

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended September 30, 2018



CITY OF CANTON

201 N. Buffalo | Canton, TX 75103
(P) 903.567.1841 | www.cantontx.gov

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***COMPREHENSIVE
ANNUAL FINANCIAL REPORT***

of the

City of Canton, Texas

**For the Year Ended
September 30, 2018**

Prepared by the Finance Department

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City of Canton, Texas

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September 30, 2018

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INTRODUCTORY SECTION

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Lou Ann Everett, Mayor
Daniel Deibert, City Council
Cindy Malouf, City Council
Nathan Moore, City Council
Randon Sumner, City Council
Andrew Vaughn, City Council
Lonny Cluck, City Manager

201 N. Buffalo
Canton, Texas 75103

City of Canton

Administration - 903.567.1841
Water Dept. - 903.567.2826
First Monday - 903.567.6556

September 16, 2019

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, 2018, 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, 2018. 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.

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

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.

MAJOR INITIATIVES

In the 2016 – 2017 fiscal year, the City completed the expansion of Trade Center IV on the First Monday grounds. The City also completed and moved into the new City Hall in the heart of downtown. The City began major street improvements which included the relocation and replacement of utilities.

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 will make repairs to the Civic Center roof as well as continue with replacing 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.

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>
2011-2011	.425230
2011-2012	.425230
2012-2013	.425230
2013-2014	.420332
2014-2015	.420332
2015-2016	.420332
2016-2017	.420332
2017-2018	.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, 2018, 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.

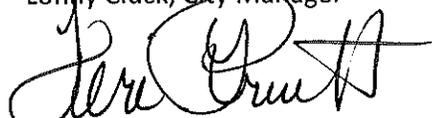
Acknowledgements: Many persons are responsible for the preparation of this report, and for the maintenance of records upon which it is based. Appreciation is expressed to the City employees throughout the organization, especially those employees of the Accounting Department who were instrumental in the 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, 2018

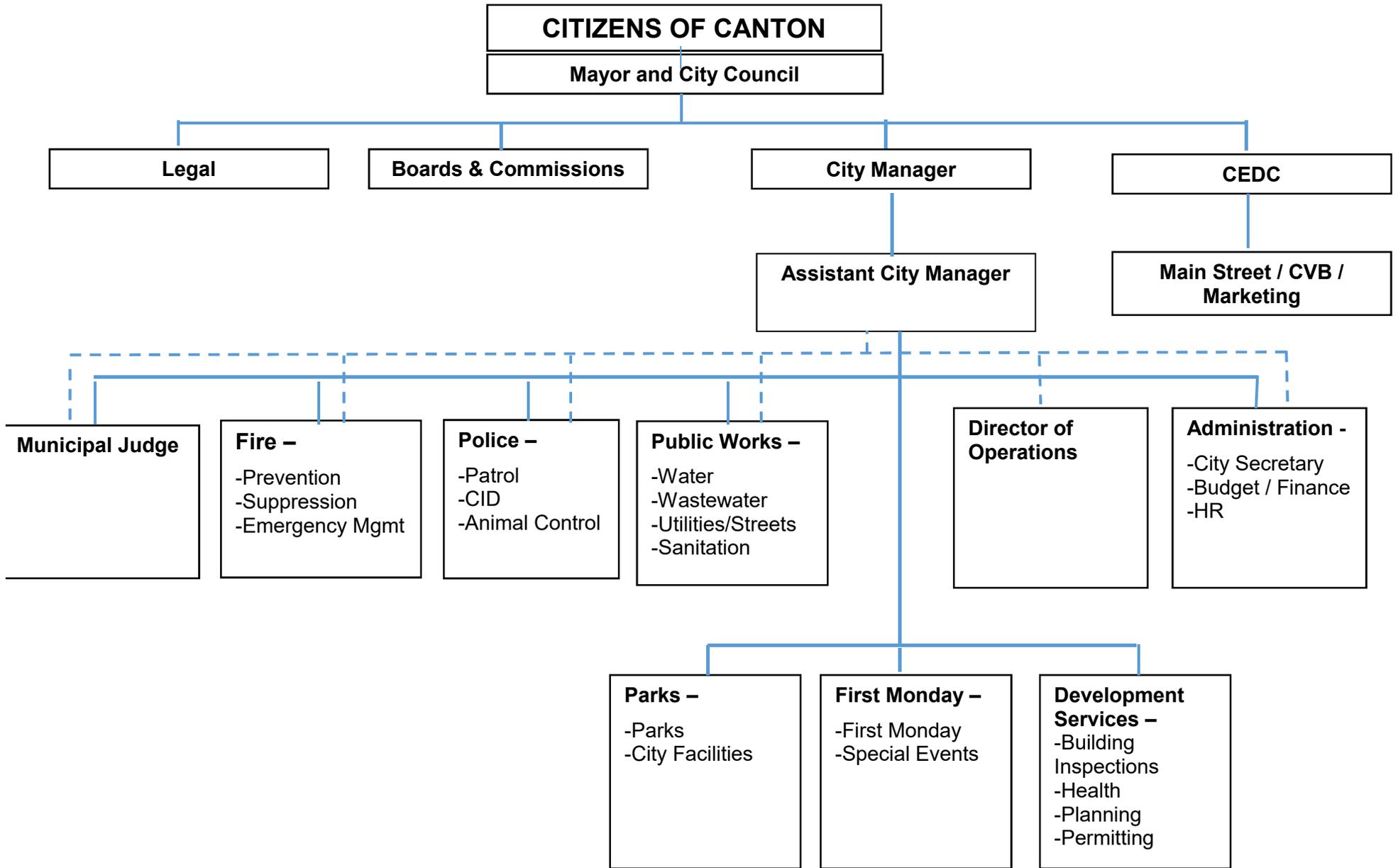
Council Members

Lou Ann Everett, Mayor
Nathan Moore, Mayor Pro Tem
Danial Diebert
Cindy Malouf
Connie Odich
Andrew Vaughn

Administrative Staff

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

CITY OF CANTON ORGANIZATIONAL CHART – ADOPTED 09/03/2019



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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, 2018, 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, 2018, 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 the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. 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
September 16, 2019

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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, 2018

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, 2018.

Financial Highlights

- The assets of the City exceeded its liabilities (net position) at September 30, 2018 by \$37,488,401. Of this amount, \$9,170,627 (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 \$474,769 since September 30, 2017. The majority of the City's net position is invested in capital assets.
- The City's governmental funds reported combined ending fund balances of \$5,065,020 at September 30, 2018, a decrease of \$1,588,380 from the prior fiscal year; this includes an increase of \$370,655 in the general fund, a decrease of \$201,082 in the debt service fund, a decrease of \$2,512,479 in the capital improvements fund, and an increase of \$754,526 in the capital reserve fund.
- At the end of the fiscal period, unassigned fund balance for the general fund was \$3,505,245 or 83% of total annualized general fund expenditures.
- The City's net pension liability at the close of the fiscal year was \$1,424,036.
- The total outstanding debt obligations (excluding discounts/premiums) at the close of the fiscal year was approximately \$8,520,456.

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, 2018

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, 2018

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. 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, 2018

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 84 through 88 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 \$37,488,401 as of September 30, 2018, in the primary government.

The largest portion of the City's net position, \$27,302,672, 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 \$9,170,627 is unrestricted and may be used to meet the government's ongoing obligations to its citizens and creditors.

Current and other assets of governmental activities were \$5,539,620 and \$7,222,699 as of September 30, 2018 and September 30, 2017, respectively. The decrease of \$1,683,079 was due primarily to the expenditure of bond proceeds received in the prior year.

Other liabilities of governmental activities were \$449,604 and \$546,436 as of September 30, 2018 and September 30, 2017, respectively. The decrease of \$96,832 was primarily due to the decrease in amounts owed at the end of the current year to third party vendors. Other liabilities of business-type activities were \$523,295 and \$318,375 as of September 30, 2018 and September 30, 2017, respectively. The increase of \$204,920 was primarily due to an incline in outstanding payables to third party vendors.

Total long-term liabilities were \$9,122,892 and \$10,079,230 as of September 30, 2018 and September 30, 2017, respectively. The decrease of \$956,338 was a direct result of principal payments made in the current year.

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2018

Statement of Net Position:

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

	2018			2017		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 5,539,620	\$ 7,302,299	\$ 12,841,919	\$ 7,222,699	\$ 6,517,062	\$ 13,739,761
Capital assets, net	16,063,353	20,069,067	36,132,420	15,667,852	19,903,236	35,571,088
Total Assets	21,602,973	27,371,366	48,974,339	22,890,551	26,420,298	49,310,849
Deferred outflows of resources	215,488	117,883	333,371	440,661	242,343	683,004
Other liabilities	449,604	523,295	972,899	546,436	318,375	864,811
Net pension liability	918,717	505,319	1,424,036	1,312,712	722,027	2,034,739
Long-term liabilities	5,708,825	3,414,067	9,122,892	6,155,426	3,923,804	10,079,230
Total Liabilities	7,077,146	4,442,681	11,519,827	8,014,574	4,964,206	12,978,780
Deferred inflows of resources	193,212	106,270	299,482	930	511	1,441
Net Position:						
Net investment in capital assets	10,580,107	16,722,565	27,302,672	12,214,257	16,143,038	28,357,295
Restricted	1,015,102	-	1,015,102	1,218,254	-	1,218,254
Unrestricted	2,952,894	6,217,733	9,170,627	1,883,197	5,554,886	7,438,083
Total Net Position	\$ 14,548,103	\$ 22,940,298	\$ 37,488,401	\$ 15,315,708	\$ 21,697,924	\$ 37,013,632

City of Canton, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
September 30, 2018

Statement of Activities:

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

	September 30, 2018			September 30, 2017		
	Governmental Activities	Business Type Activities	Total Primary Government	Governmental Activities	Business Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 334,015	\$ 5,574,997	\$ 5,909,012	\$ 449,382	\$ 5,598,496	\$ 6,047,878
Grants & contributions	123,828	165,448	289,276	347,461	92,882	440,343
General revenues:						
Property taxes	1,251,200	-	1,251,200	1,210,221	-	1,210,221
Sales taxes	2,796,834	-	2,796,834	2,769,178	-	2,769,178
Franchise & local taxes	286,446	-	286,446	266,234	-	266,234
Investment income	25,427	5,101	30,528	15,978	4,238	20,216
Other revenues	71,374	-	71,374	125,309	-	125,309
Total Revenues	4,889,124	5,745,546	10,634,670	5,183,763	5,695,616	10,879,379
Expenses						
General government	1,443,626	-	1,443,626	1,656,125	-	1,656,125
Public safety	2,238,051	-	2,238,051	2,166,265	-	2,166,265
Parks and recreation	462,415	-	462,415	362,442	-	362,442
Public works	762,216	-	762,216	783,429	-	783,429
Interest on debt	111,000	-	111,000	146,421	-	146,421
Water/Sewer	-	2,469,566	2,469,566	-	2,536,480	2,536,480
Sanitation	-	549,669	549,669	-	523,445	523,445
First Monday	-	1,980,202	1,980,202	-	1,852,274	1,852,274
Total Expenses	5,017,308	4,999,437	10,016,745	5,114,682	4,912,199	10,026,881
Change in Net Position						
Before Transfers	(128,184)	746,109	617,925	69,081	783,417	852,498
Transfers	(496,265)	496,265	-	471,020	(471,020)	-
Loss on sale of capital assets	(143,156)	-	(143,156)	-	-	-
Total	(639,421)	496,265	(143,156)	471,020	(471,020)	-
Change in Net Position	(767,605)	1,242,374	474,769	540,101	312,397	852,498
Beginning Net Position	15,315,708	21,697,924	37,013,632	14,775,607	21,385,527	36,161,134
Ending Net Position	\$ 14,548,103	\$ 22,940,298	\$ 37,488,401	\$ 15,315,708	\$ 21,697,924	\$ 37,013,632

