
Current and Five Years Ago

Property Tax Payer	2019		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Henry Lewis	\$ 9,628,390	1	3.21%
WalMart Real Estate Business Trust	5,891,010	2	1.96%
Wal-Mart Stores Texas LP #827	5,768,340	3	1.92%
Brookshire Grocery Co	5,601,400	4	1.87%
Texas NH1 Investors LLC	5,413,170	5	1.80%
PD Bridwell Canton LP	4,285,170	6	1.43%
Hagio Technologies LLC	3,907,290	7	1.30%
Timothy Michels	3,459,600	8	1.15%
Cottage Investors of Canton LLC	3,369,400	9	1.12%
Kingdom Perspectives GP Ltd	3,362,000	10	1.12%
Starship League City LLP	-	n/a	n/a
Traders Square Investments LTD	-	n/a	n/a
Brookshire Grocery Co.	-	n/a	n/a
Gary & Marcelynn Norrell Revocable Trust	-	n/a	n/a
Total	\$ 50,685,770		16.90%
Total Assessed Valuation	\$ 306,336,887		

Source: Van Zandt Appraisal District

* Requirement is for current and nine years ago. Only current and four years ago is available at this time.

2014*

<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
\$ 9,869,656	1	3.74%
4,931,920	4	1.86%
6,779,040	3	2.56%
7,392,070	2	2.79%
-	n/a	n/a
4,721,720	5	1.78%
3,096,560	7	1.17%
-	n/a	n/a
-	n/a	n/a
-	n/a	n/a
3,829,000	6	1.45%
2,717,830	8	1.03%
2,285,000	9	0.86%
2,270,420	10	0.86%
<u>\$ 47,893,216</u>		<u>18.10%</u>
<u>\$ 264,571,594</u>		

City of Canton, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Tax levy	\$ 1,125,108	\$ 1,097,291	\$ 1,098,067	\$ 1,109,162
Current tax collected	\$ 1,100,715	\$ 1,071,619	\$ 1,075,976	\$ 1,078,852
Percent of current tax collections	97.83%	97.66%	98.0%	97.3%
Delinquent tax collections	\$ 23,649	\$ 24,577	\$ 20,816	\$ 28,843
Total tax collections	\$ 1,124,364	\$ 1,096,196	\$ 1,096,792	\$ 1,107,695
Total collections as a percentage of levy	99.93%	99.90%	99.9%	99.9%

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 1,096,549	\$ 1,128,605	\$ 1,150,626	\$ 1,199,289	\$ 1,238,189	\$ 1,449,347
\$ 1,084,478	\$ 1,114,866	\$ 1,137,972	\$ 1,185,872	\$ 1,225,184	\$ 1,436,374
98.9%	98.8%	98.9%	98.9%	98.9%	99.1%
\$ 10,690	\$ 11,645	\$ 10,296	\$ 10,561	\$ 6,955	\$ -
\$ 1,095,168	\$ 1,126,511	\$ 1,148,268	\$ 1,196,433	\$ 1,232,139	\$ 1,436,374
99.9%	99.8%	99.8%	99.8%	99.5%	99.1%

City of Canton, Texas
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Governmental activities:				
Tax Notes	\$ 450,588	\$ 1,145,411	\$ 1,092,879	\$ 1,037,965
Tax and revenue bonds	-	-	-	-
Certificates of obligation	1,891,550	1,777,100	1,649,450	1,505,250
Other obligations	339,044	308,330	276,072	242,193
Refunding bonds	1,515,000	1,025,000	520,000	-
Issuance premiums				-
Issuance discounts				-
Business-type activities:				
Certificates of obligation	\$ 1,363,450	\$ 1,252,900	\$ 1,115,550	\$ 954,750
Refunding bonds	260,000	95,000	-	-
Revenue bonds	1,045,000	1,010,000	2,970,000	2,904,426
Tax Notes	-	-	-	-
Total primary government	<u>\$ 6,864,632</u>	<u>\$ 6,613,741</u>	<u>\$ 7,623,951</u>	<u>\$ 6,644,584</u>
Percentage of personal income (1)	0.04%	0.02%	2.44%	8.32%
Per capita	\$ 12	\$ 8	\$ 868	\$ 1,856

