CITY OF CANTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011

Submitted By:
Finance Department

Nathan Ingram, CPA
Chief Financial Officer

CITY OF CANTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011

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Gene Hobgood, *Mayor*
E. Scott Wood, *City Manager*
Susan C. Stanton, *City Clerk*



City of Canton
151 Elizabeth Street
Canton GA 30114
Phone 770-704-1500
Fax 770-704-1538
www.canton-georgia.com

E.H. "Hooky" Huffman 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*
Glen Cummins Ward III, *City Council*

LETTER OF TRANSMITTAL

April 25, 2012

The Honorable Mayor Gene Hobgood,
Members of the City Council and Citizens of the
City of Canton, Georgia:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles in the United States of America (GAAP) and are audited in accordance with generally accepted auditing standards in the United States of America by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report of the City of Canton, Georgia for the fiscal year ended September 30, 2011.

This report consists of management's representations concerning the finances of the City of Canton, Georgia. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Canton, Georgia has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Canton's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh its benefits, the City of Canton's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is accurate in all material respects and presented in a manner designed to fairly set forth the financial position and results of operations of the various funds of the City.

Mauldin & Jenkins, LLC, Atlanta, Georgia, a licensed firm of certified public accountants, has audited the City of Canton's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Canton for the fiscal year ended September 30, 2011, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and the significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Canton's financial statements for the fiscal year ended September 30, 2011, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report. The 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* is presented on pages 93-95.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Canton's MD&A can be found immediately following the report of the independent auditors.

GENERAL INFORMATION

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 fifteen 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. A considerable amount of the population increase is a result of Cherokee County's proximity to the Atlanta metropolitan area. Although growth continued to slow in 2010 and into 2011 due to the downturn in the economy, it continues to be a primary concern for the future of the City as the economy recovers and regains momentum.

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	7,709	5.4
2010	22,958	10.7

*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 5.25 million gallons per day and conditionally permitted sewer capacity is 4.0 million gallons per day. In response to an EPD consent order, the City is currently considering further 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, GEFA Grant Fund, Urban Redevelopment Agency, Confiscated Assets Fund, 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, 2011, the City had no general obligation bonds outstanding. During the 2010 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 semi annually 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 completed by the end of 2012. Additional land and mitigation property has been acquired in 2011 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 in 2012.

Fairways of Canton

The Fairways of Canton celebrated its grand opening in August 2011, after a year long closure that saw many 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 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 has been approved for grant funding to rehabilitate portions 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 during the Fiscal Years 2012 and 2013.

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 year ended September 30, 2010. This is the 11th consecutive year that the City has received this award. 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, LLC. 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,

Nathan Ingram, 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, 2010

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.