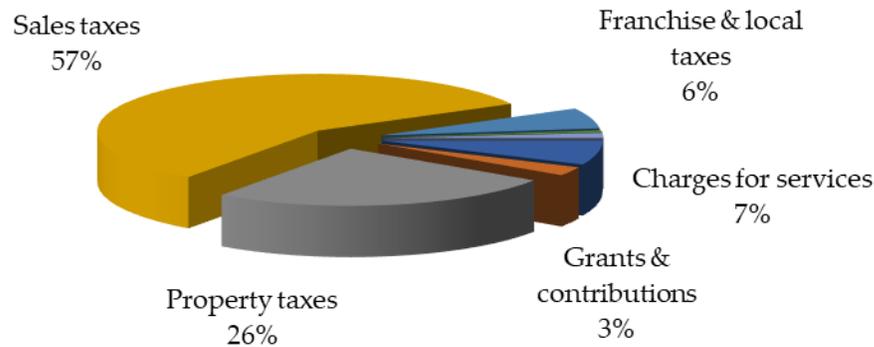
City of Canton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2018

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

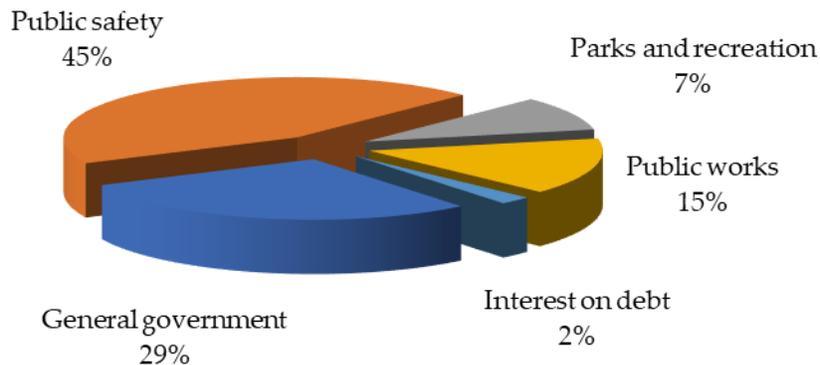
Governmental Activities - Revenues



For the year ended September 30, 2018, revenues from governmental activities totaled \$4,889,124. Sales tax and property taxes are the City's largest revenue sources. Sales tax and property taxes remained relatively consistent in comparison to the prior year. Grant and contribution revenue decreased by \$223,633 as a result of nonrecurring city improvement project related grants received in the prior year. Charges for services decreased by \$115,367 primarily as a result of decreased municipal court fines and cell tower rental income. Other revenues decreased by \$53,935 primarily due to various nonrecurring activities and contributions received in the previous year. 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, 2018, expenses for governmental activities totaled \$5,017,308. This represents a decrease of \$97,374 or 2% from the prior year ended. General government decreased by \$212,499 or 13%. The decrease was primarily due to a reduction in personnel and employee benefit expenses, maintenance costs, and professional fees. Parks and recreation expenses increased by \$99,973 or 28% primarily due to personnel, maintenance, and depreciation expenses. Interest and fiscal charges

City of Canton, Texas

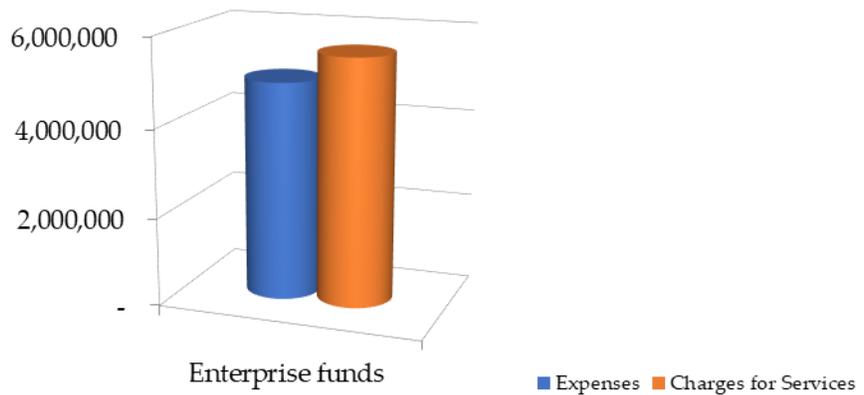
MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2018

decreased by \$35,421 or 24% primarily as a result of nonrecurring bond issuance costs recognized in the prior year.

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, 2018, charges for services by business-type activities totaled \$5,574,997. This represents a slight decrease of \$23,499 or less than 0% from the year ended September 30, 2017.

Total expenses increased \$87,238 or less than 1% when compared to the prior year. Water/Sewer expenses decreased by \$66,914 or 3%. This decrease was primarily due to nonrecurring professional fees and building maintenance expenses in the prior year. Sanitation expenses increased by \$26,224 or 5%, which was primarily due to increases in solid waste services expenses. First Monday expenses increased by \$127,928 or approximately 7%. This increase is primarily a result of nonrecurring intergovernmental expenses paid to the Canton EDC and an increase in depreciation expenses.

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, 2018

As of the end of the year the general fund reflected a fund balance of \$3,593,004,212,499. Of this, \$87,759 is restricted use. Unassigned fund balance in the general fund totaled \$3,505,245. The general fund increased by \$370,655 primarily due to proceeds received for sale of capital assets during the year.

The debt service fund reflected a fund balance of \$927,343, a decrease of \$201,082 from the prior year. The decrease was primarily due to transfers out to other funds.

The capital improvements fund reflected a deficit fund balance of \$209,853, a decrease of \$2,512,479. The decrease is due to capital outlay and transfers exceeding revenues in the current year.

The capital reserve fund reflected a fund balance of \$754,526. Fiscal year 2018 was the initial year of this fund. The increase was primarily due to the transfers received from other funds.

There was a decrease in governmental fund balance of \$1,588,380 from the prior year primarily due to significant capital outlay expenditures in the capital improvements fund.

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 \$96,106 during the 2018 fiscal year. Budgeted general fund revenues exceeded actual revenues primarily due to fines and forfeitures and other revenues being under expectations by \$33,820 and \$377,989, respectively.

Total actual expenditures were less than budgeted amounts by \$276,648 for the year. This is primarily due to budgeted expenditures exceeding actual expenditures for the general government, streets, and capital outlay departments by \$178,092, \$58,687, and \$105,057, respectively.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$16,063,353 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 \$20,069,067 in a variety of capital assets and infrastructure, net of accumulated depreciation.

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

- Purchase of new police and city administration vehicles for \$134,443.
- Roadway improvements for \$1,407,577.
- Purchase of brush truck for \$129,428.

City of Canton, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, *Continued*

September 30, 2018

- Water and Sewer improvements totaling \$484,766.
- Sewer and manhole improvements for \$68,300.
- Improvements to drainage and retaining wall for \$180,241.
- Improvements to city water mains and water wells totaling \$328,160.

More detailed information about the City's capital assets is presented in note IV. D 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 \$8,556,924. No new debt was issued in the current year.

More detailed information about the City's long-term liabilities is presented in note IV. E 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 budgeting for growth in the upcoming year.

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, P.O. Box 245, Canton, Texas 75103.

FINANCIAL STATEMENTS

City of Canton, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 4,995,169	\$ 4,627,158	\$ 9,622,327
Restricted cash	-	-	-
Receivables, net	554,451	393,770	948,221
Internal balances	(10,000)	10,000	-
Accrued interest from component unit	-	21,371	21,371
Note receivable from component unit - current	-	130,000	130,000
Total Current Assets	5,539,620	5,182,299	10,721,919
Noncurrent assets:			
Note receivable from component unit, net	-	2,120,000	2,120,000
Capital assets:			
Non-depreciable	3,051,986	951,073	4,003,059
Net depreciable capital assets	13,011,367	19,117,994	32,129,361
Total Noncurrent Assets	16,063,353	22,189,067	38,252,420
Total Assets	21,602,973	27,371,366	48,974,339
Deferred Outflows of Resources			
Pension contributions	163,705	90,042	253,747
OPEB contributions	405	190	595
Pension changes in assumption	43,733	24,054	67,787
OPEB actual experience vs. assumptions	7,645	3,597	11,242
Total Deferred Outflows of Resources	\$ 215,488	\$ 117,883	\$ 333,371

See Notes to Financial Statements.

Component Unit

CEDC

\$	1,840,092
	50,000
	213,496
	-
	-
	-
	<u>2,103,588</u>
	-
	1,288,295
	72,571
	<u>1,360,866</u>
	<u>3,464,454</u>
	-
	-
	-
	-
\$	<u>-</u>

City of Canton, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 437,694	\$ 501,018	\$ 938,712
Accrued interest payable	11,910	22,277	34,187
Accrued interest owed to primary government	-	-	-
Note payable to primary government - current	-	-	-
Long-term liabilities due within one year	1,012,958	536,427	1,549,385
Total Current Liabilities	1,462,562	1,059,722	2,522,284
Noncurrent liabilities:			
Note payable to primary government, net	-	-	-
Net pension liability	918,717	505,319	1,424,036
OPEB liability	104,604	49,226	153,830
Long-term liabilities due in more than one year	4,591,263	2,828,414	7,419,677
	5,614,584	3,382,959	8,997,543
Total Liabilities	7,077,146	4,442,681	11,519,827
<u>Deferred Inflows of Resources</u>			
Pension - difference in experience	37,677	20,722	58,399
Pension investment earnings	155,535	85,548	241,083
Total Deferred Inflows of Resources	193,212	106,270	299,482
<u>Net Position</u>			
Net investment in capital assets	10,580,107	16,722,565	27,302,672
Restricted for:			
Public safety	35,408	-	35,408
Municipal court	52,351	-	52,351
Debt service	927,343	-	927,343
Unrestricted	2,952,894	6,217,733	9,170,627
Total Net Position	\$ 14,548,103	\$ 22,940,298	\$ 37,488,401

See Notes to Financial Statements.