(1) Personal income is disclosed on page 124

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$	704,509	\$ 1,635,895	\$ 1,418,210	\$ 1,179,520	\$ 1,029,110	\$ 692,420
	-	-	-	2,964,000	2,964,000	2,750,000
	845,000	645,000	440,000	225,000	-	-
	206,611	-	379,000	1,313,949	1,276,459	270,712
	298,750	225,000	150,000	73,750	-	-
	-					
	-					
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -
	896,250	675,000	450,000	221,250	-	-
	2,786,819	2,669,231	2,546,644	2,419,056	2,286,469	2,153,883
	-	1,234,250	1,202,159	1,148,997	1,000,887	672,576
	<u>\$ 5,737,939</u>	<u>\$ 7,084,376</u>	<u>\$ 6,586,013</u>	<u>\$ 9,545,522</u>	<u>\$ 8,556,925</u>	<u>\$ 6,539,591</u>
	7.24%	8.16%	8.02%	11.56%	19.30%	14.04%
\$	1,569	\$ 1,937	\$ 1,800	\$ 2,496	\$ 2,212	\$ 1,686

City of Canton, Texas
RATIO OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
NET TAXABLE ASSESSED VALUE				
All property	\$ 286,782,684	\$ 262,165,440	\$ 261,839,458	\$ 264,125,726
NET BONDED DEBT				
Gross bonded debt	6,525,588	6,305,411	7,347,879	6,402,391
Less debt service funds	983,567	975,670	1,000,514	988,269
Net Bonded Debt	<u>\$ 5,542,021</u>	<u>\$ 5,329,741</u>	<u>\$ 6,347,365</u>	<u>\$ 5,414,122</u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	0.02	0.02	0.02	0.02
POPULATION	5,147	3,581	3,581	3,581
NET BONDED DEBT PER CAPITA	\$ 1,077	\$ 1,488	\$ 1,773	\$ 1,512

Source: City staff

- (1) Van Zandt County Appraisal District
- (2) Schedule of Bonds Payable
- (3) Financial statement

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 264,571,594	\$ 271,683,067	\$ 278,132,006	\$ 289,478,517	\$ 299,898,884	\$ 306,336,887
4,942,273	3,525,000	3,146,644	5,678,056	5,250,469	4,903,883
1,137,087	1,167,949	1,180,676	1,128,225	927,343	947,484
<u>\$ 3,805,186</u>	<u>\$ 2,357,051</u>	<u>\$ 1,965,968</u>	<u>\$ 4,549,831</u>	<u>\$ 4,323,126</u>	<u>\$ 3,956,399</u>
0.01	0.01	0.01	0.02	0.01	0.01
3,658	3,658	3,755	3,878	3,878	3,878
\$ 1,040	\$ 644	\$ 524	\$ 1,173	\$ 1,115	\$ 1,020

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City of Canton, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2019

Governmental Unit	<u>Debt</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Van Zandt County	2,942,000	10.14%	\$ 298,319
Canton Independent School District	27,196,000	45.60%	12,401,376
Subtotal, overlapping debt	<u>\$ 30,138,000</u>		<u>12,699,695</u>
City of Canton			<u>6,268,879</u>
Total direct and overlapping debt			<u><u>\$ 18,968,574</u></u>

Source: Van Zandt County Appraisal District.

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. This process recognizes that, when considering the City'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's boundaries and dividing it by the overlapping government's total taxable assessed value.

City of Canton, Texas
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Tax rate limit	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000
Current tax rate	0.4252	0.4252	0.4252	0.4252
Legal debt margin	<u>\$ 2.0748</u>	<u>\$ 2.0748</u>	<u>\$ 2.0748</u>	<u>\$ 2.0748</u>

(a) Texas Statutes do not impose a legal debt limit for cities; however, statutes limit the maximum amount a city can levy for all purposes to \$2.50 per \$100 of valuation

The debt limit is calculated as the remaining amount of taxes that can be assessed prior to reaching the \$2.50 per \$100 valuation threshold.

