CITY OF CANTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010

Submitted By:
Finance Department

Scott C. Price, CPA
Chief Financial Officer

CITY OF CANTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2010

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Gene Hobgood, *Mayor*
E. Scott Wood, *City Manager*
Coty Ervin, *City Clerk*

City of Canton

151 Elizabeth Street
Canton GA 30114
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Pat Tanner Ward I, *City Council*
Bob Rush Ward I, *City Council*
Jack Goodwin Ward II, *City Council*
Bill Bryan Ward II, *City Council*
John Beresford Ward III, *City Council*
Amelia Rose Ward III, *City Council*

March 22, 2011

TRANSMITTAL

To the Citizens of the City of Canton:

The Comprehensive Annual Financial Report of the City of Canton, Georgia for the fiscal year ended September 30, 2010, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

PROFILE

The City of Canton is located approximately thirty-five miles north of Atlanta on Interstate 575. The City is governed by a Mayor and six Council Members. The Mayor and Council are elected at large by the City residents to serve four year terms. For the election of Council Members, the City is divided into three wards with two Council Members serving from each ward. The City Manager is responsible for the daily operations of all City departments. The City currently has one hundred and twenty full-time employees to perform the daily functions of each department.

This report includes all funds of the City. The City provides a full range of services. These services include police and fire protection; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities and cultural events. In addition to general governmental activities, the City also operates a Water and Sewer System. The City's reporting entity also includes the balances and activities of seven quasi–governmental entities; the Downtown Development Authority, a discretely presented component unit, the Canton Development Authority, a discretely presented component unit, the Canton Preservation, a discretely presented component unit, the Canton Tourism, a discretely presented component unit, the Canton Building Authority, a blended component unit, the Canton Tree City Commission, a blended component unit and the Urban Redevelopment Agency, a blended component unit.

The City in conjunction with its component units is striving to improve the lives of its residents through the creation of new parks and recreation venues, upgrades to water and sewer infrastructure, construction of a new raw water reservoir and construction of new police and fire facilities. The Mayor and City Council is very proactive in planning for the future and initiating plans to meet future needs of the community.

ECONOMIC CONDITION AND OUTLOOK

The City of Canton is the county seat of Cherokee County. The City has experienced a considerable amount of growth in the past 30 years, and now, the City's full growth potential is beginning to unfold. Cherokee County is currently receiving a considerable amount of growth as the result of receiving a spill over of growth from metropolitan Atlanta.

The population growth of the City of Canton has been as follows:

Year	Population	% of County
1960	2,411	11.6
1970	3,654	11.8
1980	3,589	6.9
1990	4,817	5.3
2000	6,959	5.5
2010	23,073	10.3

*Information received from Atlanta Regional Commission

Some of the factors, which will contribute to the future growth, and development of the Canton area are listed below.

Improved Transportation System

Transportation systems have a major impact on the growth and development of any area. The successful development of the Canton-Cherokee Industrial Park is a prime example of the positive impact of the improved highway access in the area. In addition, improvements to the on-ramps and off-ramps of I-575 have also impacted highway access in the area. Roads have been upgraded to meet the increasing traffic volume generated by development.

Increased Job Opportunities

The City tax base will continue to increase due to the new commercial, residential and business development in the City. The continuous and increased commercial, industrial and residential developments in the city will generate more local jobs and thus reduce the need for people to commute to the Atlanta area, which in turn will demand more services and facilities.

Water and Sewer Availability

The City recently completed a project to upgrade the water treatment and distribution system of the City. The permitted water capacity is currently 5.45 million gallons per day and conditionally permitted sewer capacity is 4.00 million gallons per day.

In response to an EPD consent order, the City has engaged an engineering firm to design upgrades to the Waste Water Treatment Plant to allow consistent permit compliance.

Availability of Large Tracts of Land

During the next twenty years, the northern and western sections of Canton will experience many land use changes primarily due to the large areas of vacant land in this area. Over half of the vacant land is already slated for residential and industrial development and should be complete in the next twenty years.

Recent Economic Development

Technology Park/Atlanta, Inc., has constructed a high-tech industrial park, The Bluffs, east of State Route 140 and along the eastern shores of the Hickory Log Creek Raw Water Reservoir. After an estimated twenty-year build out, the park is projected to produce approximately 20,000 new jobs. The City of Canton completed the Bluffs Parkway which bisects the high-tech park during fiscal year 2004. Technology Park/Atlanta, Inc., continues marketing to lure new businesses to the park.

During fiscal year 2004, plans were made public that Northside Hospital-Cherokee plans to construct a new facility within a large multi-use parcel called Canton Place east of I-575 at exit 19. The first phase of the development, Canton Marketplace, held grand openings in March of 2009 for the anchor tenants, including Best Buys, Dicks, Kohl's, Target, and Lowe's. The parcel includes numerous retail establishments and restaurants, with plans for single-family and multi-family residential units, hotels and medical office buildings. Construction of the Commerce Boulevard has been completed on the SR 20 side with work ongoing to construct a parkway to connect to State Route 140 on the south end of the parcel.

Internal Controls

Management of the government is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: a) the cost of a control should not exceed the benefits likely to be derived; and b) the valuation of costs and benefits requires estimates and judgments by management.

Budgetary Controls

In addition, the government maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the General Fund, Canton Building Authority, Hotel/Motel Tax Fund, Tree City Commission, Urban Redevelopment Agency, Impact Fee Fund, SPLOST V Fund, Road & Sidewalk Fund, Water and Sewer Fund, Storm Water Fund and Sanitation Fund are included in the annual appropriated budget. The level of budgetary control

(that is, the level at which expenditures cannot legally exceed the appropriated amount) is the department level.

As demonstrated by the statements and schedules included in the financial section of this report, the government strives to meet its responsibility for sound financial management.

Debt Administration

At September 30, 2010, the City had no general obligation bonds outstanding. During the fiscal year, the Canton Building Authority issued the Canton Building Authority Series 2009 bonds in the amount of $8,000,000 for the acquisition of additional land and mitigation property for the Hickory Log Creek Raw Water Reservoir. The bond shall be repaid semiannually on March 1st and September 1st with a maturity of September 1, 2029 at 5.00% per annum.

Long-Term Financial Planning

The City actively engages in multi-year financial planning. The City annually updates its five year capital improvement plan to account for future capital acquisitions and capital asset replacements. The City is actively engaged in long-term forecasting to determine areas where utility upgrades are going to be needed to improve water and sewer infrastructure. The budget officer uses various data in forecasts for future operating and capital needs in the preparation of the City's annual budget document as well.

MAJOR INITIATIVES

Hickory Log Creek Raw Water Reservoir

The Hickory Log Creek Raw Water Reservoir is a joint governmental project between the City of Canton and the Cobb County-Marietta Water Authority to construct a 360 acre reservoir on Hickory Log Creek north of the City to meet the water needs of the citizens of Canton and Cobb County for many years to come. The costs of the project are jointly shared by the City of Canton and the Cobb County-Marietta Water Authority on a 25% and 75% basis respectively. Construction of the reservoir office is underway and is expected to be complete by the end of 2011. Additional land and mitigation property have been acquired in 2010 to meet the requirements of the reservoir permit issued by the US Army Corps of Engineers and the US Fish and Wildlife Service. Ongoing mitigation work and ancillary systems are on schedule to be completed by 2012.

Fairways of Canton

The Fairways of Canton is set to reopen in June 2011, after a transition to a new operator who is investing in improvements to the course. This project is a public-private partnership that includes an eighteen-hole golf course for the enjoyment of all the residents of the City of Canton. The City of Canton is paying for $3,000,000 of the construction costs using parks and recreation impact fees as available supplemented

by General Funds. The course will be operated by a private entity but is owned by the Canton Building Authority and operated as a public golf course.

Reservoir Drive

The City of Canton was a partner in the construction of Reservoir Drive along the western shore of the Hickory Log Creek Raw Water Reservoir. The project was a public-private partnership between the City of Canton and three contiguous property owners. The total cost of the project was approximately $6,000,000. The road consists of four lanes and a divided median and travels from Reinhardt College Parkway to Great Sky Parkway.

Downtown Streetscapes

The City of Canton continues to apply for grant funding for the rehabilitation of the historic downtown area. Plans are currently underway for the completion of streetscape improvements from Main Street down Church Street, Elizabeth Street and East Marietta Street. The plan calls for pedestrian improvements, lamp posts, landscaping and benches. The City has also applied for funding for streetscapes along Waleska Street, Marietta Road, and Hickory Flat Road. These projects should begin in the summer of 2011 after needed right-of-way is obtained.

Public Safety Facilities and Equipment

The City of Canton is currently planning for the construction of two new joint fire stations/police precincts along the northern edge of the City. The planning for the two new facilities has begun and land has been identified for the sites. As the City continues to grow, additional plans will be made for future fire stations and police precincts to serve our citizens.

AWARDS AND ACKNOWLEDGEMENTS

Independent Audit

The Mayor and City Council and the State of Georgia require an annual audit to be performed on the books of account, financial records and transactions of all administrative departments of the City by independent Certified Public Accountants selected by the City Council. This requirement has been complied with and the auditors' opinion has been included in this report.

Certificate of Achievement

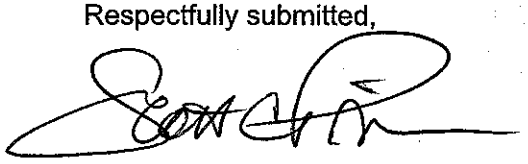
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Canton for its comprehensive annual financial report for the fiscal years ended September 30, 2000 through 2009. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated efforts of the staff of the Finance Department and the Certified Public Accounting firm of Mauldin and Jenkins. We would also like to thank the Mayor and members of the City Council for their interest in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Scott C. Price, CPA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Canton

Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



City of Canton, Georgia

City Officials
September 30, 2010

Mayor
Gene Hobgood

City Council
John Beresford
Bill Bryan
Jack Goodwin
Amelia Rose
Bob Rush
Patricia Tanner

City Manager
E. Scott Wood

Chief Financial Officer
Scott C. Price

City Clerk
Coty Ervin

Police Chief
Jeff Lance

Fire Chief
Dean Floyd

Director of Public Works
David J. Cangemi

Community Development Director
Ken Patton

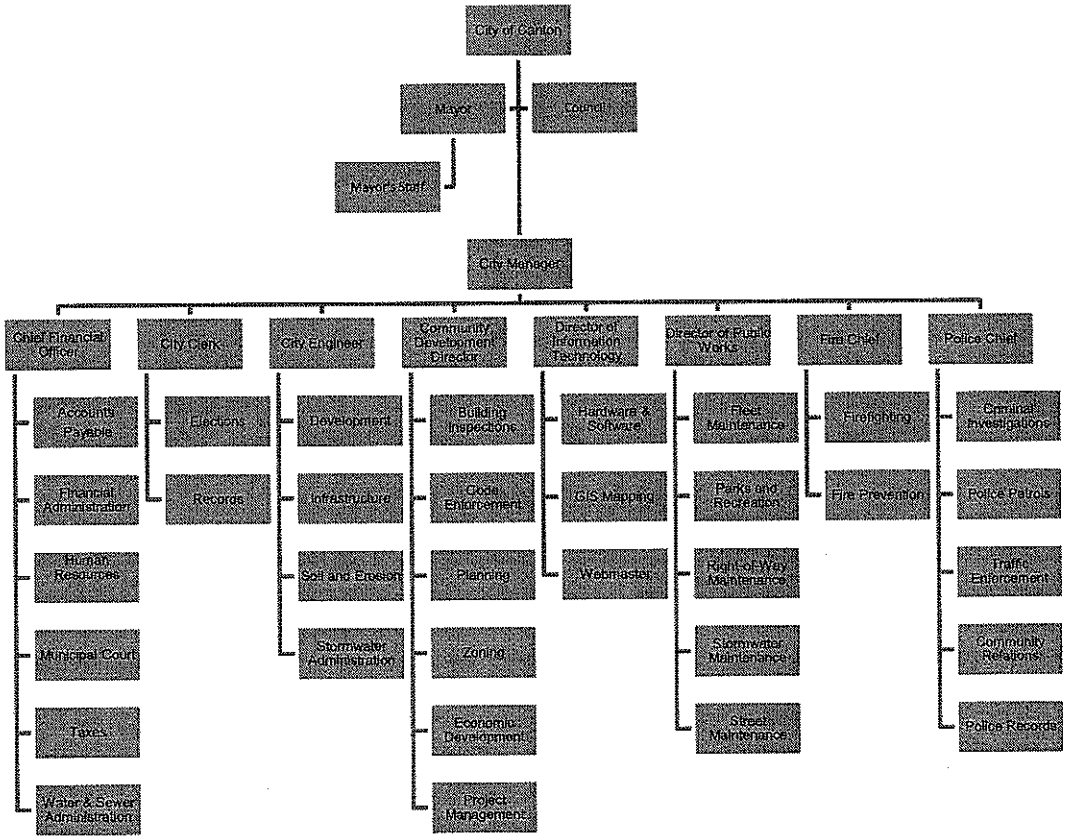
City Engineer
Celia Klardie

Information Technology Director
Camille Wehs

City Attorney
Robert M. Dyer

City Auditors
Mauldin & Jenkins, LLC

City of Canton
Organization Chart



FINANCIAL SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members
Of City Council
City of Canton, Georgia

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Canton, Georgia** as of and for the year ended September 30, 2010, which collectively comprise the City of Canton, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Canton, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canton, Georgia as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2011, on our consideration of the City of Canton, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Schedule of Funding Progress and budgetary comparison schedules for the General Fund and Building Authority on pages 3 through 11 and 56 through 59, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canton, Georgia's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and statistical section as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of special purpose local option sales tax proceeds, as required by the Official Code of Georgia 48-8-21, as listed in the table of contents, is also presented for purposes of additional analysis and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules and schedules of expenditures of special purpose local option sales tax proceeds have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 22, 2011

City of Canton, Georgia
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2010

As the management of the City of Canton, we offer readers of the City of Canton's financial statements this narrative overview and analysis of the financial activities of the City of Canton for the fiscal year ended September 30, 2010. The audit is required by Georgia law. A Statement of Net Assets and the Statement of Activities provides a picture of the activities of the City. Financial Fund Statements provide a more detailed view of the City's services and the revenue dedicated to provide them.

FINANCIAL HIGHLIGHTS

Key financial highlights for 2010 are as follows:

- The City's combined net assets increased $1,603,398 (1.95%) to $82,393,691 from $80,790,293 in 2009.
- Combined revenue decreased $6,635,729 (22.52%) to $22,832,574 from $29,468,303 in 2009, of which governmental activities totaled $13,556,649 and business-type activities totaled $9,275,925.
- Overall expenses increased $677,821 (3.30%) to $21,229,176 from $20,551,355 in 2009, of which governmental activities totaled $13,829,878 and business-type activities totaled $7,399,298.
- As of September 30, 2010, the City's governmental funds reported combined ending fund balances of $7,949,933. At September 30, 2010 $7,708,342 or 96.96% is available for use (unreserved fund balance).

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Canton's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Government-wide financial statements are designed to provide readers with a broad overview of the City's operations, in a manner similar to private-sector business. All governmental and business-type activities are consolidated to arrive at a total for the primary government.

There are two government-wide statements: 1) The Statement of Net Assets and 2) The Statement of Activities.

The Statement of Net Assets

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

The Statement of Activities

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (i.e. uncollected taxes and earned but unused accrued 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 the general government, judicial, public safety, public works, culture and recreation and housing and development. The business-type activities include the water and sanitary sewer system, stormwater system, and the sanitation service. Component units include legally separate entities that meet the criteria for inclusion in the City's financial statements discussed in the notes to the financial statements note 1A. The City includes four component units in its government-wide financial statements: the Canton Downtown Development Authority, Canton Development Authority, Canton Preservation, Inc., and Canton Tourism, Inc.

The government-wide financial statements can be found on pages 12 and 13 of this report.

FUND FINANCIAL STATEMENTS

The Fund Financial statements begin on page 14 and provide detailed information about the City's funds. Some funds are required to be established by state law and by bond covenants. However, the City establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money.

Governmental Funds

Most of the basic services provided by the City are financed through 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, the governmental fund financial statements focus on near-term flows 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 evaluating the 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 in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three governmental fund types: the General Fund, Special Revenue Funds and Capital Projects Funds. Only four individual funds are considered to be major funds – the General Fund, Canton Building Authority, Road and Sidewalk Fund and SPLOST V Fund. Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The basic governmental fund financial statements can be found on pages 14 through 16 of this report.

Proprietary Funds

Proprietary funds are used to account for activities that operate similar to those of commercial enterprises found in the private sector. The City maintains a Water and Sewer Fund, Stormwater Fund, and Sanitation Fund as enterprise funds. Proprietary funds provide the same type of information as the government-wide financial statements but in greater detail. The Water and Sewer Fund, Sanitation Fund, and Stormwater Fund are considered to be major funds.

The basic proprietary fund financial statements can be found on pages 17 through 20 of this report.

Agency Fund

Agency funds are used to account for assets held by the City in a trustee or agency capacity. The City has one agency fund: the Municipal Court Fund.

The Statement of Fiduciary Assets and Liabilities can be found on page 21 of this report.

Notes to Financial Statements

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

The notes to financial statements can be found on pages 24 through 55 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to its employees and budget to actual statements.

The required supplementary information can be found on page 56 through 59 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (government and business-type activities) totaled $82,393,691 at September 30, 2010.

The City has $77,775,631 of its net assets invested in capital assets (e.g. land, infrastructure, buildings, equipment, and other), less any related debt outstanding that was needed to build or acquire the assets. The City uses these assets to provide services to the citizens and the businesses in the City; consequently, these net assets are not available for future spending. The city has $2,810,921 of restricted net assets that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The City has a balance of $1,807,139 in unrestricted funds, which can be used to fund current operations.