Component Unit

CEDC

\$ 39,323

-

21,371

130,000

28,953

219,647

2,120,000

-

-

3,217

2,123,217

2,342,864

-

-

-

1,360,866

-

-

-

(239,276)

\$ 1,121,590

City of Canton, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenues			
		Charges for Services	Operating Grants and Contributions	Special Events	Capital Grants and Contributions
Primary Government					
Governmental Activities					
General government	\$ 1,443,626	\$ 202,885	\$ 123,828	\$ -	\$ -
Public safety	2,238,051	131,130	-	-	-
Public works	762,216	-	-	-	-
Parks and recreation	462,415	-	-	-	-
Interest on long term debt	111,000	-	-	-	-
Total Governmental Activities	5,017,308	334,015	123,828	-	-
Business-Type Activities					
Water and sewer	2,469,566	2,151,859	-	-	165,448
Sanitation	549,669	607,288	-	-	-
First Monday	1,980,202	2,815,352	-	-	-
Total Business-Type Activities	4,999,437	5,574,499	-	-	165,448
Total Primary Government	\$ 10,016,745	\$ 5,908,514	\$ 123,828	\$ -	\$ 165,448
 Component Unit					
CEDC	\$ 952,106	\$ -	\$ -	\$ 225,499	\$ 50,000

General Revenues:

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

Transfers

Loss on sale of capital assets

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
\$ (1,116,913)	\$ -	\$ (1,116,913)	\$ -
(2,106,921)	-	(2,106,921)	-
(762,216)	-	(762,216)	-
(462,415)	-	(462,415)	-
(111,000)	-	(111,000)	-
<u>(4,559,465)</u>	<u>-</u>	<u>(4,559,465)</u>	<u>-</u>
-	(152,259)	(152,259)	-
-	57,619	57,619	-
-	835,150	835,150	-
<u>-</u>	<u>740,510</u>	<u>740,510</u>	<u>-</u>
<u>(4,559,465)</u>	<u>740,510</u>	<u>(3,818,955)</u>	<u>-</u>
			<u>\$ (676,607)</u>
1,251,200	-	1,251,200	-
2,796,834	-	2,796,834	932,203
286,446	-	286,446	244,946
25,427	5,101	30,528	7,388
71,374	498	71,872	8,466
(496,265)	496,265	-	-
(143,156)	-	(143,156)	-
<u>3,791,860</u>	<u>501,864</u>	<u>4,293,724</u>	<u>1,193,003</u>
(767,605)	1,242,374	474,769	516,396
15,315,708	21,697,924	37,013,632	605,194
<u>\$ 14,548,103</u>	<u>\$ 22,940,298</u>	<u>\$ 37,488,401</u>	<u>\$ 1,121,590</u>

City of Canton, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvements</u>	<u>Nonmajor Fund Capital Reserve</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 3,308,996	\$ 927,343	\$ 3,824	\$ 755,006
Receivables, net	530,600	23,851	-	-
Total Assets	\$ 3,839,596	\$ 951,194	\$ 3,824	\$ 755,006
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 223,537	\$ -	\$ 213,677	\$ 480
Due to other funds	10,000	-	-	-
Total Liabilities	233,537	-	213,677	480
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	13,055	23,851	-	-
<u>Fund Balances</u>				
Restricted for:				
Public safety	35,408	-	-	-
Municipal court	52,351	-	-	-
Debt service	-	927,343	-	-
Committed for:				
Capital reserve				754,526
Unassigned reported in:				
General fund	3,505,245	-	-	-
Capital projects	-	-	(209,853)	-
Total Fund Balances	3,593,004	927,343	(209,853)	754,526
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 3,839,596	\$ 951,194	\$ 3,824	\$ 755,006

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 4,995,169
554,451

\$ 5,549,620

\$ 437,694
10,000

447,694

36,906

35,408
52,351
927,343

754,526

3,505,245
(209,853)

5,065,020

\$ 5,549,620

City of Canton, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS September 30, 2018

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

- OPEB actual experience vs. assumptions

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

- Pension investment earnings

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.

\$ 5,065,020

3,051,986
13,011,367

36,906

163,705
405
43,733
7,645

(37,677)
(155,535)

(334,652)
(11,910)
(711,711)
(4,557,858)
(104,604)
(918,717)

\$ 14,548,103

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, 2018

	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvements</u>	<u>Nonmajor Fund Capital Reserve</u>
<u>Revenues</u>				
Property tax	\$ 539,184	\$ 712,016	\$ -	\$ -
Sales tax	2,796,834	-	-	-
Franchise and local taxes	286,446	-	-	-
License and permits	68,386	-	-	-
Grant revenues	121,100	-	-	-
Donations	2,728	-	-	-
Fines and forfeitures	131,130	-	-	-
Investment income	6,906	13,515	-	5,006
Charges for services	63,081	-	-	-
Rental income	71,418	-	-	-
Other revenue	23,811	-	-	-
Total Revenues	4,111,024	725,531	-	5,006
<u>Expenditures</u>				
Current:				
General government	851,003	851	-	480
Developmental services	82,605	-	-	-
Police	1,346,054	-	-	-
Animal control	151,142	-	-	-
Municipal court	124,566	-	-	-
Fire	678,750	-	-	-
Streets	355,993	-	-	-
Parks	400,264	-	-	-
Grant & donation projects	7,552	-	-	-
Intergovernmental	50,000	-	-	-
Debt service				
Principal	-	488,130	-	-
Interest	-	113,133	-	-
Capital outlay	187,943	-	1,527,713	-
Total Expenditures	4,235,872	602,114	1,527,713	480
Excess of Revenues Over (Under) Expenditures	\$ (124,848)	\$ 123,417	\$ (1,527,713)	\$ 4,526

See Notes to Financial Statements.

**Total
Governmental
Funds**

\$ 1,251,200
2,796,834
286,446
68,386
121,100
2,728
131,130
25,427
63,081
71,418
23,811

4,841,561

852,334
82,605
1,346,054
151,142
124,566
678,750
355,993
400,264
7,552
50,000

488,130
113,133
1,715,656

6,366,179

\$ (1,524,618)

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, 2018

<u>Other Financing Sources (Uses)</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Improvements</u>	<u>Nonmajor Fund Capital Reserve</u>
Sale of capital assets	\$ 384,940	\$ -	\$ -	\$ -
Insurance recoveries	47,563	-	-	-
Transfers in	688,000	66,300	-	750,000
Transfers (out)	(625,000)	(390,799)	(984,766)	-
Other Financing Sources (Uses)	<u>495,503</u>	<u>(324,499)</u>	<u>(984,766)</u>	<u>750,000</u>
Net Change in Fund Balances	370,655	(201,082)	(2,512,479)	754,526
Beginning fund balances	<u>3,222,349</u>	<u>1,128,425</u>	<u>2,302,626</u>	<u>-</u>
Ending Fund Balances	<u><u>\$ 3,593,004</u></u>	<u><u>\$ 927,343</u></u>	<u><u>\$ (209,853)</u></u>	<u><u>\$ 754,526</u></u>

See Notes to Financial Statements.

Total	
Governmental	
Funds	
\$	384,940
	47,563
	1,504,300
	(2,000,565)
	<u>(63,762)</u>
	(1,588,380)
	6,653,400
\$	<u><u>5,065,020</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, 2018

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

Net changes in fund balances - total governmental funds	\$ (1,588,380)
---	----------------

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	1,724,605
Depreciation expense	(801,008)
Adjustment for disposal of capital assets	(528,096)

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	(31,104)
OPEB expense	(10,103)
Compensated absences	(22,302)
Accrued interest	2,133

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.

Amortization of discounts	(1,480)
Principal payments	488,130

Change in Net Position of Governmental Activities	\$ (767,605)
--	---------------------

See Notes to Financial Statements.

City of Canton, Texas
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>First Monday</u>
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 2,769,895	\$ 88,537	\$ 1,768,726
Receivables, net	315,213	77,052	1,505
Due from other funds	10,000	-	-
Accrued interest from component unit	21,371	-	-
Note receivable from component unit	130,000	-	-
Total Current Assets	<u>3,246,479</u>	<u>165,589</u>	<u>1,770,231</u>
<u>Noncurrent Assets</u>			
Note receivable from component unit	2,120,000	-	-
Capital assets:			
Non-depreciable	553,559	-	397,514
Net depreciable capital assets	15,154,414	-	3,963,580
Total Noncurrent Assets	<u>17,827,973</u>	<u>-</u>	<u>4,361,094</u>
Total Assets	<u>21,074,452</u>	<u>165,589</u>	<u>6,131,325</u>
<u>Deferred Outflows of Resources</u>			
Pension contributions	54,498	2,946	32,598
OPEB contributions	113	-	77
Pension changes in assumption	14,559	787	8,708
OPEB actual experience vs. assumptions	2,136	-	1,461
Total Deferred Outflows of Resources	<u>71,306</u>	<u>3,733</u>	<u>42,844</u>
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued liabilities	369,624	80,402	50,992
Accrued interest	22,277	-	-
Long-term liabilities - due in one year	163,975	-	372,452
Total Current Liabilities	<u>555,876</u>	<u>80,402</u>	<u>423,444</u>
<u>Noncurrent Liabilities</u>			
Net pension liability	305,842	16,534	182,943
OPEB liability	29,228	-	19,998
Long-term liabilities due in more than one year	2,160,243	-	668,171
Total Liabilities	<u>3,051,189</u>	<u>96,936</u>	<u>1,294,556</u>
<u>Deferred Inflows of Resources</u>			
Pension - difference in experience	12,542	678	7,502
Pension investment earnings	51,778	2,799	30,971
Total Deferred Inflows of Resources	<u>64,320</u>	<u>3,477</u>	<u>38,473</u>
<u>Net Position</u>			
Net investment in capital assets	13,362,360	-	3,360,205
Unrestricted	4,667,889	68,909	1,480,935
Total Net Position	<u>\$ 18,030,249</u>	<u>\$ 68,909</u>	<u>\$ 4,841,140</u>

See Notes to Financial Statements.

Total

\$	4,627,158
	393,770
	10,000
	21,371
	130,000
	<u>5,182,299</u>
	2,120,000
	951,073
	<u>19,117,994</u>
	<u>22,189,067</u>
	<u>27,371,366</u>
	90,042
	190
	24,054
	3,597
	<u>117,883</u>
	501,018
	22,277
	536,427
	<u>1,059,722</u>
	505,319
	49,226
	2,828,414
	<u>4,442,681</u>
	20,722
	85,548
	<u>106,270</u>
	16,722,565
	6,217,733
\$	<u><u>22,940,298</u></u>

City of Canton, Texas

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

For the Year Ended September 30, 2018

	Water & Sewer	Sanitation	First Monday
<u>Operating Revenues</u>			
Charges for services	\$ 2,151,859	\$ 607,288	\$ 2,815,352
Other revenue	-	498	-
Total Operating Revenues	2,151,859	607,786	2,815,352
<u>Operating Expenses</u>			
Cost of sales	1,665,431	549,669	1,435,182
Depreciation	710,754	-	385,152
Other	1,450	-	140,111
Total Operating Expenses	2,377,635	549,669	1,960,445
Operating Income (Loss)	(225,776)	58,117	854,907
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	205	-	4,896
Intergovernmental	89,056	-	-
Interest expense	(91,931)	-	(19,757)
Total Nonoperating Revenues (Expenses)	(2,670)	-	(14,861)
Income (Loss) Before			
Capital Contributions and Transfers	(228,446)	58,117	840,046
Capital contributions	76,392	-	-
Transfers in	1,589,193	-	167,867
Transfers (out)	-	(17,000)	(1,243,795)
	1,665,585	(17,000)	(1,075,928)
Change in Net Position	1,437,139	41,117	(235,882)
Beginning net position	16,593,110	27,792	5,077,022
Ending Net Position	\$ 18,030,249	\$ 68,909	\$ 4,841,140

See Notes to Financial Statements.

Total

\$ 5,574,499
498
5,574,997

3,650,282
1,095,906
141,561
4,887,749

687,248

5,101
89,056
(111,688)
(17,531)

669,717

76,392
1,757,060
(1,260,795)
572,657

1,242,374

21,697,924

\$ 22,940,298

City of Canton, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2018

	<u>Water & Sewer</u>	<u>Sanitation</u>	<u>First Monday</u>
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 2,072,589	\$ 592,537	\$ 2,819,916
Payments to suppliers and employees	(1,511,142)	(508,225)	(1,566,492)
Net Cash Provided by Operating Activities	561,447	84,312	1,253,424
<u>Cash Flows from Noncapital Financing Activities</u>			
Cash received from CEDC receivable	131,191	-	-
Transfer in	1,589,193	-	167,867
Transfer (out)	-	(17,000)	(1,243,795)
Net Cash Provided (Used) by Noncapital Financing Activities	1,720,384	(17,000)	(1,075,928)
<u>Cash Flows from Capital and Related Financing</u>			
Capital purchases	(988,970)	-	(272,767)
Sale of capital assets	76,392	-	-
Intergovernmental revenue	89,056	-	-
Principal paid on debt	(351,250)	-	(148,110)
Interest paid on debt	(99,861)	-	(19,757)
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,274,633)	-	(440,634)
<u>Cash Flows from Investing Activities</u>			
Interest on investments	205	-	4,896
Net Cash Provided by Investing Activities	205	-	4,896
Net Increase (Decrease) in Cash and Cash	1,007,403	67,312	(258,242)
Beginning cash and cash equivalents	1,762,492	21,225	2,026,968
Ending Cash and Cash Equivalents	\$ 2,769,895	\$ 88,537	\$ 1,768,726

See Notes to Financial Statements.