Linda C. Davidson

President

Jeffrey L. Esser

Executive Director



City of Canton, Georgia

City Officials
September 30, 2011

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
Vacant

City Clerk
Vacant

Police Chief
Jeff Lance

Fire Chief
Dean Floyd

Director of Public Works
David J. Cangemi

Community Development Director
Ken Patton

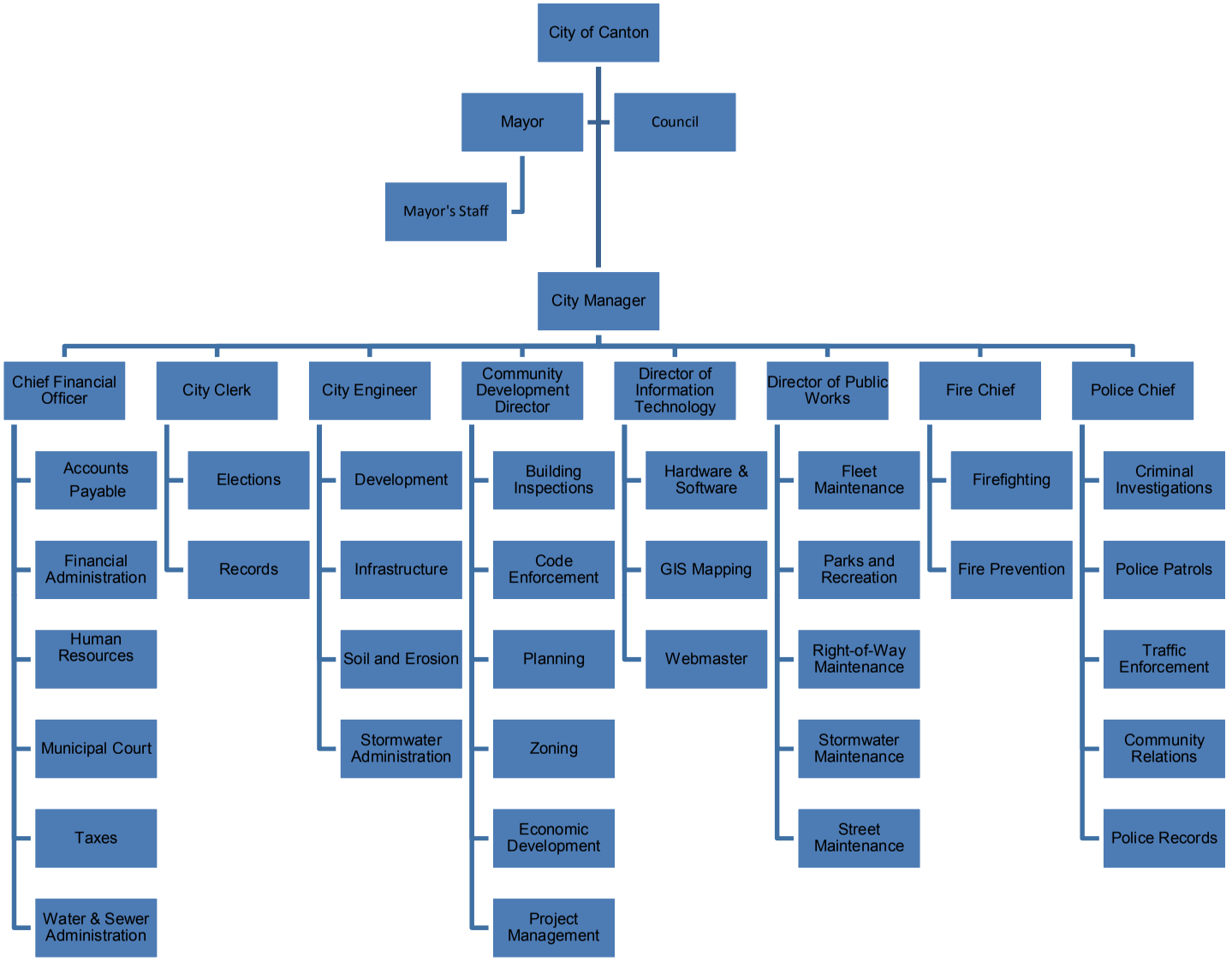
City Engineer
Vacant

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, 2011, 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 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, 2011, 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.

As discussed in Note 1, the City of Canton, Georgia implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions, as of October 1, 2010*.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2012, 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress and budgetary comparison schedules for the General Fund and Canton Building Authority on pages 4 through 10 and 56 through 59, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 combining and individual nonmajor fund financial statements and schedules and Schedule of Expenditures of Federal Awards, as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 25, 2012

CITY OF CANTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2011

Our discussion and analysis of the City of Canton Georgia's financial performance provides a narrative overview and analysis of the City's financial activities for the fiscal year ended September 30, 2011. Management's discussion and analysis (MD&A) focuses on current year activities and resulting changes. Please read it in conjunction with the City's financial statements.

Financial Highlights

The City's combined net assets increased approximately $1.1 million (1.3%) to $83,571,700 from $82,491,135 in 2010.

Combined revenue for 2011 remained virtually unchanged from $22.8 million in 2010, of which governmental activities totaled $13.0 million and business-type activities totaled $9.8 million.

Overall expenses increased about $600,000 (2.8%) to $21.8 million from $21.2 million in 2010, of which governmental activities totaled $13.7 million and business-type activities totaled $8.0 million.