Condensed Statement of Net Assets

The table below presents the City's condensed Statement of Net Assets as of September 30, 2010:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current and other assets	$ 12,114,631	$ 8,209,287	$ 3,595,645	$ 1,165,499	$ 15,710,276	$ 9,374,786
Capital assets	63,405,802	64,636,600	66,729,854	66,704,525	130,135,656	131,341,125
Total assets	$ 75,520,433	$ 72,845,887	$ 70,325,499	$ 67,870,024	$ 145,845,932	$ 140,715,911
Current liabilities	$ 5,406,021	$ 5,367,042	$ 5,669,568	$ 6,128,760	$ 11,075,589	$ 11,495,802
Non-current liabilities	40,835,041	35,629,810	11,541,611	12,800,006	52,376,652	48,429,816
Total liabilities	46,241,062	40,996,852	17,211,179	18,928,766	63,452,241	59,925,618
Net assets:						
Invested in capital assets, net of related debt	23,904,711	26,397,902	53,870,920	52,591,378	77,775,631	78,989,280
Restricted	2,810,921	3,415,322	-	-	2,810,921	3,415,322
Unrestricted	2,563,739	2,035,811	(756,600)	(3,650,120)	1,807,139	(1,614,309)
Total net assets	29,279,371	31,849,035	53,114,320	48,941,258	82,393,691	80,790,293
Total liabilities and net assets	$ 75,520,433	$ 72,845,887	$ 70,325,499	$ 67,870,024	$ 145,845,932	$ 140,715,911

As of September 30, 2010 the City of Canton is able to present positive balances in net assets for the governmental and business-type activities.

For the fiscal year ending September 30, 2010, the City's net assets increased $1,603,398.

Condensed Statement of Activities

The table below presents the City's Condensed Statement of Activities for the year ended September 30, 2010.

Revenues	Governmental Activities		Business-Type Activities		Total	
Program Revenues:	2010	2009	2010	2009	2010	2009
Charges for services	$ 1,609,404	$ 2,084,256	$ 8,857,938	$ 9,340,966	$ 10,467,342	$ 11,425,222
Operating grants and contributions	-	74,950	-	-	-	74,950
Capital grants and contributions	2,908,383	5,242,945	415,060	2,296,436	3,323,443	7,539,381
General Revenues:						
Property taxes	5,663,145	5,045,128	-	-	5,663,145	5,045,128
Other taxes	3,202,330	5,234,350	-	-	3,202,330	5,234,350
Investment earnings	45,880	92,967	2,927	2,077	48,807	95,044
Other revenues	127,507	54,228	-	-	127,507	54,228
Total Revenues	13,556,649	17,828,824	9,275,925	11,639,479	22,832,574	29,468,303
Expenses						
General government	1,770,433	2,205,371	-	-	1,770,433	2,205,371
Judicial	224,185	207,879	-	-	224,185	207,879
Public safety	5,347,017	5,189,142	-	-	5,347,017	5,189,142
Public works	2,659,564	1,888,445	-	-	2,659,564	1,888,445
Culture and recreation	1,270,290	1,151,561	-	-	1,270,290	1,151,561
Housing and development	633,366	744,870	-	-	633,366	744,870
Interest on long-term debt	1,925,023	1,639,962	-	-	1,925,023	1,639,962
Water and sewer	-	-	5,941,837	5,618,888	5,941,837	5,618,888
Stormwater	-	-	389,054	842,291	389,054	842,291
Sanitation	-	-	1,068,407	1,062,946	1,068,407	1,062,946
Total Expenses	13,829,878	13,027,230	7,399,298	7,524,125	21,229,176	20,551,355
Increase in net assets before transfers	(273,229)	4,801,594	1,876,627	4,115,354	1,603,398	8,916,948
Transfers in (out)	(2,296,435)	(106,289)	2,296,435	106,289	-	-
Change in net assets	(2,569,664)	4,695,305	4,173,062	4,221,643	1,603,398	8,916,948
Beginning net assets	31,849,035	27,153,730	48,941,258	44,719,615	80,790,293	71,873,345
Ending net assets	$ 29,279,371	$ 31,849,035	$ 53,114,320	$ 48,941,258	$ 82,393,691	$ 80,790,293

Governmental activities decreased the City's net assets by $2,369,664.

Property tax revenues increased $618,017 (12.25%) due to the opening of Canton Marketplace along with an increase in the millage rate. Charges for services decreased $957,880 (8.38%) due to the continued slowdown in residential construction during the fiscal year. Capital grants and contributions decreased $4,215,938 (55.92%) due to the drop in acceptance of land and infrastructure from developers. Other taxes decreased $2,032,020 (38.82%) primarily due to SPLOST revenues being reported as program revenue.

Public safety expenses increased $157,875 (3.04%) primarily due to the purchase of new vehicles. Public works expenses increased $771,119 (40,83%) due to the increase in infrastructure repairs and the recording of street light expense in public works instead of the utility fund.

The City made transfers of $2,296,435 from governmental activities to business type activities primarily to cover debt service requirements and expansion requirements.

FUND FINANCIAL ANALYSIS

The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of September 30, 2010, the City's governmental funds reported combined ending fund balances of $7,949,933. Of this amount $3,994,651 is contained in special revenue funds.

Major Governmental Funds

The General Fund is the operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was $1,737,473. In 2009 the General Fund had a fund balance of $1,147,210. Included in General fund operations were $317,338 of net transfers to other funds which was comprised of a $17,338 net transfer to the Impact Fee Fund and a $300,000 transfer to the Canton Building Authority.

The Canton Building Authority is a blended component unit classified as a special revenue fund of the City. The Canton Building Authority was formed by act of the Georgia General Assembly to construct and finance major capital projects within the City of Canton. At the end of the current fiscal year, the fund balance of the Canton Building Authority was $3,879,888 of which $26,115 was reserved. The net change in the Canton Building Authority's fund balance for the year ended September 30, 2010 was an increase of $3,852,676. The Canton Building Authority issued $8,000,000 of debt during the fiscal year for the continued construction of the Hickory Log Creek Reservoir and ancillary structures.

The Road and Sidewalk Fund is a capital projects fund that accounts for the receipt of funds from the Georgia Department of Transportation and private sector contributions for the construction and improvement of existing city thoroughfares as well as the construction of new roadways in the city. At the end of the current fiscal year, the Road and Sidewalk Fund had a deficit balance of ($752,753), which means that fiscal year 2011 operations will be funded entirely from 2011 revenues.

The SPLOST V Fund is a capital projects fund of the City. The purpose of this fund is to account for the collection of special purpose local option sales tax (SPLOST) and the construction of approved capital projects and the associated retirement of debt. At the end of the current fiscal year, the unreserved fund balance of the SPLOST V Fund was $1,372,835. The net change was a decrease of $257,711. The reason for the decrease was an increase in total payments on debt.

Non-Major Governmental Funds

Special Revenue Funds are used to account for the City's collection and disbursement of specific revenues that are legally restricted for specified purposes. The City has three non-major special revenue funds: the Hotel/Motel Tax Fund, Tree City Commission and Urban Redevelopment Agency.

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities that are not financed by proprietary funds. The City has one non-major capital projects fund: the Impact Fee Fund.

Non-major governmental funds revenues totaled $604,431 for the fiscal year ending September 30, 2010. Non-major governmental fund expenditures totaled $1,559,681. Fund balance for all non-major governmental funds was $1,552,849. Non-major fund balances decreased $318,957. Significant changes in non-major fund balances came from the Impact Fee fund which decreased $346,690 due to the downturn in the economy which resulted in a sharp decrease in residential construction and the Hotel/Motel Tax Fund which increased $42,954 due to an increase in collections.

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. The City has three enterprise funds, all of which are considered major funds: the Water and Sewer Fund, the Sanitation Fund, and the Stormwater Fund.

The Water and Sewer Fund has net assets of $51,078,256. Net assets invested in capital assets, net of related debt is $52,916,022 leaving a deficit balance in unrestricted net assets of ($1,837,766). The Water and Sewer fund reported net transfers in from governmental funds of $2,381,848 in order to meet construction commitments related to the construction of the Hickory Log Creek Raw Water Reservoir and related ancillary structures.

The Sanitation Fund has net assets of $88,259. The net assets increased $58,742 from 2009 due to savings gained through negotiating a new contract for residential waste collection.

The Stormwater Fund has net assets of $1,947,805. The net assets increased $873,744 from 2009 due to a delay in starting stormwater infrastructure upgrades associated with the streetscapes projects.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's comparison of actual revenues and expenditures to the adopted budget can be found on pages 57 and 58 of the annual report. Actual revenues were more than budgeted by $463,902. Actual expenditures exceeded budget in the City Manager's office ($1,087) because the expenditures for salaries and wages was greater than budgeted. Revenues in the General Fund were made available to cover the deficiency noted above.

CAPITAL ASSETS

The table below represents capital assets, net of accumulated depreciation:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	$ 12,588,975	$ 12,588,975	$ 4,968,833	$ 4,275,868	$ 17,557,808	$ 16,864,843
Construction in Progress	1,642,325	4,031,821	18,057,439	19,049,678	19,699,764	23,081,499
Site Improvements	-	-	5,867	6,506	5,867	6,506
Infrastructure	19,811,155	17,833,904	41,340,262	40,823,175	61,151,417	58,657,079
Buildings and Improvements	26,826,284	27,497,654	1,975,653	2,125,705	28,801,937	29,623,359
Furniture and Fixtures	77,956	87,199	-	-	77,956	87,199
Machinery and Equipment	926,453	835,111	381,800	423,593	1,308,253	1,258,704
Vehicles	1,532,654	1,761,936	-	-	1,532,654	1,761,936
Total:	$ 63,405,802	$ 64,636,600	$ 66,729,854	$ 66,704,525	$ 130,135,656	$ 131,341,125

The City's investment in capital assets for its governmental and business-type activities increased in 2010 primarily due to the continued construction of the Hickory Log Creek Raw Water Reservoir and ancillary structures. Refer to Note 6 in the notes to financial statements for more information.

LONG-TERM DEBT

The table below represents long-term debt outstanding:

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Bonds Payable	$ 40,969,872	$ 35,227,006	$ 8,068,903	$ 9,102,673	$ 49,038,775	$ 44,329,679
Capital Leases	264,330	399,726	102,795	155,449	367,125	555,175
Notes Payable	2,400,000	2,700,000	4,733,675	4,917,659	7,133,675	7,617,659
Total:	$ 43,634,202	$ 38,326,732	$ 12,905,373	$ 14,175,781	$ 56,539,575	$ 52,502,513

At September 30, 2010, the City reported long-term debt of $56,539,575 exclusive of interest expense. The City has no general obligation debt at fiscal year end. The City issued bonds of $8,000,000 for the construction of ancillary structures at the Hickory Log Creek Raw Water Reservoir. Refer to Note 7 in the notes to financial statements for more information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Mayor and Council in conjunction with the staff of the City of Canton have continued to aggressively address the current and future needs of the City by focusing on sound financial management, the use of current resources for capital expenditures and an extensive budgeting process. The City's General Fund budget for fiscal year 2011 is $10,027,081. This is a increase of $294,082 from the prior year. The budget for fiscal year 2011 increased from fiscal year 2010 as a result of the use of cost accounting methodologies to transfer funds from Water and Sewer, Sanitation, and Storm Water to cover the oversight costs for various departments in the General Fund.

The Water and Sewer Fund anticipates a rate increase in 2011 which will be determined upon the completion of a rate study that will be completed by the spring of 2011. The rate study will use current costs and long-term needs to determine the rate plan needed to properly fund a well maintained water and sewer system for the City of Canton.

The City does not anticipate significant growth in 2011 due to the continued slow down of the economy. However, the city does anticipate additional growth in the commercial sector due to the 2009 opening of Canton Marketplace on Exit 19 off I-575. Canton Marketplace features several national big box retailers along with various smaller retailers, restaurants and banks. The addition of this development will continue to increase the tax digest of the city as well as revenues from sales tax and water and sewer fees.

FINANCIAL CONTACT

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 government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to; Attention: Scott C. Price, CPA at City of Canton, 151 Elizabeth Street, Canton, GA 30114. Please visit our website at www.canton-georgia.com for additional information.

CITY OF CANTON, GEORGIA

STATEMENT OF NET ASSETS
SEPTEMBER 30, 2010

ASSETS	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash and cash equivalents	$ 5,418,788	$ 2,244,297	$ 7,663,085	$ 34,036
Taxes receivable	365,311	-	365,311	-
Other receivables	1,130,295	-	1,130,295	10
Accounts receivable, net of allowances	-	1,082,913	1,082,913	-
Due from primary government	-	-	-	52,889
Due from other governments	456,799	66,761	523,560	-
Internal balances	(45,732)	45,732	-	-
Inventory	-	88,290	88,290	4,465
Prepaid items	159,641	51,206	210,847	-
Deferred charges, unamortized balance	577,611	16,446	594,057	-
Restricted cash and cash equivalents	4,051,918	-	4,051,918	-
Note receivable from primary government	-	-	-	921,029
Capital assets:				
Non-depreciable	14,231,300	23,026,272	37,257,572	-
Depreciable, net of accumulated depreciation	49,174,502	43,703,582	92,878,084	1,084,192
Total assets	75,520,433	70,325,499	145,845,932	2,096,621
LIABILITIES				
Accounts payable	531,033	309,088	840,121	224
Accrued liabilities	1,834,991	715,835	2,550,826	7,057
Unearned revenue	-	3,311,414	3,311,414	-
Due to component unit	45,832	7,057	52,889	-
Compensated absences due within one year	276,197	8,851	285,048	-
Note payable to component unit, long term	-	921,029	921,029	-
Capital leases due within one year	71,784	27,916	99,700	-
Capital leases due in more than one year	192,546	74,879	267,425	-
Notes payable due within one year	300,000	191,938	491,938	-
Notes payable due in more than one year	2,100,000	3,620,708	5,720,708	-
Bonds payable due within one year	2,346,184	1,097,469	3,443,653	86,186
Bonds payable due in more than one year	38,542,495	6,924,995	45,467,490	1,342,372
Total liabilities	46,241,062	17,211,179	63,452,241	1,435,839
NET ASSETS				
Invested in capital assets, net of related debt	23,904,711	53,870,920	77,775,631	576,663
Restricted for capital projects	2,810,921	-	2,810,921	-
Unrestricted	2,563,739	(756,600)	1,807,139	84,119
Total net assets	$ 29,279,371	$ 53,114,320	$ 82,393,691	$ 660,782

The accompanying notes are an integral part of these financial statements

CITY OF CANTON, GEORGIA

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 1,770,433	$ 433,567	$ -	$ 674,491
Judicial	224,185	817,571	-	-
Public safety	5,347,017	37,424	-	36,250
Public works	2,659,564	185,236	-	695,850
Culture and recreation	1,270,290	103,524	-	1,501,792
Housing and development	633,366	32,082	-	-
Interest on long-term debt	1,925,023	-	-	-
Total governmental activities	13,829,878	1,609,404	-	2,908,383
Business-type activities:				
Water and sewer	5,941,837	6,677,034	-	208,758
Sanitation	1,068,407	1,127,149	-	-
Stormwater	389,054	1,053,755	-	206,302
Total business-type activities	7,399,298	8,857,938	-	415,060
Total primary government	$ 21,229,176	$ 10,467,342	$ -	$ 3,323,443
Total component units	$ 160,752	$ 33,739	$ 71,561	$ 115,403

General revenues:
- Property taxes
- Franchise taxes
- Alcoholic beverage taxes
- Insurance premium taxes
- Business occupation taxes
- Unrestricted investment earnings
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, beginning of year

Net assets, end of year

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (662,375)	$ -	$ (662,375)	$ -
593,386	-	593,386	-
(5,273,343)	-	(5,273,343)	-
(1,778,478)	-	(1,778,478)	-
335,026	-	335,026	-
(601,284)	-	(601,284)	-
(1,925,023)	-	(1,925,023)	-
(9,312,091)	-	(9,312,091)	-
-	943,955	943,955	-
-	58,742	58,742	-
-	871,003	871,003	-
-	1,873,700	1,873,700	-
$ (9,312,091)	$ 1,873,700	$ (7,438,391)	$ -
$ -	$ -	$ -	$ 59,951
$ 5,663,145	$ -	$ 5,663,145	$ -
1,463,563	-	1,463,563	-
467,132	-	467,132	-
427,411	-	427,411	-
844,224	-	844,224	-
45,880	2,927	48,807	28,560
127,507	-	127,507	-
(2,296,435)	2,296,435	-	-
6,742,427	2,299,362	9,041,789	28,560
(2,569,664)	4,173,062	1,603,398	88,511
31,849,035	48,941,258	80,790,293	572,271
$ 29,279,371	$ 53,114,320	$ 82,393,691	$ 660,782

CITY OF CANTON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

ASSETS	General Fund	Canton Building Authority	Road & Sidewalk	SPLOST V	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 1,962,673	$ -	$ 986,525	$ 1,011,820	$ 1,457,770	$ 5,418,788
Taxes receivable	332,081	-	-	-	33,230	365,311
Other receivables	1,130,295	-	-	-	-	1,130,295
Due from other governments	29,556	-	-	427,243	-	456,799
Due from other funds	152,413	-	-	-	73,437	225,850
Prepaid expenditures	159,641	26,115	-	-	55,835	241,591
Restricted cash	-	4,051,918	-	-	-	4,051,918
Total assets	$ 3,766,659	$ 4,078,033	$ 986,525	$ 1,439,063	$ 1,620,272	$ 11,890,552
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 419,070	$ -	$ 100,437	$ -	$ 11,526	$ 531,033
Accrued liabilities	78,129	-	1,638,841	-	-	1,716,970
Deferred revenues	1,298,909	-	-	66,228	10,065	1,375,202
Due to other funds	73,437	198,145	-	-	-	271,582
Due to component unit	-	-	-	-	45,832	45,832
Total liabilities	1,869,545	198,145	1,739,278	66,228	67,423	3,940,619
FUND BALANCES						
Fund balances:						
Reserved for:						
Prepaid expenditures	159,641	26,115	-	-	55,835	241,591
Unreserved, reported in:						
General fund	1,737,473	-	-	-	-	1,737,473
Special revenue funds	-	3,853,773	-	-	58,928	3,912,701
Capital projects funds	-	-	(752,753)	1,372,835	1,438,086	2,058,168
Total fund balances (deficit)	1,897,114	3,879,888	(752,753)	1,372,835	1,552,849	7,949,933
Total liabilities and fund balances	$ 3,766,659	$ 4,078,033	$ 986,525	$ 1,439,063	$ 1,620,272	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	63,405,802
Some outlays of financial resources are recorded as prepaid assets in the funds, as the liabilities are not due and payable in the current period.	(81,950)
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,375,202
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(43,369,616)
Net assets of governmental activities	$ 29,279,371