Total

\$ 5,485,042
(3,585,859)
1,899,183

131,191
1,757,060
(1,260,795)

627,456

(1,261,737)
76,392
89,056
(499,360)
(119,618)

(1,715,267)

5,101

5,101

816,473

3,810,685

\$ 4,627,158

City of Canton, Texas
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2018

	<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)	\$ (225,776)	\$ 58,117	\$ 854,907
Adjustments to reconcile operating income (loss) to net cash provided:			
Depreciation	710,754	-	385,152
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(79,270)	(15,249)	4,564
Deferred outflows of resources - pension	77,504	4,190	46,362
Deferred outflows of resources - OPEB	(2,136)	-	(1,460)
Deferred inflows of resources - pension	64,011	3,460	38,288
Increase (Decrease) in:			
Accounts payable and accrued liabilities	168,703	40,885	674
Due from other funds	(10,000)	-	-
Compensated absences	(16,141)	-	-
OPEB liability	4,959	-	3,393
Net pension liability	(131,161)	(7,091)	(78,456)
Net Cash Provided (Used) by Operating Activities	\$ 561,447	\$ 84,312	\$ 1,253,424

See Notes to Financial Statements.

Total

\$ 687,248

1,095,906

(89,955)

128,056

(3,596)

105,759

210,262

(10,000)

(16,141)

8,352

(216,708)

\$ 1,899,183

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City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS
September 30, 2018

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

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

employment and the public welfare for, and on behalf of, the City. The CEDC uses the same 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, 2018

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 non-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, 2018

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, 2018

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, 2018

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

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

payables 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 Canton 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, 2018

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, 2018

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, 2018

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, 2017, the general fund balance was 65% 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 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, 2018

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

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

a 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, 2018

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Equity

At September 30, 2018, the capital improvements fund had a deficit fund balance of \$209,853. 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 special revenue funds. 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 and capital improvements fund. The debt service fund expenditures had a positive budget variance of \$169,516, offset by a negative budget variance of \$390,799 of transfers out, for a net overage of \$221,283. The capital improvements fund expenditures had a positive budget variance of \$972,2876, offset by a negative budget variance of \$984,766 of transfers out, for a net overage of \$12,479.

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:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Credit Rating</u>
External investment pools			
TexPool	\$ 755,006	28	AAAm
Total value	<u>\$ 755,006</u>		

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

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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 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, 2018, 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, 2018, 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

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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.

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	\$ 23,851	\$ -	\$ -	\$ -	\$ 37,437
Sales tax	450,085	-	-	-	-	450,085
Franchise taxes	64,893	-	-	-	-	64,893
Accounts	-	-	408,773	102,558	-	511,331
Other	2,566	-	-	-	1,505	4,071
Allowance	(530)	-	(93,560)	(25,506)	-	(119,596)
	<u>\$ 530,600</u>	<u>\$ 23,851</u>	<u>\$ 315,213</u>	<u>\$ 77,052</u>	<u>\$ 1,505</u>	<u>\$ 948,221</u>

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

	Component Unit
Sales tax	\$ 150,028
Hotel tax	63,468
	<u>\$ 213,496</u>

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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	\$ 2,827,676	\$ -	\$ (400,000)	\$ 2,427,676
Construction in progress	1,875,530	1,463,706	(2,714,926)	624,310
Total capital assets not being depreciated	<u>4,703,206</u>	<u>1,463,706</u>	<u>(3,114,926)</u>	<u>3,051,986</u>
Capital assets, being depreciated:				
Infrastructure	11,871,947	73,300	1,393,936	13,339,183
Buildings and improvements	1,408,498	34,045	890,662	2,333,205
Machinery and equipment	3,632,094	153,554	137,730	3,923,378
Total capital assets being depreciated	<u>16,912,539</u>	<u>260,899</u>	<u>2,422,328</u>	<u>19,595,766</u>
Less accumulated depreciation				
Infrastructure	(3,406,229)	(388,225)	-	(3,794,454)
Buildings and improvements	(898,590)	(68,654)	-	(967,244)
Machinery and equipment	(1,643,074)	(344,129)	164,502	(1,822,701)
Total accumulated depreciation	<u>(5,947,893)</u>	<u>(801,008)</u>	<u>164,502</u>	<u>(6,584,399)</u>
Net capital assets being depreciated	<u>10,964,646</u>	<u>(540,109)</u>	<u>2,586,830</u>	<u>13,011,367</u>
Total Capital Assets	<u>\$ 15,667,852</u>	<u>\$ 923,597</u>	<u>\$ (528,096)</u>	<u>\$ 16,063,353</u>

Depreciation was charged to governmental departments as follows:

General government	\$ 122,663
Police	216,442
Animal control	5,853
Fire	79,522
Streets	320,730
Parks	55,798
Total Governmental Activities Depreciation Expense	<u>\$ 801,008</u>

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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

Business-Type Activities:	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 666,608	\$ -	\$ -	\$ 666,608
Construction in progress	401,072	915,050	(1,031,657)	284,465
Total capital assets not being depreciated	<u>1,067,680</u>	<u>915,050</u>	<u>(1,031,657)</u>	<u>951,073</u>
Capital assets, being depreciated:				
Infrastructure	19,734,836	260,521	1,031,657	21,027,014
Buildings and improvements	11,294,119	-	-	11,294,119
Machinery & equipment	2,840,118	86,166	-	2,926,284
Total capital assets being depreciated	<u>33,869,073</u>	<u>346,687</u>	<u>1,031,657</u>	<u>35,247,417</u>
Less accumulated depreciation				
Infrastructure	(6,889,275)	(577,012)	-	(7,466,287)
Buildings and improvements	(6,220,370)	(393,485)	-	(6,613,855)
Machinery & equipment	(1,923,872)	(125,409)	-	(2,049,281)
Total accumulated depreciation	<u>(15,033,517)</u>	<u>(1,095,906)</u>	<u>-</u>	<u>(16,129,423)</u>
Net capital assets being depreciated	<u>18,835,556</u>	<u>(749,219)</u>	<u>1,031,657</u>	<u>19,117,994</u>
Total Capital Assets	<u>\$ 19,903,236</u>	<u>\$ 165,831</u>	<u>\$ -</u>	<u>\$ 20,069,067</u>

Depreciation was charged to business-type activities as follows:

Water/Sewer	\$ 710,754
First Monday	385,152
Total Business-Type Activities Depreciation Expense	<u>\$ 1,095,906</u>

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	\$ 1,173,537	\$ -	\$ -	\$ 1,173,537
Construction in progress	-	114,758	-	114,758
Total capital assets not being depreciated	<u>1,173,537</u>	<u>114,758</u>	<u>-</u>	<u>1,288,295</u>
Capital assets, being depreciated:				
Buildings and improvements	28,740	-	-	28,740
Industrial park and improvements	89,400	-	-	89,400
Office equipment	17,639	-	-	17,639
Total capital assets being depreciated	<u>135,779</u>	<u>-</u>	<u>-</u>	<u>135,779</u>
Less accumulated depreciation				
Buildings and improvements	(26,424)	(2,874)	-	(29,298)
Industrial park and improvements	(17,880)	(2,235)	-	(20,115)
Office equipment	(12,037)	(1,758)	-	(13,795)
Total accumulated depreciation	<u>(56,341)</u>	<u>(6,867)</u>	<u>-</u>	<u>(63,208)</u>
Net capital assets being depreciated	<u>79,438</u>	<u>(6,867)</u>	<u>-</u>	<u>72,571</u>
Total Capital Assets	<u>\$ 1,252,975</u>	<u>\$ 107,891</u>	<u>\$ -</u>	<u>\$ 1,360,866</u>

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

E. 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, 2018.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due within One Year</u>
Governmental Activities:					
Certificates of obligation	\$ 225,000	\$ -	\$ (225,000)	\$ -	\$ -
GO Refunding bonds	73,750	-	(73,750)	-	-
Tax and revenue bonds	2,964,000	-	-	2,964,000	214,000
Tax notes	1,181,000	-	(151,890)	1,029,110	336,690
Issuance discounts	(1,480)	-	1,480	-	-
Notes payable	346,709	-	(37,490)	309,219	38,509
Capital lease	967,240	-	-	967,240	122,572
Compensated absences	312,350	22,302	-	334,652	301,187
Total Governmental Activities	<u>\$ 6,068,569</u>	<u>\$ 22,302</u>	<u>\$ (486,650)</u>	<u>\$ 5,604,221</u>	<u>\$ 1,012,958</u>
Long-term liabilities due in more than one year				<u>\$ 4,591,263</u>	
Business-Type Activities:					
Revenue bonds	\$ 2,380,000	\$ -	\$ (130,000)	\$ 2,250,000	\$ 130,000
Premiums	48,911	-	(3,235)	45,676	-
Discounts	(9,856)	-	649	(9,207)	-
GO Refunding bonds	221,250	-	(221,250)	-	-
Tax notes	1,148,997	-	(148,110)	1,000,887	336,690
Compensated absences	93,628	-	(16,142)	77,486	69,737
Total Business-Type Activities	<u>\$ 3,882,930</u>	<u>\$ -</u>	<u>\$ (518,088)</u>	<u>\$ 3,364,841</u>	<u>\$ 536,427</u>
Long-term liabilities due in more than one year				<u>\$ 2,828,414</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. 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.

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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	2,964,000
Total		3,000,000	2,964,000
Tax notes			
Series 2015	1.8%	1,265,750	1,029,110
Total		1,265,750	1,029,110
Note Payable			
Canton Fire Truck	2.7%	379,000	309,219
Total		379,000	309,219
Capital Lease			
Radio Equipment	3.44%	967,240	967,240
		967,240	967,240
Business-type Activities:			
Revenue bonds			
Series 2010	4.25%	1,060,000	720,000
Series 2012	3.50%	2,000,000	1,530,000
Total		3,060,000	2,250,000
Tax notes			
Series 2015	1.79%	1,234,250	1,000,887
Total		1,234,250	1,000,887
Total Long-Term Debt		\$ 9,906,240	\$ 8,520,456

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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
2019	\$ 550,690	\$ 91,262	\$ 641,952	\$ 466,690	\$ 101,807	\$ 568,497
2020	561,753	79,712	641,465	481,752	91,697	573,449
2021	575,667	67,895	643,562	462,445	50,230	512,675
2022	231,000	59,008	290,008	150,000	72,635	222,635
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	\$ 3,993,110	\$ 543,892	\$ 4,537,002	\$ 3,250,887	\$ 691,349	\$ 3,942,236

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, 2018

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
2019	\$ 38,509	\$ 8,091	\$ 46,600
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	16,648	225	16,873
Total	\$ 309,219	\$ 33,855	\$ 343,074

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%.