As of September 30, 2011, the City’s governmental funds reported combined ending fund balances of $8,134,955. Of this amount, $140,401 is nonspendable due to prepaid expenditures, $1.1 million is nonspendable due to long-term advances between funds, approximately $6 million is restricted for identified governmental functions and $898,768 is unassigned. The total governmental fund balance represents an increase of approximately 1.1% over the amount from 2010.

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 City's basic financial statements are compromised 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 (beginning on page 12). The government-wide financial statements provide a broad overview of the City's operations, in a manner similar to that of private-sector businesses. The statements include:

* Statement of Net Assets presents the City's assets and liabilities, with the difference between the two reported as net assets. Over time, the change in net assets may serve as an indicator of the improvement (an increase) or deterioration (a decrease) in the City's financial condition.

* 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 identify the various functions of the City that are principally supported by taxes and intergovernmental revenues from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities of the City include 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.

The government-wide financial statements include not only the City of Canton, Georgia itself (known as the primary government), but also legally separate component units (Canton Downtown Development Authority, Canton Development Authority, Canton Preservation, Inc., and Canton Tourism, Inc.) for which the City is financially accountable. Financial information for these component units is reported separately from financial information presented for the primary government itself. Further discussion can be found in the notes to the financial statements note 1A.

Fund financial statements (beginning on page 13). A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary (agency) 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 statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources, available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near term financing decision. 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 & 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.

Proprietary funds (beginning on page 16). The City maintains three 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, and the Sanitation Fund are considered to be major funds.

Fiduciary (agency) funds (page 20). Agency funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements (pages 23 - 55). The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information (beginning on page 56). 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 schedule of budgetary comparisons.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, the change in net assets may serve as an indicator of the improvement (an increase) or deterioration (a decrease) in the City's financial condition. The City's assets exceeded liabilities by $83,571,700 at the close of the fiscal year. The table below shows the split of net assets between governmental and business-type activities.

CITY OF CANTON, GEORGIA
Statement of Net Assets (condensed)
September 30, 2011
($ in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Cash and Other Assets	$ 12,093	$ 12,115	$ 2,626	$ 3,596	$ 14,719	$ 15,711
Capital Assets	61,930	63,406	66,435	66,729	128,365	130,135
Total Assets	74,023	75,521	69,061	70,325	143,084	145,846
Current Liabilities	2,257	2,412	4,501	4,343	6,758	6,755
Noncurrent Liabilities	41,137	43,829	11,618	12,868	52,755	56,697
Total Liabilities	43,394	46,241	16,119	17,211	59,513	63,452
Net Assets:						
Invested in Capital Assets, Net of Related Debt	24,509	23,905	54,825	53,871	79,334	77,776
Restricted	2,536	2,811	-	-	2,536	2,811
Unrestricted	3,584	2,564	(1,883)	(757)	1,701	1,807
Total Net Assets	$ 30,629	$ 29,280	$ 52,942	$ 53,114	$ 83,571	$ 82,394

The City has $79,334,269 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. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since those assets themselves will not be liquidated to retire the associated debt. The City has $2,536,194 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 $1,701,237 in unrestricted funds.

As of September 30, 2011 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, 2011, the City’s net assets increased approximately $1.1 million.