The accompanying notes are an integral part of these financial statements

CITY OF CANTON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	General Fund	Canton Building Authority	Road & Sidewalk	SPLOST V	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 8,593,613	$ -	$ -	$ -	$ 218,179	$ 8,811,792
Licenses and permits	424,019	-	-	-	-	424,019
Intergovernmental	179,993	-	-	2,177,709	45,237	2,402,939
Fines and forfeitures	806,541	-	-	-	-	806,541
Charges for services	39,668	-	-	-	324,404	364,072
Interest income	2,560	852	19,026	10,573	12,869	45,880
Miscellaneous	127,507	-	-	-	3,742	131,249
Total revenues	10,173,901	852	19,026	2,188,282	604,431	12,986,492
Expenditures						
Current:						
General government	1,590,325	-	132	20	8,350	1,598,827
Judicial	221,600	-	-	-	-	221,600
Public safety	5,040,076	-	-	-	-	5,040,076
Public works	1,424,508	-	-	-	-	1,424,508
Culture and recreation	376,228	-	-	-	120,760	496,988
Housing and development	550,722	-	-	-	67,198	617,920
Capital outlay	-	-	276,501	-	477,159	753,660
Debt service:						
Bond issuance costs	-	214,250	-	-	-	214,250
Principal retirements	24,447	1,899,699	-	-	767,068	2,691,214
Interest and fiscal charges	2,292	1,726,200	-	-	119,146	1,847,638
Total expenditures	9,230,198	3,840,149	276,633	20	1,559,681	14,906,681
Excess (deficiency) of revenues over expenditures	943,703	(3,839,297)	(257,607)	2,188,262	(955,250)	(1,920,189)
Other financing sources (uses):						
Proceeds from sale of capital assets	23,539	-	-	-	-	23,539
Proceeds from bond issuance	-	8,000,000	-	-	-	8,000,000
Transfers in	130,000	2,073,821	138,610	-	904,903	3,247,334
Transfers out	(447,338)	(2,381,848)	-	(2,445,973)	(268,610)	(5,543,769)
Total other financing sources (uses)	(293,799)	7,691,973	138,610	(2,445,973)	636,293	5,727,104
Net change in fund balances	649,904	3,852,676	(118,997)	(257,711)	(318,957)	3,806,915
Fund balances (deficit), beginning of year	1,247,210	27,212	(633,756)	1,630,546	1,871,806	4,143,018
Fund balances (deficit), end of year	$ 1,897,114	$ 3,879,888	$ (752,753)	$ 1,372,835	$ 1,552,849	$ 7,949,933

The accompanying notes are an integral part of these financial statements.

CITY OF CANTON, GEORGIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

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

Net change in fund balances - total governmental funds	$	3,806,915
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(1,694,023)
The net effect of various miscellaous transactions involved capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		463,225
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		63,287
The issuance of long-term debt 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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(5,156,066)
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.		(53,002)
Change in net assets - governmental activities	$	(2,569,664)

The accompanying notes are an integral part of these financial statements.

CITY OF CANTON, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds			
ASSETS	Water and Sewer Fund	Sanitation Fund	Stormwater Fund	Totals
CURRENT ASSETS				
Cash	$ 1,334,625	$ 87,121	$ 822,551	$ 2,244,297
Accounts receivable, net of allowance	855,338	95,446	132,129	1,082,913
Intergovernmental receivable	66,761	-	-	66,761
Prepaid items	41,329	3,807	6,070	51,206
Inventory	88,290	-	-	88,290
Due from other funds	198,145	93,829	86,292	378,266
Total current assets	2,584,488	280,203	1,047,042	3,911,733
CAPITAL ASSETS				
Nondepreciable	23,026,272	-	-	23,026,272
Depreciable assets	57,262,841	1,460	1,169,230	58,433,531
	80,289,113	1,460	1,169,230	81,459,803
Accumulated depreciation	(14,616,952)	(1,460)	(111,537)	(14,729,949)
	65,672,161	-	1,057,693	66,729,854
OTHER NONCURRENT ASSETS	16,446	-	-	16,446
Total noncurrent assets	65,688,607	-	1,057,693	66,746,300
Total assets	68,273,095	280,203	2,104,735	70,658,033
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	224,546	83,790	752	309,088
Accrued liabilities	119,236	5,257	5,029	129,522
Compensated absences payable	3,171	2,420	3,260	8,851
Due to other funds	287,594	-	44,940	332,534
Due to component unit	7,057	-	-	7,057
Unearned revenue	3,311,414	-	-	3,311,414
Customer deposits payable	485,682	100,477	154	586,313
Capital lease, current	-	-	27,916	27,916
Note payable, current	191,938	-	-	191,938
Bonds payable, current	1,097,469	-	-	1,097,469
Total current liabilities	5,728,107	191,944	82,051	6,002,102
NONCURRENT LIABILITIES				
Capital lease	-	-	74,879	74,879
Note payable due to component unit	921,029	-	-	921,029
Note payable	3,620,708	-	-	3,620,708
Bonds payable	6,924,995	-	-	6,924,995
Total noncurrent liabilities	11,466,732	-	74,879	11,541,611
Total liabilities	17,194,839	191,944	156,930	17,543,713
NET ASSETS				
Invested in capital assets, net of related debt	52,916,022	-	954,898	53,870,920
Unrestricted	(1,837,766)	88,259	992,907	(756,600)
Total net assets	$ 51,078,256	$ 88,259	$ 1,947,805	$ 53,114,320

The accompanying notes are an integral part of these financial statements.

CITY OF CANTON, GEORGIA

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Stormwater Fund	Totals
OPERATING REVENUE				
Water fees	$ 3,262,636	$ -	$ -	$ 3,262,636
Sewer fees	3,242,283	-	-	3,242,283
Stormwater fees	-	-	1,053,685	1,053,685
Sanitation fees	-	1,116,025	-	1,116,025
Miscellaneous	172,115	11,124	70	183,309
Total operating revenues	6,677,034	1,127,149	1,053,755	8,857,938
OPERATING EXPENSES				
Cost of sales and services	4,020,823	1,068,407	331,832	5,421,062
Depreciation and amortization	1,298,032	-	52,285	1,350,317
Total operating expenses	5,318,855	1,068,407	384,117	6,771,379
Operating income	1,358,179	58,742	669,638	2,086,559
NON-OPERATING REVENUES (EXPENSES)				
Interest income	510	-	2,417	2,927
Intergovernmental	77,280	-	11,196	88,476
Interest expense	(622,982)	-	(4,937)	(627,919)
Total non-operating expenses	(545,192)	-	8,676	(536,516)
Income before capital contributions and transfers	812,987	58,742	678,314	1,550,043
Captial contributions	131,478	-	195,106	326,584
Transfers in	2,381,848	-	324	2,382,172
Transfers out	(85,737)	-	-	(85,737)
	2,427,589	-	195,430	2,623,019
Change in net assets	3,240,576	58,742	873,744	4,173,062
Total net assets, beginning	47,837,680	29,517	1,074,061	48,941,258
Total net assets, ending	$ 51,078,256	$ 88,259	$ 1,947,805	$ 53,114,320

The accompanying notes are an integral part of these financial statements.

CITY OF CANTON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Stormwater Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 6,398,977	$ 1,140,736	$ 1,027,512	$ 8,567,225
Payments to suppliers	(4,903,855)	(1,033,834)	(50,703)	(5,988,392)
Payments to employees	(224,667)	(40,878)	(224,539)	(490,084)
Net cash provided by operating activities	1,270,455	66,024	752,270	2,088,749
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	2,381,848	-	324	2,382,172
Transfers out to other funds	(85,737)	-	-	(85,737)
Net cash provided by non-capital financing activities	2,296,111	-	324	2,296,435
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal payments on capital lease	-	-	(52,654)	(52,654)
Principal payments on notes payable	(183,984)	-	-	(183,984)
Principal payments on bonds payable	(1,033,770)	-	-	(1,033,770)
Interest paid	(715,947)	-	(4,937)	(720,884)
Purchases of capital assets	(1,028,353)	-	-	(1,028,353)
Receipt of intergovernmental grants	77,280	-	11,196	88,476
Net cash used in capital and relatec financing activities	(2,884,774)	-	(46,395)	(2,931,169)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	510	-	2,417	2,927
Net cash provided by investing activities	510	-	2,417	2,927
Net increase in cash	682,302	66,024	708,616	1,456,942
Cash, beginning of year	652,323	21,097	113,935	787,355
Cash, end of year	$ 1,334,625	$ 87,121	$ 822,551	$ 2,244,297

Continued

CITY OF CANTON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Stormwater Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	$ 1,358,179	$ 58,742	$ 669,638	$ 2,086,559
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,298,032	-	52,285	1,350,317
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	(203,447)	13,587	(26,243)	(216,103)
Decrease (increase) in due from other funds	(198,145)	(9,641)	41,951	(165,835)
Decrease in due from other governments	6,390	-	-	6,390
Increase in prepaids	(15,862)	(960)	(101)	(16,923)
Decrease in inventory	27,461	-	-	27,461
Decrease in accounts payable	(265,905)	(2,228)	(29,037)	(297,170)
Increase (decrease) in accrued liabilities	(5,301)	1,946	191	(3,164)
Increase (decrease) in due to other funds	(656,053)	-	43,344	(612,709)
Increase (decrease) in compensated absences payable	(1,985)	968	242	(775)
Increase in customer deposits payable	8,091	3,610	-	11,701
Decrease in unearned revenue	(81,000)	-	-	(81,000)
Net cash provided by operating activities	$ 1,270,455	$ 66,024	$ 752,270	$ 2,088,749
NONCASH CAPITAL AND FINANCING ACTIVITIES				
Developer capital asset donations	$ 131,478	$ -	$ 195,106	$ 326,584

The accompanying notes are an integral part of these financial statements.

CITY OF CANTON, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
SEPTEMBER 30, 2010

	Municipal Court Fund
ASSETS	
Cash	$ 159,071
Total assets	$ 159,071
LIABILITIES	
Due to others	$ 159,071
Total liabilities	$ 159,071

The accompanying notes are an integral part of these financial statements.

CITY OF CANTON, GEORGIA

COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2010

	Component Units				
ASSETS	Canton Downtown Development Authority	Canton Development Authority	Canton Preservation	Canton Tourism	Total
Cash and cash equivalents	$ 4,114	$ -	$ 4,221	$ 25,701	$ 34,036
Other receivables	10	-	-	-	10
Due from primary government	7,384	7,057	-	38,448	52,889
Inventory	-	-	-	4,465	4,465
Note receivable from primary government	-	921,029	-	-	921,029
Capital assets:					
Depreciable, net of accumulated depreciation	1,084,192	-	-	-	1,084,192
Total assets	1,095,700	928,086	4,221	68,614	2,096,621
LIABILITIES					
Accounts payable	224	-	-	-	224
Accrued liabilities	-	7,057	-	-	7,057
Bonds payable due within one year	86,186	-	-	-	86,186
Bonds payable due in more than one year	421,343	921,029	-	-	1,342,372
Total liabilities	507,753	928,086	-	-	1,435,839
NET ASSETS					
Invested in capital assets, net of related debt	576,663	-	-	-	576,663
Unrestricted	11,284	-	4,221	68,614	84,119
Total net assets	$ 587,947	$ -	$ 4,221	$ 68,614	$ 660,782

The accompanying notes are an integral part of these financial statements.

CITY OF CANTON, GEORGIA

COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Component units:				
Downtown Development Authority	$ 83,259	$ 25,752	$ -	$ 115,403
Canton Development Authority	28,014		-	-
Canton Preservation	85	-	-	-
Canton Tourism	49,394	7,987	71,561	
Total component units	$ 160,752	$ 33,739	$ 71,561	$ 115,403
General revenues:				
Unrestricted investment earnings				
Total general revenues				
Change in net assets				
Net assets, beginning of year				
Net assets, end of year				

The accompanying notes are an integral part of these financial statements.

Net (Expenses) Revenues and Changes in Net Assets				
Downtown Development Authority	Canton Development Authority	Canton Preservation	Canton Tourism	Total
$ 57,896	$ -	$ -	$ -	$ 57,896
-	(28,014)	-	-	(28,014)
-	-	(85)	-	(85)
-	-	-	30,154	30,154
$ 57,896	$ (28,014)	$ (85)	$ 30,154	$ 59,951
$ 6	$ 28,014	$ 4	$ 536	$ 28,560
6	28,014	4	536	28,560
57,902	-	(81)	30,690	88,511
530,045	-	4,302	37,924	572,271
$ 587,947	$ -	$ 4,221	$ 68,614	$ 660,782

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Canton, Georgia (the "City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City operates under a council/manager form of government and provides the following services to its citizens: public safety, public works, parks and recreation, public improvements, and general and administrative services.

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The component unit column on the government-wide financial statements is used to emphasize that the entities are legally separate from the City.

Discretely Presented Component Units

The Canton Downtown Development Authority (the "CDDA") is shown as a discretely presented component unit in the accompanying financial statements. The purpose of the CDDA is to promote business and commerce within the central business district of the City. The City appoints all members to the CDDA's board and the City is financially responsible for the payment of the debt issued by the CDDA. Financial information with regard to the CDDA can be obtained from Canton City Hall. Separate financial statements for the Canton Downtown Development Authority are not prepared.

The Canton Development Authority (the "CDA") is shown as a discretely presented component unit in the accompanying financial statements. The purpose of the CDA is to promote business and commerce within the corporate limits of the City. The City appoints all members to the CDA's board and the City is financially responsible for the payment of the debt issued by the CDA. The only balance sheet items of the CDA consist of bonds payable and the corresponding financing lease receivable, with the only activity being the accrued interest income and expenses related to these balances. Because none of these balances would be reported under the modified accrual basis of accounting, a fund level balance sheet has not been prepared for the CDA. Financial information with regard to the CDA can be obtained from Canton City Hall. Separate financial statements for the Canton Development Authority are not prepared.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The Canton Preservation Inc. (the "CP") is shown as a discretely presented component unit in the accompanying financial statements due to the nature and significance of its relationship with the City. The purpose of the CP is to promote the preservation of historic districts and homes within the City limits. Financial information with regard to the CP can be obtained from Canton City Hall. Separate financial statements for the Canton Preservation Inc. are not prepared. The fund level statements are not reported, as there are no reconciling items from the presentation on the Statement of Net Assets and Statement of Activities.

The Canton Tourism, Inc. (the "CT") is shown as a discretely presented component unit in the accompanying financial statements due to the nature and significance of its relationship with the City. The purpose of the CT is to promote tourism and visitation to the City. The CT is fiscally dependent on the City for its financial operations. Financial information with regard to the CT can be obtained from Canton City Hall. Separate financial statements for the Canton Tourism Inc. are not prepared. The fund level statements are not reported, as there are no reconciling items from the presentation on the Statement of Net Assets and Statement of Activities.

Blended Component Units

The Canton Tree City Commission (the "Commission") is shown as a blended component unit in the accompanying financial statements and reported as a special revenue fund. The purpose of the Commission is to promote the beautification of the City's parks and roadways through preservation of the City's trees. The City appoints all members to the Commission's board.

The Canton Building Authority (the "Authority") is shown as a blended component unit in the accompanying financial statements and reported as a special revenue fund. The purpose of the Authority is to finance the construction of new facilities for the City of Canton, within the City limits. The City appoints all members to the Authority's board and is financially responsible for the repayment of all debt for the Authority.

The Urban Redevelopment Agency (the "URA") is shown as a blended component unit in the accompanying financial statements and reported as a special revenue fund. The purpose of the URA is to secure financing to revitalize City of Canton assets, specifically within the downtown areas of the City suffering from urban blight. The City appoints all members to the URA's board and is financially responsible for the repayment of all debt for the URA.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. (For the most part, the effect of interfund activity has been removed from these statements). Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from discretely presented component units. The statement of net assets will include non-current assets and non-current liabilities. In addition, the government-wide statement of activities reflects depreciation expense on the City's capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resource measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Agency funds have no measurement focus; however, they use the accrual basis of accounting to recognize assets and liabilities. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, fines and forfeitures, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Non-exchange Transactions," the corresponding assets (receivables) in non-exchange transactions are recognized in the period in which the underlying exchange occurs, when an enforceable legal claim has arisen, when all eligibility requirements have been met, or when resources are received, depending on the revenue source.

In accordance with GASB Statement No. 34, major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Canton Building Authority** accounts for the financing and the construction of various buildings and infrastructure assets on behalf of the City.

The **Road and Sidewalk Fund** accounts for the receipt of capital grants used in the construction of the road and sidewalk infrastructure of the City.

The **SPLOST V Fund** accounts for the receipt and disbursement of special purpose local option sales tax (SPLOST) funds.

The City reports the following major proprietary funds:

The **Water and Sewer Fund** accounts for the activity of the City's utility system.

The **Sanitation Fund** accounts for the collection of fees for garbage collection and related expenses.