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2019	\$ 122,572	\$ -	\$ 122,572
2020	93,515	29,057	122,572
2021	96,732	25,840	122,572
2022	100,060	22,512	122,572
2023	103,502	19,070	122,572
2024	107,062	15,510	122,572
2025	110,745	11,827	122,572
2026	114,555	8,017	122,572
2027	118,497	4,076	122,573
Total	\$ 967,240	\$ 135,909	\$ 1,103,149

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

The following is a summary of changes in the CEDC's long-term liabilities for the year ended September 30, 2018.

	Rate	Original Amounts Issued	Beginning Balance	Additions	Payments	Ending Balance	Amounts Due Within One Year
Note Payable - City	2% to 4%	2,000,000	\$ 1,615,000	\$ -	\$ (85,000)	\$ 1,530,000	\$ 85,000
Note Payable - City	4% to 4.4%	1,060,000	765,000	-	(45,000)	720,000	45,000
		<u>3,560,000</u>	<u>2,380,000</u>	<u>-</u>	<u>(130,000)</u>	<u>2,250,000</u>	<u>130,000</u>
Compensated absences			30,450	1,720	-	32,170	28,953
Total			<u>\$ 2,410,450</u>	<u>\$ 1,720</u>	<u>\$ (130,000)</u>	<u>\$ 2,282,170</u>	<u>\$ 158,953</u>
						Long-term liabilities due in more than one year	<u>\$ 2,123,217</u>

The annual requirements to amortize debt issues for the CEDC outstanding at year ending September 30, 2018 were as follows:

Year ending September 30,	Component Unit Activities	
	Principal	Interest
2019	\$ 130,000	\$ 86,423
2020	140,000	82,385
2021	140,000	77,785
2022	150,000	72,634
2023	150,000	67,110
Thereafter	<u>1,540,000</u>	<u>1,033,540</u>
	<u>\$ 2,250,000</u>	<u>\$ 1,419,877</u>

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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	\$ -	\$ 250,000	\$ -	\$ 375,000	\$ -	\$ 625,000
First Monday	671,000	-	66,300	506,495	-	1,243,795
Capital improvements	-	500,000	-	484,766	-	984,766
Sanitation	17,000	-	-	-	-	17,000
Debt service	-	-	-	222,932	167,867	390,799
Total	\$ 688,000	\$ 750,000	\$ 66,300	\$ 1,589,193	\$ 167,867	\$ 3,261,360

Due to:	Due from:	
	Water/Sewer	Total
General	\$ 10,000	\$ 10,000
Total	\$ 10,000	\$ 10,000

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 amounts already collected, may constitute a liability of the applicable funds. The amounts

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2018

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 883 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.tmr.com.

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

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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 2017</u>	<u>Plan Year 2016</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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	32
Inactive employees entitled to but not yet receiving benefits	40
Active employees	69
Total	141

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

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

contribution 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 12.77% and 11.79% in calendar years 2018 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2018 were \$350,442.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 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

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

Rate (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 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.90%
Real Return	10.0%	3.80%
Real Estate	10.0%	4.50%
Absolute Return	10.0%	3.75%
Private Equity	5.0%	7.50%
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, 2018

Changes in the Net Pension Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/16	\$ 9,966,705	\$ 7,931,966	\$ 2,034,739
Changes for the year:			
Service Cost	423,920	-	423,920
Interest (on the Total Pension Liab.)	675,243	-	675,243
Difference between expected and actual experience	(87,851)	-	(87,851)
Contributions – employer	-	331,653	(331,653)
Contributions – employee	-	196,910	(196,910)
Net investment income	-	1,099,437	(1,099,437)
Benefit payments, including refunds of emp. contributions	(350,118)	(350,118)	-
Administrative expense	-	(5,697)	5,697
Other changes	-	(288)	288
Net changes	661,194	1,271,897	(610,703)
Balance at 12/31/17	<u>\$ 10,627,899</u>	<u>\$ 9,203,863</u>	<u>\$ 1,424,036</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%
\$ 2,963,402	\$ 1,424,036	\$ 163,777

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.tMrs.com.

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

For the year ended September 30, 2018, the City recognized pension expense of \$398,132.

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	\$ -	\$ (241,083)
Differences between expected and actual economic experience	-	(58,399)
Changes in assumptions	67,787	-
Contributions subsequent to the measurement date	253,747	-
Total	\$ 321,534	\$ (299,482)

The City reported \$253,747 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, 2019.

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:

2018	\$ 38,075
2019	(18,695)
2020	(133,104)
2021	(117,971)
2022	-
Thereafter	-
	\$ (231,695)

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 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

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	12
Active employees	69
Total	98

The City's contributions to the TMRS SDBF for the years ended 2017, 2016, and 2015 were \$842, \$836, & \$810, respectively, which equaled the required contributions each year. The required contribution rates for 2018, 2017, and 2016 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, 2017, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2017 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	3.31%
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

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

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 3.31%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

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 3.31%, 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 (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

1% Decrease (2.31%)	Current Single Rate Assumption 3.31%	1% Increase (4.31%)
\$ 188,846	\$ 153,830	\$ 127,023

Changes in the Total OPEB Liability:

	Total OPEB Liability
Balance at 12/31/16	\$ 127,731
Changes for the year:	
Service Cost	8,439
Interest	4,972
Changes of assumptions	13,532
Benefit payments	(844)
Net changes	26,099
Balance at 12/31/17	\$ 153,830

City of Canton, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2018

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$15,701.

At September 30, 2018, 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
Difference between expected and actual experience	\$ 11,242
Contributions subsequent to measurement date	595
Total	\$ 11,837

The City reported \$595 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, 2019.

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

Year ended December 31:	
2018	\$ 2,290
2019	2,290
2020	2,290
2021	2,290
2022	2,082
Thereafter	-
	\$ 11,242

E. Related Party Transactions

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

City of Canton, Texas

NOTES TO FINANCIAL STATEMENTS, *Continued*

September 30, 2018

Council Member Shawn Stewart leases space for a food court at Trade Center IV to the City and First Monday fund. The most current lease term is April 2014 through March 2019, and includes five options to renew the lease for an additional five-year terms. The monthly rent for the lease is \$5,350.

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

F. Restatement

Due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. This adjustment was recorded at the fund level for proprietary funds only, and recorded at the government-wide level for both governmental and business-type activities.

	Governmental Activities	Business-Type Activities	First Monday	Water & Sewer
Prior year ending net position/ fund balance as reported	\$ 15,402,159	\$ 21,738,607	\$ 5,093,549	\$ 16,617,266
Impact of implementation of GASB 75	(86,451)	(40,683)	(16,527)	(24,156)
Recognition of capital assets acquired through capital lease	967,240	-	-	-
Recognition of capital lease obligation	(967,240)	-	-	-
Restated beginning net position/fund balance	\$ 15,315,708	\$ 21,697,924	\$ 5,077,022	\$ 16,593,110

G. Subsequent Events

On November 1, 2018, the City paid off the entire \$967,240 capital lease balance that was used to finance radio equipment.

Subsequent events were evaluated through September 16, 2019, the date the financial statements were available to be issued.

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, 2018

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property tax	\$ 527,100	\$ 539,184	\$ 12,084
Sales tax	2,640,000	2,796,834	156,834
Franchise and local taxes	260,000	286,446	26,446
License and permits	66,300	68,386	2,086
Grant revenues	6,000	121,100	115,100
Donations	2,400	2,728	328
Fines and forfeitures	164,950	131,130	(33,820)
Investment income	-	6,906	6,906
Charges for services	67,500	63,081	(4,419)
Rental income	71,080	71,418	338
Other revenue	401,800	23,811	(377,989)
Total Revenues	4,207,130	4,111,024	(96,106)
<u>Expenditures</u>			
Current:			
General government	1,029,095	851,003	178,092
Developmental services	130,175	82,605	47,570
Police	1,351,240	1,346,054	5,186
Animal control	156,600	151,142	5,458
Municipal court	158,150	124,566	33,584
Fire	559,910	678,750	(118,840)
Streets	414,680	355,993	58,687
Parks	413,670	400,264	13,406
Grant & donation projects	6,000	7,552	(1,552)
Intergovernmental	-	50,000	(50,000)
Capital Outlay	293,000	187,943	105,057
Total Expenditures	4,512,520	4,235,872	276,648
Revenues Over (Under) Expenditures	\$ (305,390)	\$ (124,848)	\$ 180,542

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, 2018

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Other Financing Sources (Uses)</u>			
Sale of capital assets	\$ -	\$ 384,940	\$ 384,940
Insurance recoveries	-	47,563	47,563
Transfers in	688,000	688,000	-
Transfers (out)	(375,000)	(625,000)	(250,000)
Total Other Financing Sources (Uses)	313,000	495,503	182,503
Net Change in Fund Balance	\$ 7,610	370,655	\$ 363,045
Beginning fund balance		3,222,349	
Ending Fund Balance		\$ 3,593,004	

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:

	12/31/2017	12/31/2016	12/31/2015	12/31/2014 ¹
Total pension liability				
Service cost	\$ 423,920	\$ 413,384	\$ 380,783	\$ 330,020
Interest (on the Total Pension Liability)	675,243	625,175	580,386	548,014
Differences between expected and actual experience	(87,851)	7,587	76,183	(137,484)
Changes of assumptions	-	-	234,476	-
Benefit payments, including refunds of participant contributions	(350,118)	(269,197)	(365,811)	(241,141)
Net change in total pension liability	661,194	776,949	906,017	499,409
Total pension liability - beginning	9,966,705	9,189,756	8,283,739	7,784,330
Total pension liability - ending (a)	\$ 10,627,899	\$ 9,966,705	\$ 9,189,756	\$ 8,283,739
Plan fiduciary net position				
Contributions - employer	\$ 331,653	\$ 323,389	\$ 310,568	\$ 278,003
Contributions - members	196,910	192,656	184,080	164,638
Net investment income	1,099,437	486,800	10,436	372,020
Benefit payments, including refunds of participant contributions	(350,118)	(269,197)	(365,811)	(241,141)
Administrative expenses	(5,697)	(5,499)	(6,356)	(3,883)
Other	(288)	(296)	(314)	(319)
Net change in plan fiduciary net position	1,271,897	727,853	132,603	569,318
Plan fiduciary net position - beginning	7,931,966	7,204,113	7,071,510	6,502,192
Plan fiduciary net position - ending (b)	\$ 9,203,863	\$ 7,931,966	\$ 7,204,113	\$ 7,071,510
Fund's net pension liability - ending (a) - (b)	\$ 1,424,036	\$ 2,034,739	\$ 1,985,643	\$ 1,212,229
Plan fiduciary net position as a percentage of the total pension liability	86.60%	79.58%	78.39%	85.37%
Covered payroll	\$ 2,813,003	\$ 2,752,224	\$ 2,629,717	\$ 2,351,967
Fund's net pension liability as a percentage of covered payroll	50.62%	73.93%	75.51%	51.54%

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.

City of Canton, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Fiscal Years Ended

	9/30/2018	9/30/2017	9/30/2016	9/30/2015 ¹
Actuarially determined employer contributions	\$ 350,442	\$ 329,690	\$ 313,759	\$ 307,850
Contributions in relation to the actuarially determined contribution	\$ 350,442	\$ 334,459	\$ 324,058	\$ 309,170
Contribution deficiency (excess)	\$ -	\$ (4,769)	\$ (10,299)	\$ (1,320)
Annual covered payroll	\$ 2,807,199	\$ 2,787,155	\$ 2,699,244	\$ 2,583,178
Employer contributions as a percentage of covered payroll	12.48%	12.00%	12.01%	11.97%

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	28 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.