CITY OF CANTON, GEORGIA
Statement of Activities (condensed)
September 30, 2011
($ in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2011	**2010**	**2011**	**2010**	**2011**	**2010**
REVENUES						
Program Revenues						
Charges for Services	$ 1,366	$ 1,609	$ 9,662	$ 8,858	$ 11,028	$ 10,467
Capital Grants and Contributions	2,726	2,908	117	415	2,843	3,323
General Revenues						
Property Taxes	5,284	5,663	-	-	5,284	5,663
Other Taxes	3,531	3,202	-	-	3,531	3,202
Investment Earnings	28	46	5	3	33	49
Other Revenues	126	128	-	-	126	128
Total Revenues	13,061	13,556	9,784	9,276	22,845	22,832
EXPENSES						
General Government	1,914	1,770	-	-	1,914	1,770
Judicial	215	224	-	-	215	224
Public Safety	5,357	5,347	-	-	5,357	5,347
Public Works	2,583	2,660	-	-	2,583	2,660
Culture and Recreation	1,209	1,270	-	-	1,209	1,270
Housing and Development	685	633	-	-	685	633
Interest on Long-term Debt	1,763	1,925	-	-	1,763	1,925
Water and Sewer	-	-	6,407	5,942	6,407	5,942
Stormwater	-	-	610	389	610	389
Sanitation	-	-	1,022	1,068	1,022	1,068
Total Expenses	13,726	13,829	8,039	7,399	21,765	21,228
Increase (Decrease) in Net Assets before Transfers	(665)	(273)	1,745	1,877	1,080	1,604
Transfers	1,917	(2,296)	(1,917)	2,296	-	-
Change in Net Assets	1,252	(2,569)	(172)	4,173	1,080	1,604
Net Assets, Beginning	29,280	31,849	53,114	48,941	82,394	80,790
Prior Period Adjustment	97	-	-	-	97	-
Net Assets, Ending	$ 30,629	$ 29,280	$ 52,942	$ 53,114	$ 83,571	$ 82,394

The change in net assets for the government-wide statements as a whole reflect an increase of approximately $1.1 million. While the governmental activities accounted for a positive $1.3 million change, the business-type activities reported a net reduction in net assets of over $171,000.

Property tax revenues, although fairly consistent from the prior year, did show a decrease of $379,352 (6.6%); due to the continuing effect of reassessments and a millage rate held steady. Charges for services did show an increase of over $500,000 (5.4%) due in part to a water and sewer rate increase that went into effect June 1, 2011. Capital grants and contributions decreased approximately $480,000 (14.4%). Other taxes showed only a moderate increase of approximately $300,000 (10.3%) presumably from a slight overall improvement of the general economy; sales tax, franchise taxes, business occupation taxes, etc.

Public safety expenses decreased $10,061 (0.2%). General government expenses increased $143,413 (8.1%) due to increased budgeted expenditures in the General Fund. Public works expenses also decreased slightly $76,983 (2.9%) due to budget constraints. Expenses for Culture and Recreation as well as Housing and Development continued with conservative spending, both remaining fairly consistent from the prior year.

The City of Canton has determined that a restatement is necessary of prior period balances to report revenue earned in the prior period. This prior period adjustment is approximately $97,000. Please see Note 16 for additional information on prior period adjustments.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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 and outflows of spendable resources. Such information is useful in evaluating a government's near-term financing requirements. In particular, the unassigned 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, 2011, the City's governmental funds reported combined ending fund balances of $8,134,955. Of this amount $898,768, is unassigned.

Major Governmental Funds

The General Fund is the operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $898,768. In 2010 the General Fund had a unreserved fund balance of $1,737,473. Included in General Fund operations were $274,400 of net transfers to other funds which was comprised of a $12,846 transfer to the Confiscated Assets Fund, net transfer from the Capital Projects Fund of $38,446, 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 $3,427,914, all of which is restricted to use. The net change in the Canton Building Authority's fund balance for the year ended September 30, 2011 was a decrease of $451,974.

The Road & 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 fund balance of $249,929, which is an increase of $905,238 over the fund balance at the end of fiscal year 2010.

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 fund balance of the SPLOST V Fund was $1,231,030. The net change was a decrease of $141,805.

Nonmajor 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, GEFA Grant Fund, and the Confiscated Assets Fund.

Debt Service Funds are used to account for the accumulation of resources to repay the revenue bonds of the component unit. The City has one debt service fund which is the 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 Fees Fund.

Nonmajor governmental funds revenues totaled $588,324 for the fiscal year ending September 30, 2011. Nonmajor governmental fund expenditures totaled $1,107,546. Fund balance for all nonmajor governmental funds was $1,055,235. Nonmajor fund balances decreased $495,828. Significant changes in nonmajor fund balances came from the Impact Fee fund which decreased $555,109 due to the continued reduction in residential construction and the Hotel/Motel Tax Fund which increased $112,234 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, two of which are major: the Water and Sewer Fund, the Sanitation Fund, and the Stormwater Fund. The Stormwater Fund is nonmajor.