The **Stormwater Fund** accounts for the collection of fees for and the expenses related to maintaining the City's stormwater infrastructure.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The City also reports the following fund types:

Agency funds are accounted for on the accrual basis of accounting, and are used to account for funds that the City holds for others in an agency capacity, including municipal court bonds.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges for goods and services provided. Operating expenses of the enterprise funds include the cost of these goods and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Budgets

Annual appropriated budgets are adopted for all funds. The budgets for the proprietary funds are for management control purposes and are not required to be reported. Budgets are adopted on a modified accrual basis, which is consistent with generally accepted accounting principles for governmental funds. All appropriations lapse at fiscal year end. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is not employed by the City.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Deposits and Investments

Georgia statutes authorize the City to invest in the following: (1) obligations of Georgia or any other state; (2) obligations of the United States; (3) obligations fully insured or guaranteed by the United States government or one of its agencies; (4) obligations of any corporation of the United States government; (5) prime bankers' acceptances; (6) the State of Georgia local government investment pool; (7) repurchase agreements; and (8) obligations of any other political subdivisions of the State of Georgia. Any investment or deposit in excess of the federal depository insured amounts must be collateralized by an equivalent amount of state or U.S. obligations. For purposes of the statement of cash flows, all highly liquid investments with an original maturity of less than 90 days are considered to be cash equivalents. Investments are reported at fair value as determined by quoted market prices.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year as well as all other outstanding balances between funds is reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Customer accounts receivable include billed but uncollected amounts and unbilled receivables based upon a pro rata amount of subsequent monthly billings. Allowances for doubtful accounts are maintained based on historical results adjusted to reflect current conditions.

G. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an asset at the time the individual item is purchased. Inventories reported in the governmental funds are equally offset by a fund balance reserve, which indicates that they do not constitute "available, spendable resources" even though they are a component of net current assets.

H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2010, are recorded as prepaid items in both government-wide and fund financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. 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 column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Infrastructure (e.g., roads, bridges, sidewalks, and similar items) prior to October 1, 2003 have not been reported.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Capital assets of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Infrastructure	10-50
Buildings and improvements	10-50
Site improvements	10-20
Furniture & fixtures	5-20
Vehicles	5-15
Machinery and equipment	5-20

J. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for non-vesting accumulated rights to receive sick pay benefits since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

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

Proprietary fund type loans payable are reported as liabilities at their outstanding value. Loan issuance costs are reported as deferred charges and amortized over the term of the loan using the effective interest method.

In the fund financial statements, governmental fund types report the face amount of debt issued and related premiums or discounts as other financing sources and bond issuance costs as expenditures.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Management Estimates

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

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "long-term liabilities are not due and payable in the current period and therefore are not reported in the funds." The details of this $43,369,616 difference are as follows:

Notes payable	$ (2,400,000)
Capital leases payable	(264,330)
Bonds payable	(40,969,872)
Bond issuance costs	577,611
Unamortized discount	81,193
Accrued interest payable	(118,021)
Compensated absences	(276,197)
Net adjustment to reduce *fund balance - total governmental funds to arrive at net assets - governmental activities*	$ (43,369,616)

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 assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense." The details of this $1,694,023 difference are as follows:

Capital outlay	$ 925,211
Depreciation expense	(2,619,234)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ (1,694,023)

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (Continued)

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 (Continued)

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net asset." The details of this $463,225 difference are as follows:

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	$	(43,645)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.		506,870
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	463,225

Another element of that reconciliation explains that "The issuance of long-term debt 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 assets." The details of this $5,156,066 difference are as follows:

Amortization of discount and issuance costs	$	(62,846)
Proceeds from bond issuance		(8,000,000)
Deferral of fiscal charges upon issuance		214,250
Principal payment on bonds payable		2,257,134
Principal payment on notes payable		300,000
Principal payment on capital leases		135,396
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(5,156,066)

NOTE 2. RECONCILIATION OF GOVERNMENT-WIDE FINANCIAL STATEMENTS AND FUND FINANCIAL STATEMENTS (Continued)

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 (Continued)

Another element of that reconciliation explains that "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." The details of this $53,002 difference are as follows:

Compensated absences	$ (37,147)
Accrued interest	(15,855)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ (53,002)

NOTE 3. LEGAL COMPLIANCE - BUDGETS

The City of Canton, Georgia employs the following procedures in establishing its annual budget:

1. The Chief Financial Officer of the City submits a proposed operating budget to the City Council. The operating budget includes proposed expenditures and the means for financing them.
2. Prior to any action by the Council, the City publishes the proposed budget in the official legal organ, other community newspapers and makes copies available to the residents of the City.
3. Public meetings are held to obtain taxpayer comments.
4. The budget is then legally enacted through passage of a resolution by the City Council.
5. Budgetary control is exercised at the department level. The Chief Financial Officer is authorized to transfer budget amounts within a department; however, any revisions that alter the total expenditures of a department require a budget amendment by the City Council. The City did not significantly amend the budgets for any of its funds during the year ended September 30, 2010.

NOTE 3. LEGAL COMPLIANCE - BUDGETS (Continued)

The following funds and General Fund departments had excesses of actual expenditures over appropriations for the fiscal year ended September 30, 2010:

Tree City Commission	$	10,810
Road & Sidewalk		28,433
SPLOST V		20
General Fund departments:		
City manager		1,087
Streets		57,965

These over expenditures were funded by greater than anticipated revenues and by available fund balance.

NOTE 4. DEPOSITS

Credit risk. State statutes authorize the City to invest in obligations of the State of Georgia or other states; obligations issued by the U.S. government; obligations fully insured or guaranteed by the U.S. government or by a government agency of the United States; obligations of any corporation of the U.S. government; prime banker's acceptances; the local government investment pool established by state law; repurchase agreements; and obligations of other political subdivisions of the State of Georgia.

Total deposits as of September 30, 2010 are summarized as follows:

Statement of Net Assets:		
Cash and cash equivalents	$	7,663,085
Restricted cash and cash equivalents		4,051,918
Statement of Fiduciary Net Assets:		
Cash - Agency fund		159,071
	$	11,874,074
Cash deposited with financial institutions	$	7,822,156
Money market mutual fund		4,051,918
	$	11,874,074

NOTE 4. DEPOSITS (Continued)

Custodial Credit Risk – Deposits: Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes, and City policy, require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of September 30, 2010, the City had a bank balance of $608,786 that were uninsured and uncollateralized.

At September 30, 2010, the City had the following investments that are included in the custodial credit risk discussion above related to deposits:

Investment	Maturity Less than 1 year	Credit Rating
Money Market Mutual Fund - Goldman Sachs Financial Square Treasury Obligation/Select	$ 4,051,918	Aaa

Interest rate risk. The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

NOTE 5. RECEIVABLES

Property taxes are levied on property values assessed as of January 1. The tax bills are levied on October 1. The billings are considered due upon receipt by the taxpayer; however, the actual due date is December 20. After these dates, the bill becomes delinquent and penalties and interest may be assessed by the City. Property taxes are recorded as receivables and deferred revenues when levied. Revenues are recognized when available.

NOTE 5. RECEIVABLES (Continued)

Receivables at September 30, 2010, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	SPLOST V	Water and Sewer
Receivables:			
Taxes	$ 332,081	$ -	$ -
Accounts	-	-	1,242,412
Due from other governments	29,556	427,243	66,761
Other	1,352,011	-	-
Less allowance for uncollectible	(221,716)	-	(387,074)
Net total receivable	$ 1,491,932	$ 427,243	$ 922,099

	Sanitation	Stormwater	Nonmajor Governmental
Receivables:			
Taxes	$ -	$ -	$ 33,230
Accounts	155,968	156,973	-
Due from other governments	-	-	-
Other	-	-	-
Less allowance for uncollectible	(60,522)	(24,844)	-
Net total receivable	$ 95,446	$ 132,129	$ 33,230

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended September 30, 2010, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 12,588,975	$ -	$ -	$ -	$ 12,588,975
Construction in progress	4,031,821	253,170	-	(2,642,666)	1,642,325
Total	16,620,796	253,170	-	(2,642,666)	14,231,300
Capital assets, being depreciated:					
Buildings and improvements	30,709,068	208,533	-	-	30,917,601
Infrastructure	22,563,439	533,170	-	2,642,666	25,739,275
Furniture and fixtures	149,443	-	-	-	149,443
Machinery and equipment	1,970,525	290,323	(18,238)	-	2,242,610
Vehicles	4,163,008	146,885	(193,423)	-	4,116,470
Total	59,555,483	1,178,911	(211,661)	2,642,666	63,165,399
Less accumulated depreciation for:					
Buildings and improvements	(3,211,414)	(879,903)	-	-	(4,091,317)
Infrastructure	(4,729,535)	(1,198,585)	-	-	(5,928,120)
Furniture and fixtures	(62,244)	(9,243)	-	-	(71,487)
Machinery and equipment	(1,135,414)	(186,822)	6,079	-	(1,316,157)
Vehicles	(2,401,072)	(344,681)	161,937	-	(2,583,816)
Total	(11,539,679)	(2,619,234)	168,016	-	(13,990,897)
Total capital assets, being depreciated, net	48,015,804	(1,440,323)	(43,645)	2,642,666	49,174,502
Governmental activities capital assets, net	$ 64,636,600	$ (1,187,153)	$ (43,645)	$ -	$ 63,405,802

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Construction in progress	$ 19,049,678	$ 952,821	$ -	$ (1,945,060)	$ 18,057,439
Land	4,275,868	131,478	-	561,487	4,968,833
Total	23,325,546	1,084,299	-	(1,383,573)	23,026,272
Capital assets, being depreciated:					
Site improvements	9,600	-	-	-	9,600
Infrastructure	51,080,452	254,644	(25,093)	1,383,573	52,693,576
Buildings and improvements	4,285,492	-	-	-	4,285,492
Machinery, equipment and vehicles	1,507,418	15,994	(78,549)	-	1,444,863
Total	56,882,962	270,638	(103,642)	1,383,573	58,433,531
Less accumulated depreciation for:					
Site improvements	(3,094)	(639)	-	-	(3,733)
Infrastructure	(10,257,277)	(1,121,130)	25,093	-	(11,353,314)
Buildings and improvements	(2,159,787)	(150,052)	-	-	(2,309,839)
Machinery, equipment and vehicles	(1,083,825)	(57,787)	78,549	-	(1,063,063)
Total	(13,503,983)	(1,329,608)	103,642	-	(14,729,949)
Total capital assets, being depreciated, net	43,378,979	(1,058,970)	-	1,383,573	43,703,582
Business-type activities capital assets, net	$ 66,704,525	$ 25,329	$ -	$ -	$ 66,729,854

NOTE 6. CAPITAL ASSETS (Continued)

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

Governmental activities:	
General government	$ 161,824
Public safety	443,715
Public works	1,229,487
Culture and recreation	772,878
Housing and development	11,330
Total depreciation expense - governmental activities	$ 2,619,234
Business-type activities:	
Water and sewer	$ 1,277,323
Stormwater	52,285
Total depreciation expense - business-type activities	$ 1,329,608

Canton Downtown Development Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings	$ 1,366,304	$ -	$ -	$ 1,366,304
Furniture and fixtures	68,839	-	-	68,839
Total	1,435,143	-	-	1,435,143
Less accumulated depreciation for:				
Buildings	(255,043)	(27,326)	-	(282,369)
Furniture and fixtures	(68,043)	(539)	-	(68,582)
Total	(323,086)	(27,865)	-	(350,951)
Total capital assets, being depreciated, net	1,112,057	(27,865)	-	1,084,192
Total capital assets, net	$ 1,112,057	$ (27,865)	$ -	$ 1,084,192

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended September 30, 2010, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Governmental bonds	$ 35,227,006	$ 8,000,000	$ (2,257,134)	$ 40,969,872	$ 2,346,184
Less discounts	(88,034)	-	6,841	(81,193)	-
Total bonds payable	35,138,972	8,000,000	(2,250,293)	40,888,679	2,346,184
Capital leases	399,726	-	(135,396)	264,330	71,784
Notes payable	2,700,000	-	(300,000)	2,400,000	300,000
Compensated absences	239,050	274,854	(237,707)	276,197	276,197
Governmental activities:					
Long-term liabilities	$ 38,477,748	$ 8,274,854	$ (2,923,396)	$ 43,829,206	$ 2,994,165

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 9,102,673	$ -	$ (1,033,770)	$ 8,068,903	$ 1,097,469
Less discounts	(62,634)	-	16,195	(46,439)	-
Total bonds payable	9,040,039	-	(1,017,575)	8,022,464	1,097,469
Capital lease	155,449	-	(52,654)	102,795	27,916
Notes payable	3,996,630	-	(183,984)	3,812,646	191,938
Note payable - component unit	921,029	-	-	921,029	-
Compensated absences	9,626	12,755	(13,530)	8,851	8,851
Business-type activities:					
Long-term liabilities	$ 14,122,773	$ 12,755	$ (1,267,743)	$ 12,867,785	$ 1,326,174

For governmental funds, compensated absences are liquidated by the General Fund. For business-type activities, compensated absences are liquidated by the Water and Sewer Fund, the Sanitation Fund, and the Stormwater Fund.

NOTE 7. LONG-TERM DEBT (Continued)

Capital Leases - Vehicles. The City has entered into lease agreements as lessee for financing the acquisition of a fire truck, a street sweeper, a vacuum truck and various police vehicles. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inceptions. As of September 30, 2010, the City had $1,174,477 of machinery and equipment under capital leases.

The City's total capital lease debt service requirements to maturity are as follows:

	Governmental Activities	Business-type Activities
Fiscal Year Ending September 30,		
2011	$ 80,967	$ 31,487
2012	81,004	31,502
2013	81,043	31,517
2014	40,537	15,764
Total minimum lease payments	283,551	110,270
Less amount representing interest	19,221	7,475
Present value of future minimum lease payments	$ 264,330	$ 102,795

Note Payable – Laurel Canyon. In February 2005 the City entered into a sales agreement to purchase a local golf course in the City limits. The City agreed to pay a $3,000,000 note for the acceptance of the golf course. Upon completion of the golf course the operations of the course would be leased out to the developer. The City was to begin repayment of the note once the construction was complete. The first payment on the note was due within six months of the opening day of the course and then due each anniversary of opening day until the maturity on October 24, 2017. The note is a non-interest bearing note and debt service requirements are as follows:

	Principal
Fiscal Year Ending September 30,	
2011	$ 300,000
2012	300,000
2013	300,000
2014	300,000
2015	300,000
2016-2018	900,000
Total payments	$ 2,400,000

NOTE 7. LONG-TERM DEBT (Continued)

Governmental Bonds – CBA. The series 2003 bonds were originally issued by the Canton Building Authority for $2,950,000. The bonds were issued with a 3.70% interest rate and are due in monthly installments of $29,533 through January 1, 2014. The proceeds were used to acquire property for the new community center facility and to acquire a new city hall facility.

The series 2004 bonds issued by the Canton Building Authority were originally issued for $8,000,000, with an interest rate of 4.27%. The bonds are due in monthly installments of $60,100, maturing on December 15, 2019. The proceeds were used to construct a new community center facility.

The series 2005 bonds issued by the Canton Building Authority were originally issued for $19,180,000. The 2005 bonds had two parts, a $13,530,000 serial bond with an interest rate of 4.036% and $5,650,000 with an interest rate of 4.5%. The bonds were due annually, maturing on September 1, 2030. The proceeds were used for various infrastructure improvements and water and sewer system upgrades.

The series 2007 bonds issued by the Canton Building Authority were originally issued for $7,860,000, with an interest rate of 4.86%. The bonds are due in monthly installments of $51,267, maturing on November 15, 2027. The proceeds were used for various system improvement projects on the City's water and sewer infrastructure.

In October 2009, Canton Building Authority issued the series 2009 bonds for $8,000,000, with an interest rate of 5.00%. The bonds are due annually, maturing on September 1, 2029. The proceeds are being used for various infrastructure improvements and water and sewer system upgrades.

Governmental Bonds – URA. The series 2005 bonds were originally issued by the Urban Redevelopment Agency for $2,500,000. The bonds were issued with a 3.45% rate and are due in monthly installments of $33,562 through April 1, 2012. The proceeds were used for renovating the new city hall facility.

The series 2006 bonds issued by the Urban Redevelopment Agency were originally issued for $2,928,062 with a 3.95% interest rate. The bonds are due in monthly installments of $29,569, maturing on January 1, 2016. The proceeds were used to complete the renovation of the new city hall facility.

NOTE 7. LONG-TERM DEBT (Continued)

Governmental bonds currently outstanding mature as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30,			
2011	$ 2,346,184	$ 1,791,716	$ 4,137,900
2012	2,207,711	1,697,617	3,905,328
2013	2,434,773	1,611,571	4,046,344
2014	2,214,465	1,513,730	3,728,195
2015	2,273,170	1,420,108	3,693,278
2016-2020	10,516,855	5,678,934	16,195,789
2021-2025	9,543,987	3,509,035	13,053,022
2026-2030	9,432,727	1,177,501	10,610,228
Total	$ 40,969,872	$ 18,400,212	$ 59,370,084

Revenue Bonds – Water & Sewer fund. The Water and Sewer fund of the City has three series of bonds currently outstanding, 1996B, 1997A and a 2002 series, which are as follows:

The 1996B bonds were originally issued for $3,293,000 with an interest rate of 5.87%. The bonds are interest only bonds through June 1, 2010 with monthly installments of $16,332 through June 1, 2010 and installments of $54,508 thereafter, until maturity on June 1, 2016. The proceeds from the bond were used for upgrades to the City's water lines.

The 1997A bonds were originally issued for $721,000 with an interest rate of 6.12%. The bonds are interest only bonds through June 1, 2010 with monthly installments of $3,929 through June 1, 2010 and installments of $12,136 thereafter, until maturity on June 1, 2016. The proceeds from the bond were used for upgrades to the City's water lines.

The 2002 bonds were originally issued for $7,500,000 with an interest rate of 4.02%. The bonds are due in monthly installments of $55,779, maturing on January 1, 2018. The proceeds from the bond were used for increasing the capacity of the City's water pollution control plant.