2014		2015		2016		2017		2018		2019	
\$	2.5000	\$	2.5000	\$	2.5000	\$	2.5000	\$	2.5000	\$	2.5000
	0.4203		0.4203		0.4203		0.4203		0.4203		0.4955
\$	2.0797	\$	2.0797	\$	2.0797	\$	2.0797	\$	2.0797	\$	2.0045

City of Canton, Texas
PLEDGED REVENUE COVERAGE
Last Ten Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Gross revenues (water/sewer/sanitation) (1)	\$ 2,189,567	\$ 2,534,539	\$ 2,625,861	\$ 2,576,073
Operating expenses (2)	\$ 1,919,886	\$ 2,430,445	\$ 1,746,992	\$ 1,918,310
Net revenues available for Debt Service	\$ 269,681	\$ 104,094	\$ 878,869	\$ 657,763
DEBT SERVICE REQUIREMENTS				
Principal	\$ 15,000	\$ 35,000	\$ 40,000	\$ 40,000
Interest	11,262	44,410	42,923	41,223
Total	<u>\$ 26,262</u>	<u>\$ 79,410</u>	<u>\$ 82,923</u>	<u>\$ 81,223</u>
Coverage	10.27	1.31	10.60	8.10

(1) Total revenues excluding interest and grants

(2) Total operating expenses less depreciation

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 2,590,905	\$ 2,651,792	\$ 2,502,371	\$ 2,516,094	\$ 2,759,147	\$ 2,891,802
\$ 1,750,905	\$ 1,916,405	\$ 2,122,710	\$ 2,228,187	\$ 2,216,550	\$ 2,228,290
\$ 840,000	\$ 735,387	\$ 379,661	\$ 287,907	\$ 542,597	\$ 663,512
\$ 40,000	\$ 40,000	\$ 45,000	\$ 45,000	\$ 130,000	\$ 130,000
39,523	37,823	34,423	33,496	90,148	85,416
<u>\$ 79,523</u>	<u>\$ 77,823</u>	<u>\$ 79,423</u>	<u>\$ 78,496</u>	<u>\$ 220,148</u>	<u>\$ 215,416</u>
10.56	9.45	4.78	3.67	2.46	3.08

City of Canton, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Population	5,147	3,581	3,581	3,581
Personal income	\$ 110,557,560	\$ 72,751,596	\$ 65,782,970	\$ 79,874,205
Per capita income	\$ 21,480	\$ 20,316	\$ 18,370	\$ 22,305
Average age	40	42	39	39
Grade School enrollment	948	926	980.0	980
Unemployment %	7.2%	8.0%	6.6%	5.6%

- Sources:**
- 1 City of Canton
 - 2 Canton Economic Development Corporation
 - 3 Canton ISD
 - 4 Texas Workforce Commission
 - 5 Per MPRG Inc estimation
 - 6 2012 Census
 - 7 2013 Census

2014	2015	2016	2017	2018	2019
3,658	3,658	3,658	3,825	3,869	3,878
\$ 79,294,275	\$ 86,816,592	\$ 82,095,460	\$ 82,583,000	\$ 44,344,000	\$ 46,580,000
\$ 21,677	\$ 23,733	\$ 22,443	\$ 21,590	\$ 11,461	\$ 27,165
42	37	45	47	47	47
994	1,022	2,118	2,162	2,147	2,147
4.5%	4.4%	4.6%	4.1%	3.6%	4.6%

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City of Canton, Texas

PRINCIPAL EMPLOYERS

Current and Five Years Ago

Employer	2019		2014	
	Employees	Rank	Employees	Rank
Wal-Mart Supercenter	302	1	312	1
Canton ISD	263	2	294	2
Van Zandt County	226	3	215	3
EPIC Industrial Inc.	110	4	n/a	n/a
City of Canton	87	5	83	8
Yesterland Farm	80	6	n/a	n/a
Brookshire's Grocery	75	7	105	4
Zanbaka USA (Duke's)	62	8	75	9
Canton Oaks	60	9	85	7
Christus Trinity Mother Frances	59	10	40	10
Splash Kingdom (Seasonal)	49	11	100	5
Winning Strategies	40	12	87	6
Total	<u>1,413</u>		<u>1,396</u>	

Source: City Economic Development Corporation

Note: Requirement is for current and nine years ago. Employment data is not available prior to 2014.