The Water and Sewer Fund has net assets of $50,992,267, a decrease of $85,989. Net assets invested in capital assets, net of related debt is $53,631,513 leaving a deficit balance in unrestricted net assets of ($2,639,246). The Water and Sewer Fund reported net transfers to governmental funds of $1,298,880, primarily for debt service.

The Sanitation Fund has net assets of $268,736. The net assets increased $180,477 from 2010 due to savings gained through negotiating a new contract for residential waste collection.

The Stormwater Fund has net assets of $1,681,473. The net assets decreased $266,332 from 2010 due to transfers to other funds for infrastructure upgrades.

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 $86,760. Actual expenditures were less than budgeted by $397,318.

CAPITAL ASSETS

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

	Governmental Activities		Business-type Activities		Total Government	
	2011	2010	2011	2010	2011	2010
Land	$ 12,588,975	$ 12,588,975	$ 5,263,315	$ 4,968,833	$ 17,852,290	$ 17,557,808
Construction in Progress	2,441,100	1,642,325	18,545,830	18,057,439	20,986,930	19,699,764
Site Improvements	-	-	5,228	5,867	5,228	5,867
Infrastructure	18,605,172	19,811,155	40,293,284	41,340,262	58,898,456	61,151,417
Buildings and Improvements	25,946,381	26,826,284	1,825,601	1,975,653	27,771,982	28,801,937
Furniture and Fixtures	68,910	77,956	-	-	68,910	77,956
Machinery and Equipment	986,786	926,453	501,637	381,800	1,488,423	1,308,253
Vehicles	1,292,609	1,532,654	-	-	1,292,609	1,532,654
Total	$ 61,929,933	$ 63,405,802	$ 66,434,895	$ 66,729,854	$ 128,364,828	$ 130,135,656

The City's investment in capital assets for its governmental and business-type activities decreased in 2011 primarily due to very limited capital outlay during the year and depreciation. 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 Government	
	2011	2010	2011	2010	2011	2010
Bonds Payable	$ 38,625,051	$ 40,969,872	$ 7,023,315	$ 8,068,903	45,648,366	49,038,775
Capital Leases	198,648	264,330	77,252	102,795	275,900	367,125
Notes Payable	2,100,000	2,400,000	4,541,267	4,733,675	6,641,267	7,133,675
Total	$ 40,923,699	$ 43,634,202	$ 11,641,834	$ 12,905,373	$ 52,565,533	$ 56,539,575

At September 30, 2011, the City reported long-term debt of $52,565,533 exclusive of interest expense. The City has no general obligation debt at fiscal year end. Refer to Note 7 in the notes to financial statements for more information on long-term debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Mayor and City 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 2012 is $10,101,911. This is a decrease of $54,643 from the prior year. The budget for fiscal year 2012, as it compares to 2011, continues to reflect the Mayor and City Council's conservative approach to managing expenditures.

The Water and Sewer Fund did see a positive operating income partially as a result of the rate increase implemented June 1, 2011. The rate increase was a result of a rate study that was conducted and will provide the necessary resources for the City's Water and Sewer System's long-term needs.

The City does not anticipate significant growth in 2012 due to the continued concern 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: Nathan Ingram, 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, 2011