NOTE 7. LONG-TERM DEBT (Continued)

Revenue bonds currently outstanding mature as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2011	$ 1,097,469	$ 372,836	$ 1,470,305
2012	1,150,258	316,295	1,466,553
2013	1,210,578	256,808	1,467,386
2014	1,273,655	194,184	1,467,839
2015	1,340,173	128,147	1,468,320
2016-2018	1,996,770	81,075	2,077,845
Total	$ 8,068,903	$ 1,349,345	$ 9,418,248

Notes Payable - GEFA. The City has also incurred debt to the Georgia Environmental Facilities Authority for construction of various water and sewer system projects. These notes, including their original balances, are as follows at September 30, 2010:

Interest Rate	Term	Due Date	Original Balance
4.45%	20 years	2023	$ 2,480,833
3.82%	20 years	2026	455,306
3.98%	20 years	2029	1,677,440
			$ 4,613,579

The City's notes payable debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2011	$ 191,938	$ 156,551	$ 348,489
2012	200,161	148,339	348,500
2013	208,914	139,586	348,500
2014	217,879	130,621	348,500
2015	227,287	121,212	348,499
2016-2020	1,292,425	450,075	1,742,500
2021-2025	1,086,608	170,543	1,257,151
2026-2029	387,434	26,364	413,798
Total	$ 3,812,646	$ 1,343,291	$ 5,155,937

NOTE 7. LONG-TERM DEBT (Continued)

Note Payable – due to component unit. The City has entered into an agreement with the Canton Development Authority ("CDA") by which the City has agreed to pay the debt service payments related to the CDA's series 2003 bond. The Authority has issued the bond to fund costs of the water and sewer lines at the new Bluffs Technology Park. The bond was issued to a sole purchaser and is set up to work through draw downs from the purchaser rather than receiving the full face amount. The bond was originally issued for $1,800,000, and as of September 30, 2010, $921,029 has been drawn down. The bond matures on January 1, 2052 and carries and interest rate of 3.00%. The repayment schedule will be determined when the construction is complete and all draws have been made.

Canton Downtown Development Authority

Long-term liability activity for the year ended September 30, 2010, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 592,695	$ -	$ (85,166)	$ 507,529	$ 86,186
Total long-term liabilities	$ 592,695	$ -	$ (85,166)	$ 507,529	$ 86,186

Revenue Bonds. The Canton Downtown Development Authority ("CDDA") has a 2000 series and 2001 series bonds for $850,000 and $325,000, respectively. These two issues were made to finance the renovation work on the Historic Canton Theatre and will be repaid through future revenues from the operation of the theatre. The bonds bear interest at a rate of 4.88% and 6.18% annually and are due in monthly installments of $6,473 and $2,774, respectively. The bonds mature in October 2015 and May 2016, respectively.

NOTE 7. LONG-TERM DEBT (Continued)

The debt service requirements to maturity on the bonds payable are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2011	$ 86,186	$ 24,776	$ 110,962
2012	90,818	20,144	110,962
2013	95,702	15,260	110,962
2014	100,853	10,109	110,962
2015	106,283	4,679	110,962
2016	27,687	511	28,198
Total	$ 507,529	$ 75,479	$ 583,008

Canton Development Authority

Long-term liability activity for the year ended September 30, 2010, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 921,029	$ -	$ -	$ 921,029	$ -
Total long-term liabilities	$ 921,029	$ -	$ -	$ 921,029	$ -

Governmental Bonds. The Canton Development Authority ("CDA") has issued a 2003 series bond to fund costs of the water and sewer lines at the new Bluffs Technology Park. The CDA has entered into an agreement with the City, by which the City has agreed to pay the debt service payments related to the CDA's series 2003 bond. The bond was issued to a sole purchaser and is set up to work through draw downs from the purchaser rather than receiving the full face amount. The bond was originally issued for $1,800,000 and as of September 30, 2010 only $921,029 has been drawn down. The bond matures on January 1, 2052 and carries and interest rate of 3.00%. The repayment schedule will be determined when the construction is complete and all draws have been made.

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2010, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	$ 107,473
General Fund	Stormwater Fund	44,940
Water and Sewer Fund	Canton Building Authority	198,145
Stormwater Fund	Water and Sewer Fund	86,292
Sanitation Fund	Water and Sewer Fund	93,829
Nonmajor governmental funds	General Fund	73,437
		$ 604,116

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Due to/from primary government and component units:

Receivable Entity	Payable Entity	Amount
Component unit - Canton Development Authority	Primary government - Water and Sewer Fund	$ 928,086
Component unit - Canton Tourism, Inc.	Primary government - Nonmajor governmental funds	38,448
Component unit - Downtown Development Authority	Primary government - Nonmajor governmental funds	7,384
		$ 973,918

NOTE 8. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor governmental funds	$ 130,000
Road & Sidewalk Fund	Nonmajor governmental funds	$ 138,610
Canton Building Authority	SPLOST V Fund	$ 1,688,408
Canton Building Authority	Water and Sewer Fund	85,413
Canton Building Authority	General Fund	300,000
		$ 2,073,821
Nonmajor governmental funds	General Fund	$ 147,338
Nonmajor governmental funds	SPLOST V Fund	757,565
		$ 904,903
Water and Sewer Fund	Canton Builiding Authority	$ 2,381,848
Stormwater Fund	Water and Sewer Fund	$ 324

Transfers are used to (1) move revenues from the fund that statute or budget requires collecting them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and (3) move cash from capital project funds to pay for debt service of other funds used to advance the construction costs of capital projects.

NOTE 9. PENSION PLANS

Plan Description

The City, as authorized by the City Council, has established a defined benefit pension plan (The City of Canton Retirement Plan) covering all full-time employees. The City's pension plan is affiliated with the Georgia Municipal Employee Benefit System (GMEBS), an agent multiple-employer pension plan administered by the Georgia Municipal Association. Contributions made by the City are commingled with contributions made by other members of GMEBS for investment purposes. The City does not own any securities on its own. Investment income from the securities is allocated on a pro rata basis. The Georgia Municipal Association issues a publicly available financial report that includes financial statements and required supplementary information for GMEBS. That report may be obtained by writing to Georgia Municipal Association, Risk Management and Employee Benefit Services, 201 Pryor Street, NW, Atlanta, Georgia 30303 or by calling (404) 688-0472.

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees, excluding elected officials, who work thirty hours or more per week, are eligible to participate after one year. Benefits vest after five years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 2.5% of final average earnings in excess of covered compensation. An employee may elect early retirement at age 55 provided he has a minimum of 15 years total credited service to receive full benefits, otherwise early retirement may be elected after only 10 years of service for reduced benefits. Elected officials are entitled to $64 for each year of service after reaching normal retirement age.

At January 1, 2010, the date of the most recent actuarial valuation, there were 194 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	38
Terminated vested participants	44
Active employees - vested	76
Active employees - nonvested	36
Total	194

NOTE 9. PENSION PLANS (Continued)

Funding Policy

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan is to contribute an amount equal to or greater than the recommended contribution described below. For 2010, the actuarially determined contribution rate was 15.95% of covered payroll.

For 2010, the City's recommended contribution was $741,493. Actual contributions totaled $741,493. The recommended contribution was determined as part of the March 1, 2009 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include a 8% rate of return on investments and projected salary increases of 5.5% (5.0% due to inflation and .5% due to merit or seniority increases). The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten year period.

The following is a schedule of funding progress:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
1/1/2010	$ 5,229,304	$ 7,688,977	$ 2,459,673	68.01 %	$ 4,485,587	54.84 %

The required schedule of funding progress immediately following the notes to the financial statements presents multi-year trend information about whether the actuarial value of the plan net assets is increasing or decreasing over time relative to the actuarial accrued liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2010.

NOTE 9. PENSION PLANS (Continued)

Fiscal Year Ended September 30,	Annual Pension Cost (APC)	Actual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation
2010	$ 741,493	$ 741,493	100.0 %	$ -
2009	712,974	712,974	100.0	-
2008	650,666	650,666	100.0	-

NOTE 10. DEFERRED COMPENSATION PLAN

The City of Canton offers three Internal Revenue Code Section 457 Plans (the "Plans") which are deferred compensation plans that qualify as defined contribution pension plans. The Plans are administered by MetLife, AIG Valic, and Nationwide Retirement Solution for all full time employees. Plan provisions and contribution requirements are established and may be amended by the City's Council. At September 30, 2010, there were 9, 6 and 9 plan members, in the respective plans.

Employees are not required to contribute to the Plans. Employees may contribute a portion of their gross salary, not to exceed the IRS guidelines, into the Plans. The Plans allow employees to increase, decrease, stop and restart deferrals as often as they wish without penalties or fees. Total employee contributions for the year ended September 30, 2010, were $9,555, $8,806, and $12,772, respectively.

NOTE 11. JOINT VENTURE

Under Georgia law, the City, in conjunction with other cities and counties in the Atlanta, Georgia area, is a member of the Atlanta Regional Commission (ARC). Dues to the ARC are assessed at the County level and are, accordingly, paid by Cherokee County. Membership in the ARC is required by the Official Code of Georgia Annotated (OCGA) Section 50-8-34 which provides for the organizational structure of the ARC in Georgia. The ARC Board membership includes the chief elected official of each county and various municipalities of the area. OCGA 50-8-39.1 provides that the member governments are liable for any debts or obligations of the ARC. Separate financial statements may be obtained from ARC, 40 Courtland Street, NE, Atlanta, Georgia 30303.

NOTE 12. RELATED ORGANIZATIONS

The City's council is responsible for appointing all board members of the Canton Housing Authority. However, the City has no further accountability for the authority.

NOTE 13. RISK MANAGEMENT

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other municipalities in the state as part of the Georgia Interlocal Risk Management Agency Property and Liability Insurance Fund and the Georgia Municipal Association Group Self-Insurance Workers' Compensation Fund, public entity risk pools currently operating as common risk management and insurance programs for member local governments.

As part of these risk pools, the City is obligated to pay all contributions and assessments as prescribed by the pools, to cooperate with the pool's agents and attorneys, to follow loss reduction procedures established by the funds, and to report as promptly as possible, and in accordance with any coverage descriptions issued, all incidents which could result in the funds being required to pay any claim of loss. The City is also to allow the pool's agents and attorneys to represent the City in investigation, settlement discussions and all levels of litigation arising out of any claim made against the City within the scope of loss protection furnished by the funds.

The funds are to defend and protect the members of the funds against liability or loss as prescribed in the member government contract and in accordance with the workers' compensation law of Georgia. The funds are to pay all cost taxed against members in any legal proceeding defended by the members, all interest accruing after entry of judgment, and all expenses incurred for investigation, negotiation or defense.

Settled claims have not exceeded the coverages in the past three years.

The City carries commercial insurance for other risks of losses. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage in the past three years.

NOTE 14. COMMITMENTS AND CONTINGENCIES

Litigation:

The City is a defendant in certain legal actions in the nature of claims for alleged damages to persons and property and other similar types of actions rising in the course of City operations. Liability, if any, which might result from these proceedings, would not, in the opinion of management and legal counsel, have a material adverse effect on the financial position of the City.

Contractual Commitments:

For the fiscal year ended September 30, 2010, contractual commitments on uncompleted contracts were $2,830,376.

Grant Contingencies:

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to the disallowance of certain expenditures previously reimbursed by those agencies. Based upon prior experience, management of the City believes such disallowances, if any, will not be significant.

NOTE 15. HOTEL/MOTEL LODGING TAX

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 8%. Revenues were $218,179 for the year ended September 30, 2010. Of this amount 81%, or $176,288, was expended. Expenditures of the tax were used to promote tourism, conventions, and trade shows to operate, maintain, and market a community theater as required by O.C.G.A. 48-13-51.

NOTE 16. FUND DEFICITS

The Road & Sidewalk Fund has a deficit fund balance as of September 30, 2010 of $752,753. This fund primarily accounts for the receipt of capital grants used in the construction of road and sidewalk infrastructure of the City. The City anticipates using Impact Fee Fund revenues to repay the existing obligations of the fund and continue to reduce this fund balance deficit.

The above represents management's plans that may be impacted by other economic factors that are not currently known.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
1/1/2010	5,229,304	7,688,977	2,459,673	68.0%	4,485,587	54.8%
3/1/2009	3,953,640	7,131,090	3,177,450	55.4%	4,648,660	68.4%
3/1/2008	4,196,209	6,705,639	2,509,430	62.6%	4,506,084	55.7%
3/1/2007	3,698,273	5,355,218	1,656,945	69.1%	4,442,684	37.3%
3/1/2006	3,171,107	4,788,539	1,617,432	66.2%	4,028,783	40.1%
3/1/2005	2,692,055	3,970,567	1,278,512	67.8%	3,733,484	34.2%

See assumptions used and disclosed in Note 9 to the financial statements.

CITY OF CANTON, GEORGIA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes	$ 8,289,499	$ 8,289,499	$ 8,593,613	$ 304,114
Licenses and permits	494,500	494,500	424,019	(70,481)
Fines and forfeitures	925,000	800,000	806,541	6,541
Charges for services	60,500	60,500	39,668	(20,832)
Interest	500	500	2,560	2,060
Intergovernmental	-	-	179,993	179,993
Miscellaneous	65,000	65,000	127,507	62,507
Total revenues	9,834,999	9,709,999	10,173,901	463,902
Expenditures				
Current:				
General government:				
City council	88,525	88,525	83,509	5,016
City clerk	148,040	148,040	147,013	1,027
Mayor	86,155	86,155	80,488	5,667
City manager	224,580	224,580	225,667	(1,087)
Elections	4,700	4,700	3,687	1,013
General administration	186,485	222,485	220,033	2,452
Financial administration	675,560	187,324	186,483	841
Tax collections	78,590	95,590	95,333	257
Human resources	65,900	65,900	62,109	3,791
General government buildings	228,235	228,235	190,763	37,472
Technology	272,531	295,531	295,240	291
Total general government	2,059,301	1,647,065	1,590,325	56,740
Judicial	220,461	226,203	221,600	4,603
Public safety:				
Fire	1,723,756	1,723,756	1,680,230	43,526
Police	3,381,054	3,381,054	3,359,846	21,208
Total public safety	5,104,810	5,104,810	5,040,076	64,734
Public works:				
Engineering	138,568	138,568	118,341	20,227
Streets	1,243,302	1,248,202	1,306,167	(57,965)
Total public works	1,381,870	1,386,770	1,424,508	(37,738)
Recreation	367,920	401,320	376,228	25,092
Housing and development:				
Building inspection	251,436	251,436	207,425	44,011
Planning and zoning	311,120	311,120	214,760	96,360
Code enforcement	56,703	56,703	56,521	182
Downtown development	73,435	73,435	72,016	1,419
Total housing and development	692,694	692,694	550,722	141,972

Continued

CITY OF CANTON, GEORGIA
GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures				
Debt service:				
Principal	24,448	24,448	24,447	1
Interest	2,300	2,300	2,292	8
Total debt service	26,748	26,748	26,739	9
Total expenditures	9,853,804	9,485,610	9,230,198	255,412
Excess (deficiency) of revenues over expenditures	(18,805)	224,389	943,703	719,314
Other financing sources (uses)				
Proceeds from sale of capital assets	35,000	23,000	23,539	539
Transfer in	-	-	130,000	130,000
Transfers out	(16,195)	(247,389)	(447,338)	(199,949)
Total other financing sources (uses)	18,805	(224,389)	(293,799)	(69,410)
Net change in fund balances	-	-	649,904	649,904
Fund balances, beginning of year	1,247,210	1,247,210	1,247,210	-
Fund balances, end of year	$ 1,247,210	$ 1,247,210	$ 1,897,114	$ 649,904

CITY OF CANTON, GEORGIA
BUILDING AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Interest	$ -	$ -	$ 852	$ 852
Total revenues	-	-	852	852
EXPENDITURES				
Debt service				
Bond issuance fees	-	215,000	214,250	750
Principal	1,596,530	1,950,000	1,899,699	50,301
Interest	1,427,820	1,750,000	1,726,200	23,800
Total expenditures	3,024,350	3,915,000	3,840,149	74,851
Deficiency of revenues over expenditures	(3,024,350)	(3,915,000)	(3,839,297)	75,703
OTHER FINANCING SOURCES (USES)				
Proceeds from bond issuance	8,000,000	8,000,000	8,000,000	-
Transfers in	2,977,255	1,775,855	2,073,821	297,966
Transfers out	(7,952,905)	(2,400,000)	(2,381,848)	18,152
Total other financing sources (uses)	3,024,350	7,375,855	7,691,973	316,118
Net change in fund balances	-	3,460,855	3,852,676	391,821
FUND BALANCES, beginning of year	27,212	27,212	27,212	-
FUND BALANCES, end of year	$ 27,212	$ 3,488,067	$ 3,879,888	$ 391,821

CITY OF CANTON, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS

Hotel/Motel Tax Fund – To account for the 8% lodging tax levied in the City.

Tree City Commission Fund – To account for the contributions and charges related to the beautification of the City through tree maintenance and replacement.

Urban Redevelopment Agency – To account for debt service payments related to the bonds issued for the renovations made to City Hall.

Impact Fees Fund – To account for fees assessed upon development activity that are collected to pay for system improvements (recreation/parks, streets, and public safety) as detailed within the government's impact fee ordinance.