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	¹
Total OPEB liability		
Service cost	\$ 8,439	
Interest	4,972	
Changes of assumptions	13,532	
Benefit payments, including refunds of participant contributions	(844)	
Net change in total OPEB liability	26,099	
Total OPEB liability - beginning	127,731	
Total OPEB liability - ending (a)	\$ 153,830	
Covered payroll	\$ 2,813,003	
City's total OPEB liability as a percentage of covered payroll		5.47%

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.

***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, 2018

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Property taxes	\$ 697,420	\$ 712,016	\$ 14,596
Investment income	8,000	13,515	5,515
Total Revenues	705,420	725,531	20,111
<u>Expenditures</u>			
Current:			
Agent fees	-	851	(851)
Debt service:			
Principal	771,630	488,130	283,500
Interest	-	113,133	(113,133)
Total Expenditures	771,630	602,114	169,516
<u>Other Financing Sources (Uses)</u>			
Transfers in	66,300	66,300	-
Transfers (out)	-	(390,799)	(390,799) *
Total Other Financing Sources (Uses)	66,300	(324,499)	(390,799)
Net Change in Fund Balance	\$ 90	(201,082)	\$ (201,172)
Beginning fund balance		1,128,425	
Ending Fund Balance		\$ 927,343	

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 IMPROVEMENTS FUND For the Year Ended September 30, 2018

	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
<u>Revenues</u>			
Other revenue	\$ 2,500,000	\$ -	\$ (2,500,000)
Total Revenues	<u>2,500,000</u>	<u>-</u>	<u>(2,500,000)</u>
<u>Expenditures</u>			
Capital outlay	2,500,000	1,527,713	972,287
Total Expenditures	<u>2,500,000</u>	<u>1,527,713</u>	<u>972,287</u>
<u>Other Financing Sources</u>			
Transfers (out)	-	(984,766)	(984,766) *
Total Other Financing Sources	<u>-</u>	<u>(984,766)</u>	<u>(984,766)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(2,512,479)</u>	<u>\$ (2,512,479)</u>
Beginning fund balance		<u>2,302,626</u>	
Ending Fund Balance		<u>\$ (209,853)</u>	

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.

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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.

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Financial Trends	94
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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	104
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These schedules contain information to help the reader assess the City's most significant local revenue source, sales and property tax.

Debt Capacity	112
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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	122
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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	126
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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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities				
Net investment in capital assets	\$ 8,917,364	\$ 6,879,822	\$ 8,630,990	\$ 9,103,788
Restricted	1,439,063	1,088,389	518,215	1,022,432
Unrestricted	(2,628,049)	554,154	1,713,158	1,151,819
Total governmental activities Net Position	<u>\$ 7,728,378</u>	<u>\$ 8,522,365</u>	<u>\$ 10,862,363</u>	<u>\$ 11,278,039</u>
Business-type activities				
Net investment in capital assets	\$ 8,847,997	\$ 10,025,715	\$ 11,782,292	\$ 13,004,997
Restricted	-	130,509	99,246	81,223
Unrestricted	1,722,995	1,111,558	2,043,836	6,236,087
Total business-type activities Net Position	<u>\$ 10,570,992</u>	<u>\$ 11,267,782</u>	<u>\$ 13,925,374</u>	<u>\$ 19,322,307</u>
Primary government				
Net investment in capital assets	\$ 17,765,361	\$ 16,905,537	\$ 20,413,282	\$ 22,108,785
Restricted	1,439,063	1,218,898	617,461	1,103,655
Unrestricted	(905,054)	1,665,712	3,756,994	7,387,906
Total primary government Net Position	<u>\$ 18,299,370</u>	<u>\$ 19,790,147</u>	<u>\$ 24,787,737</u>	<u>\$ 30,600,346</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 9,664,211	\$ 10,328,448	\$ 10,460,628	\$ 11,773,742	\$ 12,214,257	\$ 10,580,107
91,213	1,188,126	1,253,208	1,263,708	1,218,254	1,015,102
2,553,020	1,266,490	1,702,858	1,738,157	1,883,197	2,952,894
<u>\$ 12,308,444</u>	<u>\$ 12,783,064</u>	<u>\$ 13,416,694</u>	<u>\$ 14,775,607</u>	<u>\$ 15,315,708</u>	<u>\$ 14,548,103</u>
\$ 14,099,071	\$ 14,637,447	\$ 15,399,638	\$ 15,730,654	\$ 16,143,038	\$ 16,722,565
98,576	86,787	-	-	-	-
5,556,515	5,659,947	5,869,483	5,654,873	5,554,886	6,217,733
<u>\$ 19,754,162</u>	<u>\$ 20,384,181</u>	<u>\$ 21,269,121</u>	<u>\$ 21,385,527</u>	<u>\$ 21,697,924</u>	<u>\$ 22,940,298</u>
\$ 23,763,282	\$ 24,965,895	\$ 25,860,266	\$ 27,504,396	\$ 28,357,295	\$ 27,302,672
189,789	1,274,913	1,253,208	1,263,708	1,218,254	1,015,102
8,109,535	6,926,437	7,572,341	7,393,030	7,438,083	9,170,627
<u>\$ 32,062,606</u>	<u>\$ 33,167,245</u>	<u>\$ 34,685,815</u>	<u>\$ 36,161,134</u>	<u>\$ 37,013,632</u>	<u>\$ 37,488,401</u>

City of Canton, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years

(accrual basis of accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Expenses				
Governmental activities:				
General government	\$ 975,534	\$ 821,677	\$ 884,368	\$ 966,692
Public safety	1,463,891	1,584,341	1,682,441	1,659,571
Public works	765,471	668,367	659,366	645,380
Public services and operations	276,339	278,595	301,828	273,145
Parks and recreation	381,200	277,565	276,160	287,693
Interest expense	186,529	155,545	203,416	151,592
Total governmental activities expenses	<u>4,048,964</u>	<u>3,786,090</u>	<u>4,007,579</u>	<u>3,984,073</u>
Business-type activities:				
Water and sewer	2,133,803	1,852,580	1,857,049	1,830,652
Sanitation	614,118	543,142	573,396	525,861
First Monday	2,891,481	2,087,038	1,753,961	1,730,693
Total business-type activities expenses	<u>5,639,402</u>	<u>4,482,760</u>	<u>4,184,406</u>	<u>4,087,206</u>
Total primary government expenses	<u>\$ 9,688,366</u>	<u>\$ 8,268,850</u>	<u>\$ 8,191,985</u>	<u>\$ 8,071,279</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$ 32,957	\$ 30,325	\$ 64,276	\$ 69,959
Public safety	55,081	42,465	95,932	199,989
Public works	-	-	1,809	-
Public services and operations	314,253	276,852	396,541	269,329
Total gov. activities program revenues	<u>402,291</u>	<u>349,642</u>	<u>558,558</u>	<u>539,277</u>
Business-type activities:				
Charges for services:				
Water and sewer	1,873,195	1,636,119	1,947,269	1,838,225
Sanitation	556,578	553,448	587,270	567,465
First Monday	3,428,312	2,624,051	2,657,207	2,892,819
Total bus.-type activities program rev.	<u>5,858,085</u>	<u>4,813,618</u>	<u>5,191,746</u>	<u>5,298,509</u>
Total primary gov. program revenues	<u>\$ 6,260,376</u>	<u>\$ 5,163,260</u>	<u>\$ 5,750,304</u>	<u>\$ 5,837,786</u>
Net (Expense)/Revenue				
Governmental activities	\$ (3,646,673)	\$ (3,436,448)	\$ (3,449,021)	\$ (3,444,796)
Business-type activities	218,683	330,858	1,007,340	1,211,303
Total primary government net expense	<u>\$ (3,427,990)</u>	<u>\$ (3,105,590)</u>	<u>\$ (2,441,681)</u>	<u>\$ (2,233,493)</u>

2013	2014	2015	2016	2017	2018
\$ 951,008	\$ 725,581	\$ 1,060,061	\$ 1,298,933	\$ 1,656,125	\$ 1,443,626
1,712,959	1,776,166	2,034,074	2,092,032	2,166,265	2,238,051
642,939	322,669	691,552	738,580	783,429	762,216
323,425	606,861	-	-	-	-
293,094	299,906	315,011	377,795	362,442	462,415
120,239	92,575	103,570	62,933	146,421	111,000
<u>4,043,664</u>	<u>3,823,758</u>	<u>4,204,268</u>	<u>4,570,273</u>	<u>5,114,682</u>	<u>5,017,308</u>
1,895,691	1,863,588	1,821,449	2,360,135	2,536,480	2,469,566
536,929	503,897	566,184	557,573	523,445	549,669
1,722,955	1,722,232	1,828,623	1,848,712	1,852,274	1,980,202
<u>4,155,575</u>	<u>4,089,717</u>	<u>4,216,256</u>	<u>4,766,420</u>	<u>4,912,199</u>	<u>4,999,437</u>
<u>\$ 8,199,239</u>	<u>\$ 7,913,475</u>	<u>\$ 8,420,524</u>	<u>\$ 9,336,693</u>	<u>\$ 10,026,881</u>	<u>\$ 10,016,745</u>
\$ 179,437	\$ 36,046	\$ 291,461	\$ 739,049	\$ 251,627	\$ 202,885
21,755	26,455	226,039	196,008	197,755	131,130
-	-	-	-	-	-
370,285	403,613	2,875	-	-	-
<u>571,477</u>	<u>466,114</u>	<u>520,375</u>	<u>935,057</u>	<u>449,382</u>	<u>334,015</u>
1,802,741	1,815,831	2,086,274	2,062,154	1,961,823	2,151,859
552,804	542,756	554,336	536,453	554,271	607,288
2,735,419	2,940,810	2,991,965	3,042,705	3,082,402	2,815,352
<u>5,090,964</u>	<u>5,299,397</u>	<u>5,632,575</u>	<u>5,641,312</u>	<u>5,598,496</u>	<u>5,574,499</u>
<u>\$ 5,662,441</u>	<u>\$ 5,765,511</u>	<u>\$ 6,152,950</u>	<u>\$ 6,576,369</u>	<u>\$ 6,047,878</u>	<u>\$ 5,908,514</u>
\$ (3,472,187)	\$ (3,357,644)	\$ (3,683,893)	\$ (3,635,216)	\$ (4,665,300)	\$ (4,683,293)
935,389	1,209,680	1,416,319	874,892	686,297	575,062
<u>\$ (2,536,798)</u>	<u>\$ (2,147,964)</u>	<u>\$ (2,267,574)</u>	<u>\$ (2,760,324)</u>	<u>\$ (3,979,003)</u>	<u>\$ (4,108,231)</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$ 1,058,246	\$ 1,147,211	\$ 1,104,103	\$ 1,120,330
Sales taxes	2,112,512	2,087,499	2,151,471	2,264,281
Franchise and local taxes	218,229	236,694	283,430	260,605
Investment earnings	16,717	11,859	15,200	8,509
Insurance reimbursement	-	-	-	-
FEMA reimbursement	3,373	-	-	-
Miscellaneous	52,605	56,807	9,701	29,938
Operating & capital grants & donations	98,531	288,862	463,021	223,649
Intergovernmental-state and local	248,688	-	-	-
Transfers, net	441,333	331,682	333,035	23,238
Net Gain(Loss) on sale of capital assets	-	-	-	-
Total governmental activities	<u>4,250,234</u>	<u>4,160,614</u>	<u>4,359,961</u>	<u>3,930,550</u>
Business-type activities:				
Investment earnings	8,652	7,174	3,926	4,782
Hotel/motel	220,532	210,697	63,410	-
Miscellaneous	31,588	69,182	30,003	40,887
Sale of assets	-	-	-	-
Operating & capital grants & donations	503,617	1,069,158	85,308	4,245,941
Intergovernmental-state & local	143,635	20,000	-	-
Transfers, net	(441,333)	(331,682)	(333,035)	(23,238)
Total business-type activities	<u>466,691</u>	<u>1,044,529</u>	<u>(150,388)</u>	<u>4,268,372</u>
Total primary government	<u>\$ 4,716,925</u>	<u>\$ 5,205,143</u>	<u>\$ 4,209,573</u>	<u>\$ 8,198,922</u>
Change in Net Position				
Governmental activities	\$ 603,561	\$ 724,166	\$ 910,940	\$ 485,754
Business-type activities	685,374	1,375,387	856,952	5,479,675
Total primary government	<u>\$ 1,288,935</u>	<u>\$ 2,099,553</u>	<u>\$ 1,767,892</u>	<u>\$ 5,965,429</u>