ASSETS	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Cash and cash equivalents	$ 4,642,732	$ 689,867	$ 5,332,599	$ 34,468
Taxes receivable	265,001	-	265,001	-
Other receivables, net of allowances	1,496,954	-	1,496,954	-
Accounts receivable, net of allowances	-	2,910,890	2,910,890	-
Due from primary government	-	-	-	73,990
Due from other governments	464,684	25,338	490,022	-
Internal balances	1,131,678	(1,131,678)	-	-
Inventory	-	70,598	70,598	4,465
Prepaid items	140,401	48,916	189,317	-
Deferred charges, unamortized balance	523,801	12,431	536,232	-
Restricted cash and cash equivalents	3,427,914	-	3,427,914	-
Note receivable from primary government	-	-	-	921,029
Capital assets:				
Non-depreciable	15,030,075	23,809,145	38,839,220	-
Depreciable, net of accumulated depreciation	46,899,858	42,625,750	89,525,608	1,056,647
Total assets	74,023,098	69,061,257	143,084,355	2,090,599
LIABILITIES				
Accounts payable	504,442	481,967	986,409	-
Accrued liabilities	1,713,292	681,698	2,394,990	34,688
Unearned revenue	-	3,302,414	3,302,414	-
Due to component unit	39,302	34,688	73,990	-
Compensated absences due within one year	269,077	8,719	277,796	-
Compensated absences due in more than one year	18,583	-	18,583	
Note payable to component unit, due in more than one year	-	921,029	921,029	-
Capital leases due within one year	74,701	28,955	103,656	-
Capital leases due in more than one year	123,947	48,297	172,244	-
Notes payable due within one year	300,000	200,129	500,129	-
Notes payable due in more than one year	1,800,000	3,420,109	5,220,109	-
Bonds payable due within one year	2,216,655	1,151,972	3,368,627	95,451
Bonds payable due in more than one year	36,333,875	5,838,804	42,172,679	1,264,910
Total liabilities	43,393,874	16,118,781	59,512,655	1,395,049
NET ASSETS				
Invested in capital assets, net of related debt	24,508,669	54,825,600	79,334,269	617,315
Restricted for tourism	169,376	-	169,376	-
Restricted for public safety	2,052	-	2,052	-
Restricted for capital projects	1,481,789	-	1,481,789	-
Restricted for impact fee projects - general government	227,285	-	227,285	-
Restricted for impact fee projects - public safety	146,897	-	146,897	-
Restricted for impact fee projects - public works	489,483	-	489,483	-
Restricted for impact fee projects - culture and recreation	19,312	-	19,312	-
Unrestricted	3,584,361	(1,883,124)	1,701,237	78,235
Total net assets	$ 30,629,224	$ 52,942,476	$ 83,571,700	$ 695,550

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, 2011

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government:								
Governmental activities:								
General government	$ 1,913,846	$ 390,194	$ -	$ 650,980	$ (872,672)	$ -	$ (872,672)	$ -
Judicial	214,862	763,048	-	-	548,186	-	548,186	-
Public safety	5,357,078	42,267	-	36,090	(5,278,721)	-	(5,278,721)	-
Public works	2,582,581	116,062	-	449,681	(2,016,838)	-	(2,016,838)	-
Culture and recreation	1,209,105	38,053	-	1,589,391	418,339	-	418,339	-
Housing and development	684,792	15,949	-	-	(668,843)	-	(668,843)	-
Interest on long-term debt	1,763,412	-	-	-	(1,763,412)	-	(1,763,412)	-
Total governmental activities	13,725,676	1,365,573	-	2,726,142	(9,633,961)	-	(9,633,961)	-
Business-type activities:								
Water and sewer	6,406,500	7,497,194	-	117,052	-	1,207,746	1,207,746	-
Sanitation	1,022,298	1,202,775	-	-	-	180,477	180,477	-
Stormwater	610,232	961,895	-	-	-	351,663	351,663	-
Total business-type activities	8,039,030	9,661,864	-	117,052	-	1,739,886	1,739,886	-
Total primary government	$ 21,764,706	$ 11,027,437	$ -	$ 2,843,194	$ (9,633,961)	$ 1,739,886	$ (7,894,075)	$ -
Total component units	$ 168,514	$ 40,651	$ 39,302	$ 95,488	$ -	$ -	$ -	$ 6,927
General revenues:								
Property taxes					$ 5,283,793	$ -	$ 5,283,793	$ -
Franchise taxes					1,658,358	-	1,658,358	-
Alcoholic beverage taxes					476,962	-	476,962	-
Insurance premium taxes					414,989	-	414,989	-
Business occupation taxes					980,545	-	980,545	-
Unrestricted investment earnings					28,473	5,554	34,027	27,841
Miscellaneous					118,883	-	118,883	-
Gain on sale of capital assets					7,083	-	7,083	-
Transfers					1,917,284	(1,917,284)	-	-
Total general revenues and transfers					10,886,370	(1,911,730)	8,974,640	27,841
Change in net assets					1,252,409	(171,844)	1,080,565	34,768
Net assets, beginning of year, restated					29,376,815	53,114,320	82,491,135	660,782
Net assets, end of year					$ 30,629,224	$ 52,942,476	$ 83,571,700	$ 695,550