CITY OF CANTON, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2010

ASSETS	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Hotel/Motel Tax Fund	Tree City Commission Fund	Urban Redevelopment Agency	Impact Fees Fund	
Cash and cash equivalents	$ 79,809	$ 1,786	$ -	$ 1,376,175	$ 1,457,770
Taxes receivable	33,230	-	-	-	33,230
Prepaid expenditures	-	-	55,835	-	55,835
Due from other funds	-	-	-	73,437	73,437
Total assets	$ 113,039	$ 1,786	$ 55,835	$ 1,449,612	$ 1,620,272
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ 11,526	$ 11,526
Due to other funds	-	-	-	-	-
Due to component unit	45,832	-	-	-	45,832
Deferred revenue	10,065	-	-	-	10,065
Total liabilities	55,897	-	-	11,526	67,423
FUND BALANCES					
Reserved for prepaids	-	-	55,835	-	55,835
Unreserved	57,142	1,786	-	1,438,086	1,497,014
	57,142	1,786	55,835	1,438,086	1,552,849
Total liabilities and fund balances	$ 113,039	$ 1,786	$ 55,835	$ 1,449,612	$ 1,620,272

CITY OF CANTON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Special Revenue Funds			Capital Projects Fund	
	Hotel/Motel Tax Fund	Tree City Commission Fund	Urban Redevelopment Agency	Impact Fees Fund	Total Nonmajor Governmental Funds
REVENUES					
Taxes	$ 218,179	$ -	$ -	$ -	$ 218,179
Charges for services	-	-	-	324,404	324,404
Intergovernmental	-	-	-	45,237	45,237
Interest	1,063	4	-	11,802	12,869
Miscellaneous	-	3,742	-	-	3,742
Total revenues	219,242	3,746	-	381,443	604,431
EXPENDITURES					
Current					
General government	-	-	-	8,350	8,350
Culture and recreation	109,090	11,670	-	-	120,760
Housing and development	67,198	-	-	-	67,198
Capital outlay	-	-	-	477,159	477,159
Debt service					
Principal retirements	-	-	656,118	110,950	767,068
Interest expenditures	-	-	108,744	10,402	119,146
Total expenditures	176,288	11,670	764,862	606,861	1,559,681
Excess (deficiency) of revenues over (under) expenditures	42,954	(7,924)	(764,862)	(225,418)	(955,250)
Other financing sources (uses)					
Transfers in	-	-	757,565	147,338	904,903
Transfers out	-	-	-	(268,610)	(268,610)
Total other financing sources (uses)	-	-	757,565	(121,272)	636,293
Net change in fund balances	42,954	(7,924)	(7,297)	(346,690)	(318,957)
FUND BALANCES, beginning of year	14,188	9,710	63,132	1,784,776	1,871,806
FUND BALANCES, end of year	$ 57,142	$ 1,786	$ 55,835	$ 1,438,086	$ 1,552,849

CITY OF CANTON, GEORGIA
HOTEL/MOTEL TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 152,000	$ 152,000	$ 218,179	$ 66,179
Interest	-	-	1,063	1,063
Total revenue	152,000	152,000	219,242	67,242
EXPENDITURES				
Culture and recreation	111,000	111,000	109,090	1,910
Housing and development	57,195	67,750	67,198	552
Total expenditures	168,195	178,750	176,288	2,462
Excess (deficiency) revenues over expenditures	(16,195)	(26,750)	42,954	69,704
OTHER FINANCING SOURCES				
Transfer in	16,195	26,750	-	26,750
Total other financing sources	16,195	26,750	-	26,750
Net change in fund balances	-	-	42,954	42,954
FUND BALANCES, beginning of year	14,188	14,188	14,188	-
FUND BALANCES, end of year	$ 14,188	$ 14,188	$ 57,142	$ 42,954

CITY OF CANTON, GEORGIA
TREE CITY COMMISSION FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 3,500	$ 3,500	$ -	$ (3,500)
Interest	50	50	4	(46)
Miscellaneous	1,500	-	3,742	3,742
Total revenue	5,050	3,550	3,746	196
EXPENDITURES				
Culture and recreation	115	860	11,670	(10,810)
Total expenditures	115	860	11,670	(10,810)
Net change in fund balances	4,935	2,690	(7,924)	(10,614)
FUND BALANCES, beginning of year	9,710	9,710	9,710	-
FUND BALANCES, end of year	$ 14,645	$ 12,400	$ 1,786	$ (10,614)

CITY OF CANTON, GEORGIA
URBAN REDEVELOPMENT AGENCY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
EXPENDITURES				
Debt service				
Principal	$ 658,890	$ 712,000	$ 656,118	$ 55,882
Interest	100,110	109,000	108,744	256
Total expenditures	759,000	821,000	764,862	56,138
Deficiency of revenues over expenditures	(759,000)	(821,000)	(764,862)	56,138
OTHER FINANCING SOURCES				
Transfers in	759,000	757,000	757,565	565
Net change in fund balances	-	(64,000)	(7,297)	56,703
FUND BALANCES, beginning of year	63,132	63,132	63,132	-
FUND BALANCES, end of year	$ 63,132	$ (868)	$ 55,835	$ 56,703

CITY OF CANTON, GEORGIA
ROAD & SIDEWALK FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 546,400	$ -	$ -	$ -
Interest	22,000	19,000	19,026	26
Total revenue	568,400	19,000	19,026	26
EXPENDITURES				
Current:				
General government	-	200	132	68
Capital outlay	708,000	248,000	276,501	(28,501)
Total expenditures	708,000	248,200	276,633	(28,433)
Deficiency revenues over expenditures	(139,600)	(229,200)	(257,607)	(28,407)
OTHER FINANCING SOURCES				
Transfer in	138,610	138,610	138,610	-
Total other financing sources	138,610	138,610	138,610	-
Net change in fund balances	(990)	(90,590)	(118,997)	(28,407)
FUND BALANCES, beginning of year	(633,758)	(633,758)	(633,758)	-
FUND BALANCES, end of year	$ (634,748)	$ (724,348)	$ (752,755)	$ (28,407)

CITY OF CANTON, GEORGIA
SPLOST V FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 1,800,000	$ 1,800,000	$ 2,177,709	$ (377,709)
Interest	24,300	24,300	10,573	13,727
Total revenues	1,824,300	1,824,300	2,188,282	(363,982)
EXPENDITURES				
General government	-	-	20	(20)
Total expenditures	-	-	20	(20)
Excess of revenues over expenditures	1,824,300	1,824,300	2,188,262	363,962
OTHER FINANCING SOURCES (USES)				
Transfers in	625,525	625,525	-	(625,525)
Transfers out	(2,449,825)	(2,449,825)	(2,445,973)	3,852
Total other financing sources (uses)	(1,824,300)	(1,824,300)	(2,445,973)	(621,673)
Net change in fund balances	-	-	(257,711)	(257,711)
FUND BALANCES, beginning of year	1,630,546	1,630,546	1,630,546	-
FUND BALANCES, end of year	$ 1,630,546	$ 1,630,546	$ 1,372,835	$ (257,711)

CITY OF CANTON, GEORGIA
IMPACT FEES FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 313,000	$ 260,500	$ 324,404	$ 63,904
Intergovernmental	-	-	45,237	45,237
Contributions	90,500	479,000	-	(479,000)
Interest	15,000	11,000	11,802	802
Total revenue	418,500	750,500	381,443	(369,057)
EXPENDITURES				
Current:				
General government	25,000	25,000	8,350	16,650
Capital outlay	-	479,000	477,159	1,841
Debt service:				
Principal retirements	110,950	110,950	110,950	-
Interest expenditures	10,440	10,440	10,402	38
Total expenditures	146,390	625,390	606,861	18,529
Excess (deficiency) of revenues over expenditures	272,110	125,110	(225,418)	(350,528)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	147,000	147,338	338
Transfers out	(272,110)	(272,110)	(268,610)	3,500
Total other financing sources (uses)	(272,110)	(125,110)	(121,272)	3,838
Net change in fund balances	-	-	(346,690)	(346,690)
FUND BALANCES, beginning of year	1,784,776	1,784,776	1,784,776	-
FUND BALANCES, end of year	$ 1,784,776	$ 1,784,776	$ 1,438,086	$ (346,690)

CITY OF CANTON, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

Special Purpose Local Option Sales Tax V	Estimated Cost		Expenditures		
Project	Original	Current	Prior Years	Current Year	Total
Streets and sidewalks	$ 2,500,565	$ 2,500,565	$ 1,017,296	$ -	$ 1,017,296
Parks and recreation facilities	2,428,000	2,428,000	14,325	-	14,325
Administration building debt retirement	1,942,000	1,942,000	505,059	757,585	1,262,644
Public safety building	1,942,000	1,942,000	139,050	-	139,050
Water and wastewater facilities	2,913,000	2,913,000	1,801,910	-	1,801,910
Community center debt retirement	1,942,000	3,822,458	2,134,050	1,688,408	3,822,458
Downtown parking deck	1,942,000	1,942,000	-	-	-
Hickory Flat highway improvements	909,375	909,375	-	-	-
Brown Industrial Drive improvements	909,375	909,375	294,042	-	294,042
Sunset Drive improvements	303,125	303,125	57,173	-	57,173
Highway 20/140 Access Road	303,125	303,125	-	-	-
	$ 18,034,565	$ 19,915,023	$ 5,962,905	$ 2,445,993	$ 8,408,898

CITY OF CANTON, GEORGIA

FIDUCIARY FUNDS

Municipal Court Fund – To account for the collection of court fines and miscellaneous charges and payments to other governments.

CITY OF CANTON, GEORGIA

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

MUNICIPAL COURT	Balance October 1, 2009	Additions	Deletions	Balance September 30, 2010
Assets - cash	$ 86,961	$ 1,236,550	$ 1,164,440	$ 159,071
Liabilities - due to others	$ 86,961	$ 1,236,550	$ 1,164,440	$ 159,071

COMPONENT UNITS

CITY OF CANTON, GEORGIA

STATEMENT OF CASH FLOWS
COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	$ 25,742
Payments to suppliers	(28,722)
Net cash used in operating activities	(2,980)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest received	6
Net cash provided by investing activities	6
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Principal payments on bonds payable	(85,166)
Interest paid	(28,355)
Net cash used in capital and related financing activities	(113,521)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Receipts from City of Canton	108,019
Net cash provided by noncapital and related financing activities	108,019
Net decrease in cash and cash equivalents	(8,476)
Cash and cash equivalents, beginning of year	12,590
Cash and cash equivalents, end of year	$ 4,114
Reconcilation of operating loss to net cash used in operating activities:	
Operating loss	$ (29,152)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	27,865
Change in assets and liabilities:	
Increase in accounts receivable	(10)
Decrease in accounts payable	(1,683)
Net cash used in operating activities	$ (2,980)

CITY OF CANTON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNIT - DEVELOPMENT AUTHORITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

REVENUES	
Interest	$ 79,065
Total revenues	79,065
EXPENDITURES	
Debt service	
Interest expenditures	79,065
Total expenditures	79,065
Net change in fund balance	-
FUND BALANCE, beginning of year	-
FUND BALANCE, end of year	$ -

STATISTICAL SECTION

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

Page

Financial Trends 72

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 77

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

Debt Capacity 83

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 86

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 87

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.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year. The City implemented GASB Statement 34 in 2004; schedules presenting government-wide information include information beginning in that year.

CITY OF CANTON, GEORGIA

NET ASSETS BY COMPONENT
LAST SEVEN YEARS
(accrual basis of accounting)

	2010	2009	2008	2007	2006	2005	2004
Governmental activities							
Invested in capital assets, net of related debt	$ 23,904,711	$ 26,397,902	$ 22,643,905	$ 25,233,848	$ 9,626,727	$ 6,271,687	$ 24,303,698
Restricted	2,810,921	3,415,322	3,800,560	3,742,276	16,366,892	21,105,383	-
Unrestricted	2,563,739	2,035,811	709,265	970,752	2,543,076	(667,634)	2,687,212
Total governmental activities net assets	$ 29,279,371	$ 31,849,035	$ 27,153,730	$ 29,946,876	$ 28,536,695	$ 26,709,436	$ 26,990,910
Business-type activities							
Invested in capital assets, net of related debt	$ 53,870,920	$ 52,591,376	$ 49,922,585 (1)	$ 28,272,392	$ 22,842,904	$ 20,885,321	$ 19,640,743
Restricted	-	-	-	-	-	-	624,039
Unrestricted	(756,600)	(3,650,120)	(5,860,097) (1)	9,068,221	358,902	(1,976,282)	(2,820,599)
Total business-type activities net assets	$ 53,114,320	$ 48,941,256	$ 44,062,488	$ 37,340,613	$ 23,201,806	$ 18,909,039	$ 17,444,183
Primary government							
Invested in capital assets, net of related debt	$ 77,775,631	$ 78,989,278	$ 72,566,490	$ 53,506,240	$ 32,469,631	$ 27,157,008	$ 43,944,441
Restricted	2,810,921	3,415,322	3,800,560	3,742,276	16,366,892	21,105,383	624,039
Unrestricted	1,807,139	(1,614,309)	(5,150,832)	10,038,973	2,901,978	(2,643,916)	(133,387)
Total primary government net assets	$ 82,393,691	$ 80,790,291	$ 71,216,218	$ 67,287,489	$ 51,738,501	$ 45,618,475	$ 44,435,093

(1) In 2008, an asset was reclassified to capital assets resulting in an increase to net assets invested in capital assets, net of related debt and decreasing unrestricted net assets.

CITY OF CANTON, GEORGIA

CHANGES IN NET ASSETS
LAST SEVEN YEARS
(accrual basis of accounting)

	2010	2009	2008	2007	2006	2005	2004
Expenses							
Governmental activities:							
General government	$ 1,770,433	$ 2,205,371	$ 1,999,815	$ 2,012,028	$ 1,979,169	$ 1,878,098	$ 1,481,792
Judicial	224,185	207,879	219,639	255,742	-	-	-
Public safety	5,347,017	5,189,142	5,750,262	5,039,785	4,742,918	4,344,526	4,211,873
Public works	2,659,564	1,888,445	2,804,416	2,124,031	2,147,240	1,864,038	1,740,204
Culture and recreation	1,270,290	1,151,561	880,616	918,519	511,203	470,922	527,582
Housing and development	633,366	744,870 (4)	2,053,150	1,483,555	1,998,840	1,342,796	1,212,546
Interest on long-term debt	1,925,023	1,639,962	1,633,240	1,465,394	1,280,036	523,604	82,083
Total governmental activities expenses	13,829,878	13,027,230	15,341,138	13,299,054	12,659,406	10,423,984	9,256,080
Business-type activities:							
Water and sewer	5,941,837	5,618,888	6,217,761	5,589,256	5,180,238	5,281,264	4,229,065
Sanitation	1,068,407	1,062,946	1,047,868	991,360	889,970	717,330	558,651
Stormwater	389,054	842,291	-	-	-	-	-
Total business-type activities expenses	7,399,298	7,524,125	7,265,629	6,580,616	6,070,208	5,998,594	4,787,716
Total primary government expenses	$ 21,229,176	$ 20,551,355	$ 22,606,767	$ 19,879,670	$ 18,729,614	$ 16,422,578	$ 14,043,796
Program Revenues							
Governmental activities:							
Charges for services:							
General government	$ 433,567	$ 494,699 (5)	$ 1,023,985 (2)	$ 345,985	$ 371,755	$ 270,658	$ 259,233
Judicial	817,571	973,150	904,255 (1)	-	-	-	-
Public safety	37,424	86,379 (5)	375,810 (1)	1,157,071	1,216,907	1,103,706	1,089,194
Public works	185,236	365,695 (5)	823,787	1,364,589	1,201,256	108,442	86,694
Culture and recreation	103,524	95,947 (5)	335,778	627,781	857,112	774,068	900,723
Housing and development	32,082	68,386 (5)	199,067 (2)	1,418,524	1,867,327	1,787,552	1,866,074
Operating grants and contributions	-	74,950	-	141,389	296,455	232,324	167,249
Capital grants and contributions	2,908,383	5,242,945 (6)	3,135,718 (3)	6,689,806	3,622,467	2,333,627	3,738,243
Total governmental activities program revenues	4,517,787	7,402,151	6,798,400	11,745,145	9,432,279	6,610,377	8,107,410
Business-type activities:							
Charges for services:							
Water and sewer	6,677,034	7,336,262	7,623,918	7,911,799	7,011,665	5,803,725	6,330,895
Sanitation	1,127,149	1,058,068	1,020,666	938,036	776,680	752,938	571,690
Stormwater	1,053,755	947,636	-	-	-	-	-
Capital grants and contributions	415,060	2,296,436 (6)	90,917	60,000	-	-	-
Total business-type activities program revenues	9,272,998	11,637,402	8,735,501	8,909,835	7,788,345	6,556,663	6,902,585
Total primary government program revenues	$ 13,790,785	$ 19,039,553	$ 15,533,901	$ 20,654,980	$ 17,220,624	$ 13,167,040	$ 15,009,995

CITY OF CANTON, GEORGIA

CHANGES IN NET ASSETS
LAST SEVEN YEARS
(accrual basis of accounting)

	2010	2009	2008	2007	2006	2005	2004
Net (expense)/revenue							
Governmental activities	$ (9,312,091)	$ (5,625,079)	$ (8,542,738)	$ (1,553,909)	$ (3,227,127)	$ (3,813,607)	$ (1,148,670)
Business-type activities	1,873,700	4,113,277	1,469,872	2,329,219	1,718,137	558,069	2,114,869
Total primary government net expense	$ (7,438,391)	$ (1,511,802)	$ (7,072,866)	$ 775,310	$ (1,508,990)	$ (3,255,538)	$ 966,199
General Revenues and Other Changes in Net Assets							
Governmental activities:							
Property taxes	$ 5,663,145	$ 5,045,128	$ 4,937,763	$ 4,028,723	$ 3,767,351	$ 3,024,059	$ 2,549,493
Franchise taxes	1,463,563	1,489,987	1,566,062	1,314,142	-	-	-
Other taxes	-	- (7)	1,748,788	1,171,532	2,781,521	2,892,765	2,558,592
Alcohol beverage tax	467,132	476,441 (7)	-	-	-	-	-
Insurance premium tax	427,411	431,459 (7)	-	-	-	-	-
Business occupation tax	844,224	853,942 (7)	-	-	-	-	-
Sales and use taxes	- (8)	1,982,521 (5)	2,309,622 (3)	690,314	-	-	1,067,464
Unrestricted investment earnings	45,880	92,967	300,721	515,217	806,788	168,372	14,531
Gain (loss) on sale of capital assets	-	-	23,130	-	-	(62,709)	1,882,511
Miscellaneous	127,507	54,228	109,877	-	-	-	-
Transfers	(2,296,435)	(106,289)	(5,246,371)	(12,287,329)	(2,265,121)	(978,832)	493,014
Total governmental activities	6,742,427	10,320,384	5,749,592	(4,567,401)	5,090,539	5,043,655	8,565,605
Business-type activities:							
Unrestricted investment earnings	2,927	2,077	5,632	108,845	29,509	21,687	14,714
Gain on sale of capital assets	-	-	-	-	280,000	136,450	9,117
Transfers	2,296,435	106,289	5,246,371	12,287,329	2,265,121	978,832	988,347
Total business-type activities	2,299,362	108,366	5,252,003	12,396,174	2,574,630	1,136,969	1,012,178
Total primary government	$ 9,041,789	$ 10,428,750	$ 11,001,595	$ 7,828,773	$ 7,665,169	$ 6,180,624	$ 9,577,783
Change in Net Assets							
Governmental activities	$ (2,569,664)	$ 4,695,305	$ (2,793,146)	$ (6,121,310)	$ 1,863,412	$ 1,230,048	$ 7,416,935
Business-type activities	4,173,062	4,221,643	6,721,875	14,725,393	4,292,767	1,695,038	3,127,047
Total primary government	$ 1,603,398	$ 8,916,948	$ 3,928,729	$ 8,604,083	$ 6,156,179	$ 2,925,086	$ 10,543,982

(1) Prior to 2008, the judicial revenues have been reported as public safety revenues.
(2) License and permits have been reported as housing and development prior to 2008 and are now shown as general government.
(3) Sales and use taxes were reported as intergovernmental revenues prior to 2008.
(4) The development projects have slowed due to the economy and the 2008 fiscal year expenses were unusually high as the City wrote off a $700,000 receivable which was deemed uncollectable.
(5) Due to the downturn in the economy.
(6) This is the donation of the Canton Marketplace assets to the City.
(7) Other taxes was broken out for reporting during the 2009 fiscal year.
(8) Sales tax is now reported as intergovernmental revenues in accordance with tax revenues.