City of Canton, Texas

FULL-TIME EQUIVALENT CITY EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function / Program	2010	2011	2012	2013
General government	8	9	9	9
Public safety				
Police	19	19	19	19
Municipal court	2	2	2	2
Fire	7	7	7	7
Public works	5	5	6	6
Streets	5	5	5	5
Parks and Recreation	3	3	3	3
Animal Control	2	2	2	2
Utility Administration	2	2	2	2
Water, Wastewater	9	9	9	9
First Monday	18	17	18	18
Total	80	80	82	82

Source: City staff

2014	2015	2016	2017	2018	2019
9	8	7	7	8	8
19	19	19	20	18	18
2	2	2	1	1	1
7	8	8	8	8	8
6	7	7	5	5	6
5	5	6	5	5	6
4	4	5	5	5	5
2	3	3	2	2	2
2	2	2	2	3	3
10	7	7	7	7	7
19	18	18	22	22	22
84	82	83	84	84	86

City of Canton, Texas
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	2010	2011	2012	2013
Police				
Number of police officers	13	13	13	13
Number of violations (citations)	1,488	1,610	1,286	1,578
Fire				
Number of firefighters	20	19	15	15
Number of fire service runs	NA	80	52	132
Number of Medical assist runs	NA	398	457	624
Development Services				
Construction permits issued ¹	210	47	192	311
Estimated valuation ¹	3,493,399	6,088,662	2,863,932	11,457,266
Public Works				
Streets paved (miles)	26	26	26	26
Parks and Recreation				
Park land and municipal acreage maintained	257	257	257	257
Water and Wastewater				
Number of water customers	2,016	2,045	2,106	2,172
Average daily water consumption (millions of gallons)	1	1	1	1
Maximum storage capacity (millions of gallons)	1	1	1	1
Solid Waste				
Solid waste collected (tons)	5,000	5,000	5,000	5,000

Source: City Departments

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

2014	2015	2016	2017	2018	2019
13	13	13	13	13	13
1,859	1,332	1,615	1,684	1,494	1,056
14	14	12	12	12	12
342	284	365	808	795	764
1,064	1,227	1,042	1,110	957	900
346	367	319	410	366	395
15,827,694	5,883,167	6,746,274	5,873,426	6,554,232	1,142,397
26	26	26	26	26	26
					257
257	257	257	257	257	
2,156	2,208	2,221	2,307	2,307	2,315
1	1	1	1	1	1
1	1.5	1.5	1.5	1.5	2.0
5,000	5,000	5,000	5,000	5,000	5,000

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City of Canton, Texas
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Years

Function/Program	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	10	10	10	10	10	10	13	13	13	13
Fire										
Stations	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets-Paved (miles)	26	26	26	26	26	26	26	26	26	26
Street Lights	501	501	501	501	501	501	501	550	550	550
Parks and Recreation										
Park Acreage	150	150	150	150	150	150	150	150	150	150
Public Parks	3	3	3	3	3	3	3	4	4	4
Community Centers	1	1	1	1	1	1	1	1	1	1
Senior Centers	1	1	1	1	1	1	1	1	1	1
Tennis Courts	4	4	4	4	4	4	4	4	4	4
Soccer Fields	5	5	5	5	5	5	5	5	5	5
Baseball Fields	7	7	7	7	7	7	7	7	7	7
Library	1	1	1	1	1	1	1	1	1	1
Water and Wastewater										
Water Mains (miles)	49	49	49	49	49	50	50	50	50	50
Fire Hydrants	245	245	245	245	245	245	245	285	285	300
Storm Sewers (miles)	1	1	1	1	1	1	1	1	1	1
Sanitary Sewers (miles)	45	45	45	45	45	45	45	50	50	50
First Monday (acres)	100	100	100	100	100	100	100	100	100	100

Source: City Departments

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