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

CITY OF CANTON, GEORGIA

BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

ASSETS	General Fund	Canton Building Authority	Road & Sidewalk	SPLOST V	Other Governmental Funds	Total Governmental Funds
Cash and cash equivalents	$ 1,112,749	$ -	$ 1,401,400	$ 841,618	$ 1,286,965	$ 4,642,732
Taxes receivable	242,529	-	-	-	22,472	265,001
Other receivables, net of allowances	1,148,854	-	348,100	-	-	1,496,954
Due from other governments	53,928	-	-	389,412	21,344	464,684
Due from other funds	44,371	-	194,565	-	4,775	243,711
Advances to other funds	1,131,678	-	-	-	-	1,131,678
Prepaid expenditures	140,401	-	-	-	-	140,401
Restricted cash and cash equivalents	-	3,427,914	-	-	-	3,427,914
Total assets	$ 3,874,510	$ 3,427,914	$ 1,944,065	$ 1,231,030	$ 1,335,556	$ 11,813,075
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 400,848	$ -	$ 101,511	$ -	$ 2,083	$ 504,442
Accrued liabilities	6,240	-	1,592,625	-	-	1,598,865
Deferred revenues	1,291,800	-	-	-	-	1,291,800
Due to other funds	4,775	-	-	-	238,936	243,711
Due to component unit	-	-	-	-	39,302	39,302
Total liabilities	1,703,663	-	1,694,136	-	280,321	3,678,120
FUND BALANCES						
Fund balances:						
Nonspendable:						
Prepaid expenditures	140,401	-	-	-	-	140,401
Advances to other funds	1,131,678	-	-	-	-	1,131,678
Restricted:						
Public safety	-	-	-	-	2,052	2,052
Tourism	-	-	-	-	169,376	169,376
Capital projects	-	-	249,929	1,231,030	830	1,481,789
Debt service	-	3,427,914	-	-	-	3,427,914
Impact fee projects - general government	-	-	-	-	227,285	227,285
Impact fee projects - public safety	-	-	-	-	146,897	146,897
Impact fee projects - public works	-	-	-	-	489,483	489,483
Impact fee projects - culture and recreation	-	-	-	-	19,312	19,312
Unassigned	898,768	-	-	-	-	898,768
Total fund balances	2,170,847	3,427,914	249,929	1,231,030	1,055,235	8,134,955
Total liabilities and fund balances	$ 3,874,510	$ 3,427,914	$ 1,944,065	$ 1,231,030	$ 1,335,556	

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.	61,929,933
Some outlays of financial resources are recorded as prepaid assets in the funds, expenditures and, therefore, are deferred in the funds.	1,291,800
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(40,727,464)
Net assets of governmental activities	$ 30,629,224

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, 2011

	General Fund	Canton Building Authority	Road & Sidewalk	SPLOST V	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	$ 8,547,635	$ -	$ -	$ -	$ 280,887	$ 8,828,522
Licenses and permits	380,463	-	-	-	-	380,463
Intergovernmental	85,884	-	394,332	2,207,093	99,506	2,786,815
Fines and forfeitures	766,347	-	-	-	-	766,347
Charges for services	26,733	-	-	-	194,448	221,181
Interest income	5,947	318	9,606	5,555	12,602	34,028
Miscellaneous	118,883	-	-	-	881	119,764
Total revenues	9,931,892	318	403,938	2,212,648	588,324	13,137,120
Expenditures						
Current:						
General government	1,811,345	36,513	-	-	66,311	1,914,169
Judicial	214,064	-	-	-	-	214,064
Public safety	5,044,897	-	-	-	31,703	5,076,600
Public works	1,354,927	-	-	-	-	1,354,927
Culture and recreation	349,991	-	-	-	118,050	468,041
Housing and development	614,212	-	-	-	69,310	683,522
Capital outlay	-	-	762,741	-	11,076	773,817
Debt service:						
Principal retirements	11,859	1,963,733	-	-	734,911	2,710,503
Interest and fiscal charges	1,541	1,710,748	-	-	76,185	1,788,474
Total expenditures	9,402,836	3,710,994	762,741	-	1,107,546	14,984,117
Excess (deficiency) of revenues over expenditures	529,056	(3,710,676)	(358,803)	2,212,648	(519,222)	(1,846,997)
Other financing sources (uses):						
Proceeds from sale of capital assets	17,291	-	-	-	-	17,291
Transfers in	49,500	3,684,879	1,264,041	-	718,343	5,716,763
Transfers out	(323,900)	(426,177)	-	(2,354,453)	(694,949)	(3,799,479)
Total other financing sources (uses)	(257,109)	3,258,702	1,264,041	(2,354,453)	23,394	1,934,575
Net change in fund balances	271,947	(451,974)	905,238	(141,805)	(495,828)	87,578
Fund balances (deficit), beginning of year (restated)	1,898,900	3,879,888	(655,309)	1,372,835	1,551,063	8,047,377
Fund balances, end of year	$ 2,170,847	$ 3,427,914	$ 249,929	$ 1,231,030	$ 1,055,235	$ 8,134,955