CITY OF CANTON, GEORGIA

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(modified accrual basis of accounting)

	2010	2009	2008	2007
General fund				
Reserved	**$ 159,641**	$ 142,690	$ 148,252	$ 130,191
Unreserved	**1,737,473**	1,104,520	(53,994)	268,734
Total general fund	**$ 1,897,114**	$ 1,247,210	$ 94,258	$ 398,925
All other governmental funds				
Reserved	**$ 81,950**	$ 90,344	$ -	$ -
Unreserved, reported in:				
Special revenue funds	**3,912,701**	23,898	1,170,981	60,161
Capital projects funds	**2,058,168**	2,781,566	3,018,151	3,601,071
Total all other governmental funds	**$ 6,052,819**	$ 2,895,808	$ 4,189,132	$ 3,661,232

2006	2005	2004	2003	2002	2001
$ 126,160	$ 140,673	$ 114,235	$ 101,201	$ 60,967	$ 50,083
1,759,833	(1,424,283)	735,567	(1,363,087)	3,124,047	3,460,180
$ 1,885,993	$ (1,283,610)	$ 849,802	$ (1,261,886)	$ 3,185,014	$ 3,510,263
$ -	$ -	$ 2,122,658	$ 1,625,627	$ 263,550	$ -
12,071,285	19,051,573	20,914	16,630	(185,967)	943,874
4,349,391	2,451,789	-	-	209,470	-
$ 16,420,676	$ 21,503,362	$ 2,143,572	$ 1,642,257	$ 287,053	$ 943,874

CITY OF CANTON, GEORGIA

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(modified accrual basis of accounting)

	2010	2009	2008	2007
Revenues				
Taxes	$ 8,811,792	$ 10,271,488	$ 10,398,102 (2)	$ 7,277,384
Licenses and permits	424,019	485,694 (4)	1,018,243	1,565,725
Intergovernmental	2,402,939	472,990 (1)	2,231,796 (1)(2)	2,879,125
Fines and forfeitures	806,541	984,754	888,543	812,693
Charges for services	364,072	625,412 (4)	1,740,184	2,404,294
Interest income	45,880	92,967	300,721	515,217
Contributions and donations	-	138,663	557,347	3,952,380
Miscellaneous	131,249	79,725	131,524	100,374
Total revenues	12,986,492	13,151,693	17,266,460	19,507,192
Expenditures				
General government	1,598,827	1,348,214	1,700,648	1,904,713
Judicial	221,600	206,466	220,126	250,581
Public safety	5,040,076	4,747,256	5,468,985	5,510,749
Public works	1,424,508	821,866	1,535,290	1,262,309
Culture and recreation	496,988	417,608	591,834	605,316
Housing and development	617,920	720,353 (5)	1,691,476	1,423,424
Capital outlay	753,660	787,600 (3)	3,654,500 (3)	8,163,714
Debt service				
Principal retirements	2,691,214	2,580,893	2,502,819	2,186,925
Interest and fiscal charges	1,847,638	1,594,435	1,536,399	1,402,921
Issuance costs	214,250	-	55,000	-
Total expenditures	14,906,681	13,224,691	18,957,077	22,710,652
Excess of revenues over (under) expenditures	(1,920,189)	(72,998)	(1,690,617)	(3,203,460)
Other financing sources (uses)				
Proceeds from capital leases	-	-	-	1,213,723
Issuance of long-term debt	8,000,000	-	7,860,000	-
Proceeds from sale of capital assets	23,539	38,915	37,067	30,554
Transfers in	3,247,334	4,565,510	12,328,890	(38,453,337)
Transfers out	(5,543,769)	(4,671,799)	(17,575,261)	26,166,008
Total other financing sources (uses)	5,727,104	(67,374)	2,650,696	(11,043,052)
Net change in fund balances	$ 3,806,915	$ (140,372)	$ 960,079	$ (14,246,512)
Debt service as a percentage of noncapital expenditures	34.00%	45.43%	26.76%	24.68%

NOTES: (1) During the 2008 fiscal year the City received over $2 million of DOT funds for infrastructure work.

(2) Prior to 2008, the City reported sales and use tax as intergovernmental revenue instead of taxes.

(3) Due to cash flow concerns the City has cut back on capital expenditures.

(4) Due to the downturn in the economy impact fee charges and other revenues have declined.

(5) The development projects have slowed due to the economy and the 2008 fiscal year expenditures were unusually high as the City wrote off a $700,000 receivable which was deemed uncollectable.

2006	2005	2004	2003	2002	2001
$ 6,431,302	$ 5,915,310	$ 5,026,077	$ 4,710,925	$ 5,404,248	$ 5,310,784
2,013,979	1,913,017	1,949,976	1,506,956	1,437,495	1,164,454
2,540,653	1,716,949	4,865,857	6,469,922	1,074,820	158,240
694,904	688,594	587,173	818,105	629,802	560,550
2,669,415	1,348,164	1,584,935	1,207,527	254,219	328,743
806,788	168,373	14,531	6,753	22,473	38,550
1,378,269	859,248	107,099	3,061,804	64,511	1,375,670
111,493	84,404	79,834	60,339	50,596	214,062
16,646,803	12,694,059	14,215,482	17,842,331	8,938,164	9,151,053
1,997,186	2,409,785	1,398,916	1,377,639	1,172,045	1,075,497
-	-	-	-	-	-
4,516,931	3,944,158	3,655,148	3,545,441	3,263,190	2,789,253
1,523,246	1,210,945	1,009,603	984,580	873,479	2,066,859
502,696	542,150	1,289,514	5,607,268	888,097	201,732
2,028,730	1,204,409	1,322,773	1,226,864	1,090,845	834,966
6,278,503	13,472,692	4,254,570	6,885,386	1,950,540	2,240,529
1,184,776	1,053,735	1,021,552	582,008	582,066	509,128
1,478,172	451,746	25,928	57,395	-	155,605
-	-	-	-	-	-
19,510,240	24,289,620	13,978,004	20,266,581	9,820,262	9,873,569
(2,863,437)	(11,595,561)	237,478	(2,424,250)	(882,098)	(722,516)
300,000	59,950	-	-	-	-
2,928,062	29,563,477	-	-	-	-
23,568	177,346	1,882,511	32,555	15,579	-
(21,308,893)	(25,777,704)	(988,346)	(2,365,139)	(195,423)	(1,058,539)
19,043,771	24,798,872	1,481,360	1,665,138	79,872	2,457,904
986,508	28,821,941	2,375,525	(667,446)	(99,972)	1,399,365
$ (1,876,929)	$ 17,226,380	$ 2,613,003	$ (3,091,696)	$ (982,070)	$ 676,849
20.13%	13.92%	10.77%	4.78%	7.40%	8.71%

CITY OF CANTON, GEORGIA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE - ALL TAXABLE PROPERTY
LAST TEN YEARS

Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Total Assessed Value	Total District Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2001	$ 190,761,307	$ 43,940,509	$ 234,701,816	8.250	$ 586,754,540	40%
2002	225,238,320	56,711,615	281,949,935	8.000	704,874,838	40%
2003	267,029,520	38,243,462	305,272,982	7.500	763,182,455	40%
2004	382,187,240	42,515,016	424,702,256	7.385	1,061,755,640	40%
2005	404,698,171	54,223,786	458,921,957	7.115	1,147,304,893	40%
2006	467,999,181	40,203,702	508,202,883	6.778	1,270,507,208	40%
2007	583,154,134	46,877,412	630,031,546	6.256	1,575,078,865	40%
2008	895,754,728	69,472,700	965,227,428	5.970	2,413,068,570	40%
2009	899,326,279	68,246,516	967,572,795	5.950	2,418,931,988	40%
2010	822,434,923	73,832,869	896,267,792	6.800	2,240,669,480	40%

Source: City of Canton Property Tax Billing Department

CITY OF CANTON, GEORGIA

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
(Per $1000 of Assessed Value)
LAST TEN YEARS

Calendar Year	City of Canton Operating Millage	Cherokee County (1)	State	Total Direct & Overlapping Rates
2001	8.250	28.220	0.25	36.720
2002	8.000	28.100	0.25	36.350
2003	7.500	27.570	0.25	35.320
2004	7.385	27.390	0.25	35.025
2005	7.115	26.980	0.25	34.345
2006	6.778	26.840	0.25	33.868
2007	6.256	26.500	0.25	33.006
2008	5.970	26.250	0.25	32.470
2009	5.950	26.240	0.25	32.440
2010	6.800	26.800	0.25	33.850

(1) Source: Cherokee County CAFR

CITY OF CANTON, GEORGIA

PRINCIPAL TAXPAYERS
CURRENT AND NINE YEARS AGO

Taxpayer	2010 Taxable Assessed Value	2010 Rank	2010 Percentage of Taxable Assessed Value	2001 Taxable Assessed Value	2001 Rank	2001 Percentage of Taxable Assessed Value
DDRM Riverstone Plaza, LLC	$ 11,584,440	1	1.29 %	$ -		- %
Canton Marketplace, LLC	10,551,000	2	1.18	-		-
Walden Crossing, LLC	7,065,480	3	0.79	-		-
Alltel Georgia Communications Corp	6,505,955	4	0.73	4,754,234	5	1.89
Wal-Mart	6,398,520	5	0.71	2,787,960	7	1
Target Corporation	6,188,040	6	0.69	-		-
Northside Hospital-Cherokee	6,063,280	7	0.68	-		-
River Ridge of Canton, LP	5,959,400	8	0.66	-		-
Inland Western Canton Paradise, LLC	5,541,760	9	0.62	-		-
Georgia Power Company	5,143,235	10	0.57	1,868,560	10	0.74
Bright - Sasser Canton, LLC	-		-	12,569,920	1	5.00
JDN Development	-		-	9,963,440	2	3.96
Piolax Corporation	-		-	5,259,890	3	2.09
Home Depot	-		-	5,229,608	4	2.08
Howell Lamb III	-		-	3,312,440	6	1.32
Siemens Energy and Automation	-		-	2,718,673	8	1.08
Carmike Cinema	-		-	2,696,031	9	1.07
Kroger	-		-	2,582,940	10	1.03
	$ 71,001,110		7.92 %	$ 53,743,696		21.37 %

Source: City of Canton Property Tax Billing Department

CITY OF CANTON, GEORGIA

TOP TEN WATER AND SEWER CUSTOMERS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

Customer	Rank	Water Gallons	Water Revenues	Sewer Gallons	Sewer Revenue	Total Revenue	Percentage of Total Revenues
River Ridge Apartments	1	13,335,000	$ 62,675	13,335,000	$ 76,676	$ 139,351	2.16 %
Canton Mill Lofts	2	12,375,000	58,163	12,375,000	71,156	129,319	2.01
Waleska Water (1)	3	52,680,000	118,530	-	-	118,530	1.84
Laurels of Greenwood Apartments	4	9,488,000	44,594	9,488,000	54,556	99,150	1.54
Walden Crossing Apartments	5	9,124,500	42,885	9,124,500	52,466	95,351	1.48
Signature Management	6	8,809,000	41,402	8,809,000	50,652	92,054	1.43
Canterbury Ridge Apartments	7	8,326,000	39,132	8,326,000	47,875	87,007	1.35
Heritage @ Riverstone	8	7,520,000	35,344	7,520,000	43,240	78,584	1.22
Northside Hospital - Cherokee	9	7,097,000	33,356	7,097,000	40,808	74,164	1.15
Hickory Knoll Apartments	10	6,252,000	29,384	6,252,000	35,949	65,333	1.01

Source: City of Canton Utility Billing Department

(1) Waleska Water is a wholesale water customer of the City of Canton pursuant to an intergovernmental contract with the City of Waleska. All other customers represented above are retail water and sewer customers.

CITY OF CANTON, GEORGIA

CURRENT WATER AND SEWER RATES
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Rates	
Water rates - residential		
First 2,000 gallons (minimum rate)	$ 9.40	
2,001 gallons to 10,000 gallons	4.70	per thousand gallons
10,001 gallons to 15,000 gallons	5.40	per thousand gallons
15,001 gallons and above	6.10	per thousand gallons
Water rates - irrigation		
First 2,000 gallons (minimum rate)	10.80	
2,001 gallons and above	5.40	per thousand gallons
Water rates - commercial		
First 2,000 gallons (minimum rate)	9.40	
2,001 gallons and above	4.70	per thousand gallons
Sewer rates		
First 2,000 gallons (minimum rate)	11.50	
2,001 gallons and above	5.75	per thousand gallons
The City of Canton provides services on a contractual basis to the following entities:		
City of Waleska - water	$ 2.25	per thousand gallons
Cherokee County Water & Sewerage Authority - water	2.25	per thousand gallons
Con Agra - water	2.25	per thousand gallons
Hembree Water System - water	2.25	per thousand gallons
Cherokee County Water & Sewerage Authority - sewer	3.93	per thousand gallons
City of Ball Ground - sewer	3.93	per thousand gallons

Source: City of Canton Utility Billing Department

CITY OF CANTON, GEORGIA

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS

Tax Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2001	$ 1,946,018	$ 1,806,513	92.8%	$ 29,530	$ 1,836,043	94.35%
2002	2,143,034	2,109,217	98.4%	33,817	2,143,034	100.00%
2003	2,304,582	2,285,795	99.2%	18,787	2,304,582	100.00%
2004	2,559,938	2,387,786	93.3%	79,699	2,467,485	96.39%
2005	2,966,324	2,915,064	98.3%	7,567	2,922,631	98.53%
2006	3,449,599	3,373,282	97.8%	49,577	3,422,859	99.22%
2007	3,941,477	3,825,967	97.1%	62,555	3,888,522	98.66%
2008	4,450,928	4,365,324	98.1%	61,072	4,426,396	99.45%
2009	4,636,934	4,378,812	94.4%	6,235	4,385,047	94.57%
2010	5,145,445	5,098,309	99.1%	-	5,098,309	99.08%

CITY OF CANTON, GEORGIA

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

Fiscal Year	Governmental Activities (1)			Business-type Activities (1)			Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
	Bonds Payable	Notes Payable	Capital Leases	Revenue Bonds	GEFA Notes Payable	Capital Leases			
2001	$ -	$ -	$ 2,356,150	$ 7,933,372	$ -	$ 95,038	$ 10,384,560	4.24%	$ 1,335
2002	-	-	1,995,688	7,566,184	1,954,830	48,695	11,565,397	4.64%	1,388
2003	-	-	1,515,413	14,404,105	2,207,495	-	18,127,013	5.38%	1,599
2004	2,748,554	-	558,704	14,257,795	2,438,961	-	20,004,014	4.96%	1,516
2005	31,667,597	-	325,875	12,794,549	3,007,289	-	47,795,310	10.05%	3,167
2006	33,548,488	-	488,271	11,933,028	3,394,453	-	49,364,240	9.19%	2,984
2007	31,652,989	3,000,000	978,037	11,031,600	3,301,524	306,253	50,270,403	7.95%	2,571
2008	37,477,343	2,900,000	610,864	10,127,834	3,956,425	237,558	55,310,024	7.85%	2,577
2009	35,227,006	2,700,000	339,726	9,102,673	3,996,630	155,449	51,521,484	6.51%	2,267
2010	40,969,873	2,400,000	264,330	8,068,903	3,812,646	102,795	55,618,547	6.15%	2,411

(1) Details regarding the City's outstanding debt can be found in Note 8 in the Notes to the Financial Statements.
(2) See Schedule of Demographic and Economic Statistics for personal income and population data for the City

CITY OF CANTON, GEORGIA

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
SEPTEMBER 30, 2010

	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City of Canton (1)	Amount Applicable to City of Canton
Overlapping General Obligation Debt:			
Cherokee County 2005	$ 10,505,000	9.161%	$ 962,346
Cherokee County 2007 A and B Series	3,998,000	9.161%	366,250
Cherokee County 2008	6,517,000	9.161%	597,012
Cherokee County 2009	45,000,000	9.161%	4,122,378
Cherokee County Board of Education	256,990,000	9.161%	23,542,443
Other Overlapping Debt:			
Cherokee County Industrial Development Authority	725,000	9.161%	66,416
Cherokee County Resource Recovery Development Authority	18,145,000	9.161%	1,662,234
Total overlapping debt	$ 341,880,000		$ 31,319,080

Source: The overlapping debt numbers were obtained from Cherokee County's 2008 Comprehensive Annual Financial Report.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Canton, Georgia. This process recognizes that, when considering the government'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 taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

CITY OF CANTON, GEORGIA

UTILITY REVENUE BOND COVERAGE
LAST TEN YEARS

Fiscal Year	Water & Sewer Revenue	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Bond Coverage
				Principal	Interest	Total	
2001	$ 4,954,984	$ 2,558,599	$ 2,396,385	$ 349,517	$ 454,880	$ 804,397	2.98
2002	4,627,191	2,688,681	1,938,510	367,188	433,361	800,549	2.42
2003	5,687,379	2,147,812	3,539,567	662,079	410,013	1,072,092	3.30
2004	6,330,895	2,728,455	3,602,440	791,381	559,189	1,350,570	2.67
2005	5,803,726	3,389,941	2,413,785	823,573	748,622	1,572,195	1.54
2006	7,011,665	3,459,010	3,552,655	861,521	619,457	1,480,978	2.40
2007	7,911,799	3,785,270	4,126,529	901,428	563,684	1,465,112	2.82
2008	7,720,467	4,353,364	3,367,103	903,766	667,852	1,571,618	2.14
2009	7,335,906	3,628,709	3,707,197	1,025,161	495,729	1,520,890	2.44
2010	6,677,034	4,020,823	2,656,211	1,097,469	372,836	1,470,305	1.81

(1) Operating expenses do not include depreciation or interest.