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$	1,114,335	\$ 1,121,246	\$ 1,140,729	\$ 1,161,988	\$ 1,210,221	\$ 1,251,200
	2,393,254	2,461,789	2,561,510	2,655,170	2,769,178	2,796,834
	235,750	313,620	333,923	257,795	266,234	286,446
	8,407	8,971	9,089	9,949	15,978	25,427
	-	-	-	-	-	-
	-	-	-	-	-	-
	7,762	4,832	60,279	126,356	125,309	71,374
	60,748	144,846	-	-	347,461	123,828
	50,000	-	-	-	-	-
	594,585	495,589	211,993	782,871	471,020	(496,265)
	-	-	-	-	-	(143,156)
	<u>4,464,841</u>	<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>
	1,478	1,715	3,078	6,573	4,238	5,101
	-	-	-	-	-	-
	27,955	43,144	31,096	17,812	-	498
	-	-	-	-	-	-
	-	108,500	-	-	-	-
	90,000	-	-	-	92,882	165,448
	(594,585)	(495,589)	(211,993)	(782,871)	(471,020)	496,265
	<u>(475,152)</u>	<u>(342,230)</u>	<u>(177,819)</u>	<u>(758,486)</u>	<u>(373,900)</u>	<u>667,312</u>
\$	<u>3,989,689</u>	<u>\$ 4,208,663</u>	<u>\$ 4,139,704</u>	<u>\$ 4,235,643</u>	<u>\$ 4,831,501</u>	<u>\$ 4,583,000</u>
\$	992,654	\$ 1,193,249	\$ 633,630	\$ 1,358,913	\$ 540,101	\$ (767,605)
	460,237	867,450	1,238,500	116,406	312,397	1,242,374
\$	<u>1,452,891</u>	<u>\$ 2,060,699</u>	<u>\$ 1,872,130</u>	<u>\$ 1,475,319</u>	<u>\$ 852,498</u>	<u>\$ 474,769</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund:				
Assigned	\$ -	\$ 119,140	\$ 2,666	\$ -
Restricted	79,650	39,679	39,455	35,254
Unassigned	635,926	716,087	1,177,088	1,214,037
Total general fund	<u>\$ 715,576</u>	<u>\$ 874,906</u>	<u>\$ 1,219,209</u>	<u>\$ 1,249,291</u>
All other governmental funds:				
Restricted	\$ 1,034,399	\$ 983,567	\$ 1,337,086	\$ 1,192,338
Committed	-	-	123,697	-
Assigned	-	-	98,820	92,586
Unassigned, reported in:				
Special revenue funds	-	-	-	(58,173)
Total all other governmental funds	<u>\$ 1,034,399</u>	<u>\$ 983,567</u>	<u>\$ 1,559,603</u>	<u>\$ 1,226,751</u>

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
38,213	43,650	214,967	83,032	89,829	87,759
1,795,405	2,364,908	2,493,030	2,750,305	3,132,520	3,505,245
<u>\$ 1,833,618</u>	<u>2,408,558</u>	<u>2,707,997</u>	<u>\$ 2,833,337</u>	<u>\$ 3,222,349</u>	<u>\$ 3,593,004</u>
\$ 1,053,664	\$ 1,147,473	\$ 2,148,738	\$ 1,513,637	\$ 3,431,051	\$ 1,681,869
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	(209,853)
<u>\$ 1,053,664</u>	<u>\$ 1,147,473</u>	<u>\$ 2,148,738</u>	<u>\$ 1,513,637</u>	<u>\$ 3,431,051</u>	<u>\$ 1,472,016</u>

City of Canton, Texas

CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS

Last Ten Years

(modified accrual basis of accounting)

	2009	2010	2011	2012
Revenues				
Taxes	\$ 1,068,738	\$ 1,147,211	\$ 1,104,103	\$ 1,116,283
Non-property taxes	2,330,741	2,324,193	2,434,901	2,524,886
License and permits	49,565	43,873	64,018	51,070
Charges for services	74,221	67,565	67,738	61,981
Fines and forfeitures	196,187	167,744	342,061	337,264
Capital & operating grants	98,531	279,767	349,937	154,708
Rental income	32,957	48,601	46,697	48,937
Donations	3,373	9,095	7,584	6,879
Other revenue	-	-	-	-
Investment income	16,717	11,860	15,200	8,510
Total Revenues	3,871,030	4,099,909	4,432,239	4,310,518
Expenditures				
General government	1,132,721	795,167	849,814	928,968
Public safety	1,934,821	1,459,063	1,507,941	1,518,593
Public works	1,747,843	708,120	686,958	637,721
Parks and recreation	563,291	221,869	238,155	234,709
Capital outlay	-	369,691	743,531	550,590
Intergovernmental	-	-	-	-
Debt service				
Issuance costs	-	-	22,100	-
Interest	633,988	667,482	690,342	717,439
Principal	143,426	180,367	186,381	153,514
Total Expenditures	6,156,090	4,401,759	4,925,222	4,741,534
Excess of Revenues				
Over (Under) Expenditures	(2,285,060)	(301,850)	(492,983)	(431,016)
Other Financing Sources (Uses)				
Sale of assets	29,487	-	-	-
Debt proceeds	380,000	-	750,000	-
Escrow payment of retired debt	-	-	-	-
Intergovernmental	248,688	-	105,500	41,650
FEMA reimbursements	-	-	-	-
Insurance reimbursement	49,361	40,136	34,336	39,322
Miscellaneous	52,605	38,531	13,407	24,139
Transfers	448,279	331,681	333,035	23,238
Total Other Financing Sources (Uses)	1,208,420	410,348	1,236,278	128,349
Net Change in Fund Balances	\$ (1,076,640)	\$ 108,498	\$ 743,295	\$ (302,667)
Debt service as a percentage of noncapital expenditures	12.63%	21.03%	21.49%	20.78%

	2013	2014	2015	2016	2017	2018
\$	1,114,335	\$ 1,137,994	\$ 1,133,744	\$ 1,160,650	\$ 1,206,026	\$ 1,251,200
	2,629,004	2,775,409	2,832,294	2,912,965	3,035,412	3,083,280
	89,330	109,307	98,298	81,231	91,211	68,386
	60,232	58,648	73,607	70,950	60,979	63,081
	223,077	242,171	220,863	190,832	197,755	131,130
	12,775	141,830	37,084	522,265	342,216	121,100
	48,240	54,346	61,844	68,369	99,437	71,418
	270	7,555	31,821	3,187	5,245	2,728
	-	-	-	-	-	23,811
	8,408	8,971	9,089	9,949	15,978	25,427
	<u>4,185,671</u>	<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>
	1,034,573	710,861	1,179,236	1,322,920	1,490,437	1,084,684
	1,541,765	1,637,044	1,921,641	1,863,848	1,573,708	2,149,370
	670,256	597,702	330,095	320,129	456,333	355,993
	246,285	262,257	292,389	343,569	545,366	400,264
	421,675	305,707	354,246	2,395,632	1,535,475	1,724,605
	-	-	-	-	-	50,000
	-	29,584	21,500	-	50,375	-
	751,833	627,604	74,317	72,601	91,088	113,133
	126,883	107,670	812,465	497,910	601,380	488,130
	<u>4,793,270</u>	<u>4,278,429</u>	<u>4,985,889</u>	<u>6,816,609</u>	<u>6,344,162</u>	<u>6,366,179</u>
	(607,599)	257,802	(487,245)	(1,796,211)	(1,289,903)	(1,524,618)
	-	-	220,963	7,125	47,361	384,940
	-	368,750	1,265,750	379,000	3,000,000	-
	-	(470,250)	-	-	-	-
	228,147	-	-	-	-	-
	-	-	-	-	-	-
	149,497	-	26,104	117,454	50,206	47,563
	8,861	6,472	-	-	27,742	-
	594,585	495,589	211,993	782,871	471,020	(496,265)
	<u>981,090</u>	<u>400,561</u>	<u>1,724,810</u>	<u>1,286,450</u>	<u>3,596,329</u>	<u>(63,762)</u>
\$	<u>373,491</u>	<u>\$ 658,363</u>	<u>\$ 1,237,565</u>	<u>\$ (509,761)</u>	<u>\$ 2,306,426</u>	<u>\$ (1,588,380)</u>
	20.10%	19.25%	19.61%	12.90%	15.45%	13.09%

City of Canton, Texas

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Fiscal Years

	2009	2010	2011	2012
Residential real estate	\$ 184,651,730	\$ 139,534,250	\$ 139,947,640	\$ 148,369,050
Commercial real estate	85,766,718	179,636,930	164,330,874	154,960,053
Other Property	28,283,792	9,891,220	10,976,940	6,287,803
Less: tax-exempt property	(45,556,942)	(42,279,716)	(53,090,014)	(47,777,448)
Taxable value	\$ 253,145,298	\$ 286,782,684	\$ 262,165,440	\$ 261,839,458
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.

2013	2014	2015	2016	2017	2018
\$ 146,435,480	\$ 156,782,282	\$ 196,091,860	\$ 240,917,309	\$ 284,298,510	\$ 303,710,750
158,059,040	150,933,786	90,302,440	22,082,160	17,278,350	12,511,870
5,808,060	4,156,300	37,103,113	39,798,887	43,697,955	43,462,537
(46,176,854)	(47,300,774)	(51,814,346)	(24,666,350)	(55,796,298)	(59,786,273)
\$ 264,125,726	\$ 264,571,594	\$ 271,683,067	\$ 278,132,006	\$ 289,478,517	\$ 299,898,884
0.425230	0.420332	0.420332	0.420332	0.420332	0.420332

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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
2009	\$ 0.1012	\$ 0.3240	\$ 0.4252	\$ 1.4710	\$ 0.3869
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

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
September 30, 2018

Property Tax Payer	2018		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Henry Lewis	\$ 9,694,922	1	3.23%
Brookshire Grocery Co.	6,215,040	2	2.07%
WalMart Real Estate Business Trust	6,088,250	3	2.03%
Wal-Mart Stores Texas LP #827	5,344,630	4	1.78%
Texas NH1 Investors LLC	5,136,230	5	1.71%
PD Bridwell Canton LP	4,454,846	6	1.49%
Kingdom Perspective GP LTD	4,044,940	7	1.35%
Atmos Energy	3,820,916	8	1.27%
Billy Deen	3,463,770	9	1.15%
Timothy Michels	3,352,990	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 & Macelyn Norrell Revocable Trust	-	n/a	n/a
Total	\$ 51,616,534		17.21%
Total Assessed Valuation	\$ 299,898,884		