CITY OF CANTON, GEORGIA

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN YEARS

Fiscal Year	Population (1)	Personal Income	Per Capita Personal Income (1)	Median Age (1)	Average Education Level In Years (2)	School Enrollment (3)	Unemployment Rate (2)
2001	7,780	$ 244,782,140	$ 31,463	31.8	12.65	3,531	3.2%
2002	8,335	249,499,890	29,934	32.6	12.72	3,778	3.6%
2003	11,338	337,158,106	29,737	33.4	12.81	3,885	3.9%
2004	13,195	403,635,050	30,590	34.2	12.83	3,317	3.0%
2005	15,094	475,577,224	31,508	35.0	12.89	3,975	3.9%
2006	16,544	536,901,290	32,453	35.8	12.90	4,182	4.4%
2007	19,553	632,695,974	32,358	36.8	12.93	4,616	4.4%
2008	21,464	704,834,832	32,838	34.0	14.00	5,091	8.5%
2009	22,724	791,204,232	34,818	28.0	14.00	5,199	10.3%
2010	23,073	904,553,892	39,204	34.0	14.00	5,269	9.1%

NA - Not available

(1) Bureau of Census and Atlanta Regional Commission

(2) Georgia Department of Labor

(3) Cherokee County Board of Education

CITY OF CANTON, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

	2010			2001		
Employer	Employees	Rank	Percentage of Total City Employment	Employees (1)	Rank	Percentage of Total City Employment
Northside Hospital - Cherokee	741	1	6.73 %	180	1	10.13 %
Cherokee County Board of Education	655	2	5.95	500	4	3.65
Cherokee County Board of Commissioners	520	3	4.72	330	3	6.69
Wal-Mart	340	4	3.09	370	2	7.50
Publix (3 Locations)	271	7	2.46	-		-
Universal Alloy Corporation	237	5	2.15	155	5	3.14
Piolax Corporation	198	6	1.80	130	6	2.63
City of Canton	121	8	1.10	-		-
Home Depot	117	9	1.06	-		-
Lowe's	105	10	0.95	-		-
Morrison Products	-		-	100	7	2.03
Quill Corporation	-		-	87	8	1.76
YDK America	-		-	70	10	1.42
K-Mart	-		-	75	9	1.52
	3,305		30.01 %	1,997		40.47 %

(1) Historic employment information was estimated from information provided by the Cherokee County Chamber of Commerce, the Cherokee County Industrial Development Authority and the Georgia Department of Labor.

CITY OF CANTON, GEORGIA

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	**2010**	2009	2008	2007	2006
General government					
Management	**5**	5	6	4	4
Finance	**4**	3	3	4	6
Technology	**2**	2	1	1	2
Judicial					
Municipal court	**2**	2	2	2	2
Public safety					
Police officers	**39**	42	41	38	42
Police administration	**9**	9	10	10	10
Firefighters	**22**	23	25	30	30
Fire administration	**5**	5	3	3	2
Public works					
Engineering	**3**	3	3	-	1
Streets	**15**	14	18	20	21
Culture and recreation					
Parks	**4**	4	4	6	5
Housing and development					
Building	**3**	3	7	11	10
Planning and zoning	**2**	2	2	7	6
Economic development	**1**	1	1	1	1
Transit	**-**	-	-	7	8
Utilities					
Sanitation roll-off site	**1**	1	1	2	1
Water administration	**4**	4	4	4	4
Total	**121**	123	131	150	155

Source: Various City departments.

2005	2004	2003	2002	2001
4	4	4	4	4
6	6	4	4	3
2	2	1	1	1
2	2	3	3	3
38	38	39	34	35
10	10	9	8	9
31	30	26	26	29
2	2	2	2	2
-	-	-	-	-
21	21	20	20	18
4	4	4	3	3
10	12	10	8	7
6	3	3	3	3
1	1	1	1	1
8	8	8	6	4
1	1	-	-	-
4	4	3	3	3
150	148	137	126	125

CITY OF CANTON, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	2010	2009	2008	2007	2006
Public safety					
Police					
Physical arrests	**1,160**	1,291	1,291	1,479	1,315
Parking violations	**1,635**	1,722	2,521	3,077	3,537
Traffic violations	**8,898**	9,338	8,057	11,472	12,976
Fire					
Emergency responses	**1,869**	2,686	2,706	2,737	N/A
Fires extinguished	**115**	93	108	87	N/A
Public works					
Street resurfacing (miles)	**139**	132	125	223	137
Signs installed/replaced	**90**	93	196	194	189
Trees cut/miscellaneous	**294**	262	225	366	840
Water and sewer					
New connections (1)	**63**	57	127	561	776
Average daily consumption (million gallons/day)	**2.986**	2.470	2.330	2.710	3.352
Transit					
Total route miles	**N/A**	N/A (a)	25,128	100,512	95,643
Passengers	**N/A**	N/A (a)	9,990	60,258	49,081

Source: Various City departments. Operating indicators are not available for functions other than those listed above.

N/A - Information not available

(1) Water connections decreased in some fiscal years due to territory swaps with the Cherokee County Water and Sewerage Authority pursuant to Georgia House Bill 489 (HB489).

(a) The city no longer operates a transit system, as it was sold to the County on October 1, 2008.

2005	2004	2003	2002	2001
1,229	978	773	N/A	N/A
2,301	1,601	N/A	N/A	N/A
11,692	8,006	N/A	N/A	N/A
N/A	N/A	N/A	N/A	1,465
N/A	N/A	N/A	N/A	262
139	103	114	28	N/A
140	136	161	159	N/A
614	796	493	201	N/A
584	567	213	714	(241)
2.309	N/A	N/A	N/A	N/A
88,914	90,237	66,677	66,677	N/A
41,134	24,219	27,928	16,406	N/A

CITY OF CANTON, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

	2010	2009	2008	2007	2006
Function					
Public Safety					
Police					
Stations	**1**	1	1	1	1
Patrol Units	**34**	34	27	33	25
Fire					
Fire Stations	**2**	2	2	2	2
Pumper Trucks	**4**	5	5	5	4
Ladder Truck	**1**	1	1	1	1
Platform Truck	**1**	1	1	1	-
Public Works					
Streets (miles)	**144**	143	143	142	107
Sidewalks (miles)	**21**	21	21	20	17
Culture & Recreation					
Acreage of Parks	**171**	171	170	170	170
Playgrounds	**4**	4	4	4	4
Baseball Fields	**5**	5	5	5	5
Soccer Fields	**2**	2	2	2	2
Tennis Courts	**4**	4	4	4	4
Community Center	**1**	1	1	1	1
Water					
Water Mains (miles)	**137**	137	137	137	137
Water Plant Capacity (million gallons daily)	**5**	5	5	5	5
Sewer					
Sanitary Sewer Mains (miles)	**79**	79	79	79	79
Sewer Plant Capacity (million gallons daily)	**4**	4	4	4	4
Transit					
Buses	**-**	- (a)	5	5	5
Trolley	**-**	- (a)	1	1	1

Source: Various City departments. Capital asset indicators are not available for the general government function.
(a) The city no longer operates a transit system, as it was sold to the County on October 1, 2008.

2005	2004	2003	2002	2001
1	1	1	1	1
22	22	19	21	16
2	2	2	2	2
3	3	3	3	3
1	1	1	1	1
-	-	-	-	-
105	105	95	95	95
16	15	13	13	12
170	170	170	112	82
4	4	4	4	4
5	5	5	5	5
2	2	2	2	2
4	4	4	4	4
-	-	-	-	-
106	105	99	99	98
5	5	5	5	5
65	65	57	57	57
4	4	2	2	2
4	4	4	3	2
1	1	-	-	-

COMPLIANCE SECTION

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Mayor and Members
of the City Council of
Canton, Georgia

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canton, Georgia (the "City") as of and for the year ended September 30, 2010, which collectively comprise the City of Canton, Georgia's basic financial statements and have issued our report thereon dated March 22, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2010-1 through 2010-4, to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2010-5 and 2010-6.

We noted certain matters that we reported to management of the City in a separate letter dated March 22, 2011.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, members of the City Council, and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Mauldin & Jenkins, LLC

Atlanta, Georgia
March 22, 2011

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	_X_ yes ___ no
Significant deficiencies identified not considered to be material weaknesses?	____ yes _X_ none reported
Noncompliance material to financial statements noted?	_X_ yes ___ no

Federal Awards

There was not an audit of major federal award programs for the year ended September 30, 2010 due to the total amount expended being less than $500,000.

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2010-1 Fund Balance

Criteria: Internal controls should be in place to ensure that financial statements are properly presenting the financial position and results of the City.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the opening net assets of one of the City's component units.

Context/Cause: During our testing, audit adjustments were required to adjust the opening net assets of the Canton Downtown Development Authority to agree to the City's previously issued financial statements.

Effects: Audit adjustments of approximately $182,000 were needed to correctly report opening net assets.

Recommendation: We recommend the City carefully review all opening net asset balances to ensure that the general ledger agrees with the financial statements from the prior year.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that all equity balances are reconciled.

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2010-2 Expenditure/Expense Recognition

Criteria: Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows.

Condition: Internal controls were not sufficient to detect certain misstatements in the reporting of the City's expenditures/expenses and related balance sheet accounts.

Context/Cause: During our testing of expenditures, certain audit adjustments were required to correct current year amounts. The nature of these adjustments is as follows:

- The Road and Sidewalk Fund required audit adjustments of approximately $29,000 to properly accrue expenditures for which services were received prior to September 30, 2010.
- The Water & Sewer Fund required an adjustment of approximately $31,800 to properly accrue expenses for which services were received prior to September 30, 2010.
- An adjustment of approximately $55,800 was required to properly report the debt service expenditures of the Urban Redevelopment Agency Fund. Payments made on debt service notes, prior to the due date should be reported as prepaid expenditures in governmental funds.
- The Canton Building Authority required an adjustment of approximately $26,100 to properly report debt service expenditures. Payments made on debt service notes, prior to the due date should be reported as prepaid expenditures in governmental funds.
- The Canton Downtown Development Authority required an adjustment of approximately $106,000 to properly report debt service expenditures.
- The General fund required an adjustment of $100,000 to properly record a liability for amounts due to third parties for refunding of grant awards previously received by the City.

Effects: Audit adjustments totaling approximately $348,700 were needed to correctly report expenditures/expenses and the related balance sheet accounts.

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2010-2 Expenditure/Expense Recognition (Continued)

Recommendation: We recommend the City carefully review all expenditures/expenses and related balance sheet accounts to ensure all necessary transactions are reported in the proper period, and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that expenditures/expenses and related balance sheet accounts are properly recorded.

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2010-3 Revenues and Related Receivables

Criteria: Internal controls should be in place to ensure that revenues are appropriately recognized, including any related receivables.

Condition: Internal controls were not sufficient to detect material misstatements in the reporting of the Canton Tourism's revenues and receivables.

Context/Cause: During our testing, an audit adjustment was required to properly record the revenues and related receivables of Canton Tourism. Canton Tourism did not have the receivable from the City recorded on their books.

Effects: An audit adjustment totaling approximately $38,500 was needed to correctly report revenues and related receivables.

Recommendation: We recommend the City carefully review all revenue and related receivable accounts to ensure all necessary transactions are reported in the proper period and in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that revenues and related receivables are properly recorded.

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2010-4 Segregation of Duties

Criteria: Segregation of employee's duties is a common practice in an effective internal control structure. Segregation of duties is when specific employee functions related to important accounting areas (such as cash receipting or cash disbursements) are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets. Policies should be in place requiring the segregation of certain duties.

Condition: The limited number of employees involved in the various offices and the resulting overlapping of duties causes segregation of duties to be difficult.

Context/Cause: During the course of our testwork, we noted several areas in which the segregation of duties could be improved. The following are controls or practices which should be in place to ensure adequate segregation of duties, but aren't at the City.

- Persons responsible for posting cash receipts to receivable subsidiary ledgers can also process customer service calls and complaints; open the mail; and/or prepare deposits.
- Individuals who reconcile the bank accounts also investigate any discrepancies or issues related to cash.
- Individuals who investigate discrepancies or issues related to cash should not be able to post journal entries to the general ledger; maintain the chart of accounts; edit transactional data or approve edits of transactional data.
- Individuals who process bills are not independent of the collection function.
- Citizen or customer complaints are not followed up by persons independent of the accounts receivable, bookkeeping and cash handling process.
- Recording and/or approval of abatements and cancellations or refunds is not independent of cash handling and other receivable bookkeeping functions.
- Individuals who maintain or authorize accounts receivable adjustments should not be able to edit the accounts receivable master file, open the mail or copy checks received or maintain access to cash.
- Individuals who initiate purchase orders should be independent of approval of purchase orders; maintenance of the purchase journal; initiating checks for expenditures; preparing or issuing debt memos; editing the vendor master file; input of purchase orders; verification or processing receipts of inventory; receiving goods from or transfer goods to inventory; investigating discrepancies or issues related to expenditures, inventory, capital assets, revenue, debt or cash; maintain access to or custody of inventory; process sales orders and maintaining the chart of accounts.

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2010-4 Segregation of Duties (Continued)

Effects: Without some segregation of duties within these functions; there is increased exposure that someone could intentionally or unintentionally misappropriate assets of the City.

Recommendation: We recommend that the City review its processes and determine where it can effectively segregate duties to alleviate the segregation of duties issues.

Auditee's Response: We will review our operations to determine the most efficient and effective solution to properly segregate duties.

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2010-5 Collateralization of Deposits

Criteria: Policies should be in place to ensure all financial institutions holding cash deposits of City funds properly insure and/or collateralize those deposits in accordance with state law, at all times of the fiscal year.

Condition: As of September 30, 2010, the City had $608,786 in deposits that were not properly collateralized at 110% in accordance with the Official Code of Georgia Annotated (OCGA) Section 45-8-12(c).

Context/Cause: The deposits with a financial institution exceeded the limit for federal depository insurance coverage and were not sufficiently collateralized in accordance with State of Georgia law. This was caused by the City's accounts not being coded as public funds, and thus not having proper pledging.

Effects: The failure of a financial institution to fully insure or collateralize the deposits could result in a financial loss to the City, should the financial institution fail.

Recommendation: The City should ensure that all deposits with its financial institutions are properly coded as public funds and have the proper pledging agreements in place. The City should also monitor its deposits on an on-going basis to ensure that all deposits over the federal depository insurance coverage limit are properly collateralized in accordance with State statutes.

Auditee's Response: We concur. The City will ensure all deposits are properly coded as public funds and will monitor deposits on a monthly basis to ensure that all deposits over the federal depository insurance coverage limit are properly collateralized in accordance with State statutes.

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2010

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2010-6 Governmental Fund Budgets

Criteria: State of Georgia law (OCGA 36-81-3) states:

a) Each unit of local government shall adopt and operate under either an annual or project-length balanced budget for the general fund, each special revenue fund, each debt service fund, and each capital projects fund in use by the local government. These balanced budgets shall be adopted by ordinance or resolution and administered in accordance with this article;

b) a budget ordinance or resolution is balanced when the sum of estimated revenues and appropriated fund balances is equal to appropriations.

Condition: State law requires local governments to adopt balanced budgets for all governmental funds. Management did not adopt balanced budgets for the Urban Redevelopment Agency, which is reported as a special revenue fund or the Road & Sidewalk Fund, which is reported as a capital projects fund for the fiscal year ended September 30, 2010.

Context/Cause: The original budget for the Urban Redevelopment Agency was a balanced budget, but amendments during the year were made to adjust for activity and caused an unbalanced final budget by $868. The original and final budgets for the Road & Sidewalk Fund showed deficits in excess of available fund balance by $990 and $90,590, respectively.

Effects: Management failed to adopt the required annual balanced budgets for the above funds, which has resulted in a compliance violation with State law.

Recommendation: We recommend the City timely adopt balanced budgets for all governmental funds reported in the financial statements, as required by OCGA 36-81-3.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that all governmental funds have budgets appropriately adopted.

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.