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*

Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
\$ 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%
<hr/>		<hr/>
\$ 47,893,216		18.10%
<hr/>		<hr/>
\$ 264,571,594		
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City of Canton, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Tax levy	\$ 1,076,450	\$ 1,125,108	\$ 1,097,291	\$ 1,098,067
Current tax collected	\$ 1,023,609	\$ 1,100,715	\$ 1,071,619	\$ 1,075,976
Percent of current tax collections	95.09%	97.83%	97.66%	98.0%
Delinquent tax collections	\$ 52,579	\$ 23,172	\$ 24,127	\$ 20,416
Total tax collections	\$ 1,076,188	\$ 1,123,887	\$ 1,095,746	\$ 1,096,392
Total collections as a percentage of levy	99.98%	99.89%	99.86%	99.8%

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 1,109,162	\$ 1,096,549	\$ 1,128,605	\$ 1,150,626	\$ 1,199,289	\$ 1,238,189
\$ 1,078,852	\$ 1,084,478	\$ 1,114,866	\$ 1,137,972	\$ 1,185,872	\$ 1,225,184
97.3%	98.9%	98.8%	98.9%	98.9%	98.9%
\$ 28,260	\$ 9,950	\$ 9,923	\$ 8,149	\$ 7,756	\$ -
\$ 1,107,112	\$ 1,094,428	\$ 1,124,789	\$ 1,146,121	\$ 1,193,628	\$ 1,225,184
99.8%	99.8%	99.7%	99.6%	99.5%	98.9%

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental activities:				
Tax Notes	\$ 469,987	\$ 450,588	\$ 1,145,411	\$ 1,092,879
Tax and revenue bonds	-	-	-	-
Certificates of obligation	2,005,330	1,891,550	1,777,100	1,649,450
Other obligations	398,348	339,044	308,330	276,072
Refunding bonds	1,990,000	1,515,000	1,025,000	520,000
Business-type activities:				
Certificates of obligation	\$ 1,459,671	\$ 1,363,450	\$ 1,252,900	\$ 1,115,550
Other obligations	26,315	-	-	-
Refunding bonds	420,000	260,000	95,000	-
Revenue bonds	-	1,045,000	1,010,000	2,970,000
Tax Notes	-	-	-	-
Total primary government	<u><u>\$ 6,769,651</u></u>	<u><u>\$ 6,864,632</u></u>	<u><u>\$ 6,613,741</u></u>	<u><u>\$ 7,623,951</u></u>
Percentage of personal income (1)	0.05%	0.04%	0.02%	2.44%
Per capita	\$ 15	\$ 12	\$ 8	\$ 868

(1) Personal income is disclosed on page 124

	2013	2014	2015	2016	2017	2018
\$	1,041,006	\$ 707,372	\$ 1,640,749	\$ 1,422,839	\$ 1,181,000	\$ 1,029,110
	-	-	-	-	2,964,000	2,964,000
	1,502,209	842,137	645,000	440,000	225,000	-
	242,193	206,611	-	379,000	1,313,949	1,276,459
	-	298,750	225,000	150,000	73,750	-
\$	954,750	\$ -	\$ -	\$ -	\$ -	\$ -
	-	-	-	-	-	-
	-	896,250	675,000	450,000	221,250	-
	2,904,426	2,786,819	2,625,000	2,505,000	2,380,000	2,250,000
	-	-	1,234,250	1,202,159	1,148,997	1,000,887
\$	6,644,584	\$ 5,737,939	\$ 7,044,999	\$ 6,548,998	\$ 9,507,946	\$ 8,520,456
	8.32%	7.24%	8.11%	7.98%	11.51%	10.26%
\$	1,856	\$ 1,569	\$ 1,926	\$ 1,790	\$ 2,486	\$ 2,202

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
NET TAXABLE ASSESSED VALUE				
All property	\$ 253,145,298	\$ 286,782,684	\$ 262,165,440	\$ 261,839,458
NET BONDED DEBT				
Gross bonded debt	6,344,988	6,525,588	6,305,411	7,347,879
Less debt service funds	1,034,399	983,567	975,670	1,000,514
Net Bonded Debt	<u>\$ 5,310,589</u>	<u>\$ 5,542,021</u>	<u>\$ 5,329,741</u>	<u>\$ 6,347,365</u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	0.02	0.02	0.02	0.02
POPULATION	5,147	5,147	3,581	3,581
NET BONDED DEBT PER CAPITA	\$ 1,032	\$ 1,077	\$ 1,488	\$ 1,773

Source: City staff

(1) Van Zandt County Appraisal District

(2) Schedule of Bonds Payable

(3) Financial statement

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 264,125,726	\$ 264,571,594	\$ 271,683,067	\$ 278,132,006	\$ 289,478,517	\$ 299,898,884
6,402,391	4,942,273	3,525,000	3,105,000	5,639,000	5,214,000
988,269	1,137,087	1,167,949	1,180,676	1,128,225	927,343
<u>\$ 5,414,122</u>	<u>\$ 3,805,186</u>	<u>\$ 2,357,051</u>	<u>\$ 1,924,324</u>	<u>\$ 4,510,775</u>	<u>\$ 4,286,657</u>
0.02	0.01	0.01	0.01	0.02	0.01
3,581	3,658	3,658	3,755	3,878	3,878
\$ 1,512	\$ 1,040	\$ 644	\$ 512	\$ 1,163	\$ 1,105

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City of Canton, Texas

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2018

Governmental Unit	<u>Debt</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Van Zandt County	3,987,000	11.45%	\$ 456,512
Canton Independent School District	28,674,366	50.87%	14,586,650
Subtotal, overlapping debt	<u>\$ 32,661,366</u>		<u>15,043,161</u>
City of Canton			<u>7,243,997</u>
Total direct and overlapping debt			<u><u>\$ 22,287,158</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Tax rate limit	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000
Current tax rate	0.4252	0.4252	0.4252	0.4252	0.4252
Legal debt margin	<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

2014	2015	2016	2017	2018
\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000	\$ 2.5000
0.4203	0.4203	0.4203	0.4203	0.4203
<u>\$ 2.0797</u>				

City of Canton, Texas
PLEDGED REVENUE COVERAGE
Last Ten Years

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Gross revenues (water/sewer/sanitation) (1)	\$ 2,903,390	\$ 2,189,567	\$ 2,534,539	\$ 2,625,861
Operating expenses (2)	\$ 2,371,358	\$ 1,919,886	\$ 2,430,445	\$ 1,746,992
Net revenues available for Debt Service	\$ 532,032	\$ 269,681	\$ 104,094	\$ 878,869
DEBT SERVICE REQUIREMENTS				
Principal	\$ 380,000	\$ 15,000	\$ 35,000	\$ 40,000
Interest	134,718	11,262	44,410	42,923
Total	<u>\$ 514,718</u>	<u>\$ 26,262</u>	<u>\$ 79,410</u>	<u>\$ 82,923</u>
Coverage	1.03	10.27	1.31	10.60

(1) Total revenues excluding interest and grants

(2) Total operating expenses less depreciation

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 2,576,073	\$ 2,590,905	\$ 2,651,792	\$ 2,502,371	\$ 2,516,094	\$ 2,759,147
\$ 1,918,310	\$ 1,750,905	\$ 1,916,405	\$ 2,122,710	\$ 2,228,187	\$ 2,216,550
\$ 657,763	\$ 840,000	\$ 735,387	\$ 379,661	\$ 287,907	\$ 542,597
\$ 40,000	\$ 40,000	\$ 40,000	\$ 45,000	\$ 45,000	\$ 130,000
41,223	39,523	37,823	34,423	33,496	90,148
<u>\$ 81,223</u>	<u>\$ 79,523</u>	<u>\$ 77,823</u>	<u>\$ 79,423</u>	<u>\$ 78,496</u>	<u>\$ 220,148</u>
8.10	10.56	9.45	4.78	3.67	2.46

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Population	5,147	5,147	3,581	3,581
Personal income	\$ 89,305,597	\$ 110,557,560	\$ 72,751,596	\$ 65,782,970
Per capita income	\$ 17,351	\$ 21,480	\$ 20,316	\$ 18,370
Average age	43	40	42	39
Grade School enrollment	942	948	926	980.0
Unemployment %	7.4%	7.2%	8.0%	6.6%

- 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

2013	2014	2015	2016	2017	2018
3,581	3,658	3,658	3,658	3,825	3,869
\$ 79,874,205	\$ 79,294,275	\$ 86,816,592	\$ 82,095,460	\$ 82,583,000	\$ 83,044,000
\$ 22,305	\$ 21,677	\$ 23,733	\$ 22,443	\$ 21,590	\$ 21,464
39	42	37	45	47	47
980	994	1,022	2,118	2,162	2,147
5.6%	4.5%	4.4%	4.6%	4.1%	3.6%

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City of Canton, Texas

PRINCIPAL EMPLOYERS

September 30, 2018

Employer	2018		2014	
	Employees	Rank	Employees	Rank
Wal-Mart Supercenter	330	1	312	1
Canton ISD	294	2	294	2
Van Zandt County	229	3	215	3
Canton Oaks	93	4	85	7
Zanbaka USA (Duke's)	84	5	75	9
City of Canton	83	6	83	8
Brookshire's	75	7	105	4
Winning Strategies	73	8	87	6
EPIC Industrial Inc.	50	9	n/a	n/a
Christus Trinity Mother Frances	49	10	40	10
Splash Kingdom (Seasonal)	49	11	100	5
Total	<u>1,409</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	2009	2010	2011	2012
General government	7	8	9	9
Public safety				
Police	19	19	19	19
Municipal court	2	2	2	2
Fire	5	7	7	7
Public works	11	5	5	6
Streets	3	5	5	5
Parks and Recreation	5	3	3	3
Animal Control	3	2	2	2
Utility Administration	2	2	2	2
Water, Wastewater	9	9	9	9
First Monday	12	18	17	18
Total	76	80	80	82

Source: City staff

2013	2014	2015	2016	2017	2018
9	9	8	7	7	8
19	19	19	19	20	18
2	2	2	2	1	1
7	7	8	8	8	8
6	6	7	7	5	5
5	5	5	6	5	5
3	4	4	5	5	5
2	2	3	3	2	2
2	2	2	2	2	3
9	10	7	7	7	7
18	19	18	18	22	22
82	84	82	83	84	84

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

Function/Program	2009	2010	2011	2012
Police				
Number of police officers	13	13	13	13
Number of violations (citations)	1,811	1,488	1,610	1,286
Fire				
Number of firefighters	23	20	19	15
Number of fire service runs	105	NA	80	52
Number of Medical assist runs	606	NA	398	457
Development Services				
Construction permits issued ¹	255	210	47	192
Estimated valuation ¹	4,603,990	3,493,399	6,088,662	2,863,932
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	1,988	2,016	2,045	2,106
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

2013	2014	2015	2016	2017	2018
13	13	13	13	13	13
1,578	1,859	1,332	1,615	1,684	1,494
15	14	14	12	12	12
132	342	284	365	808	795
624	1,064	1,227	1,042	1,110	957
311	346	367	319	410	366
11,457,266	15,827,694	5,883,167	6,746,274	5,873,426	6,554,232
26	26	26	26	26	26
257	257	257	257	257	257
2,172	2,156	2,208	2,221	2,307	2,307
1	1	1	1	1	1
1	1	1.5	1.5	1.5	1.5
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	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	10	10	10	10	10	10	10	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	501	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	3	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	49	50	50	50	50
Fire Hydrants	245	245	245	245	245	245	245	245	285	285
Storm Sewers (miles)	1	1	1	1	1	1	1	1	1	1
Sanitary Sewers (miles)	45	45	45	45	45	45	45	45	50	50
First Monday (acres)	100	100	100	100	100	100	100	100	100	100

Source: City Departments

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