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, 2011

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - total governmental funds	$	87,578
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.		(1,704,165)
The effect of capital assets sales during the year is to decrease net assets.		228,296
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(83,402)
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.		2,731,971
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.		(7,869)
Change in net assets - governmental activities	$	1,252,409

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

CITY OF CANTON, GEORGIA

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011

	Business-type Activities - Enterprise Funds			
ASSETS	**Water and Sewer Fund**	**Sanitation Fund**	**Non-Major Stormwater Fund**	**Totals**
CURRENT ASSETS				
Cash	$ 86,598	$ 220,802	$ 382,467	$ 689,867
Accounts receivable, net of allowance	2,491,154	229,261	190,475	2,910,890
Intergovernmental receivable	25,338	-	-	25,338
Prepaid items	40,115	3,424	5,377	48,916
Inventory	70,598	-	-	70,598
Total current assets	2,713,803	453,487	578,319	3,745,609
CAPITAL ASSETS				
Nondepreciable	23,740,538	-	68,607	23,809,145
Depreciable assets	57,310,814	1,460	1,392,172	58,704,446
	81,051,352	1,460	1,460,779	82,513,591
Accumulated depreciation	(15,887,796)	(1,460)	(189,440)	(16,078,696)
	65,163,556	-	1,271,339	66,434,895
OTHER NONCURRENT ASSETS	12,431	-	-	12,431
Total noncurrent assets	65,175,987	-	1,271,339	66,447,326
Total assets	67,889,790	453,487	1,849,658	70,192,935
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	311,128	84,187	86,652	481,967
Accrued liabilities	111,227	425	1,158	112,810
Compensated absences payable	2,409	3,337	2,973	8,719
Due to component unit	34,688	-	-	34,688
Unearned revenue	3,302,414	-	-	3,302,414
Customer deposits payable	471,936	96,802	150	568,888
Capital lease, current	-	-	28,955	28,955
Notes payable, current	200,129	-	-	200,129
Bonds payable, current	1,151,972	-	-	1,151,972
Total current liabilities	5,585,903	184,751	119,888	5,890,542
NONCURRENT LIABILITIES				
Capital lease	-	-	48,297	48,297
Note payable due to component unit	921,029	-	-	921,029
Note payable	3,420,109	-	-	3,420,109
Bonds payable	5,838,804	-	-	5,838,804
Advances from other funds	1,131,678	-	-	1,131,678
Total noncurrent liabilities	11,311,620	-	48,297	11,359,917
Total liabilities	16,897,523	184,751	168,185	17,250,459
NET ASSETS				
Invested in capital assets, net of related debt	53,631,513	-	1,194,087	54,825,600
Unrestricted	(2,639,246)	268,736	487,386	(1,883,124)
Total net assets	$ 50,992,267	$ 268,736	$ 1,681,473	$ 52,942,476

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, 2011

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Non-Major Stormwater Fund	Totals
OPERATING REVENUE				
Water fees	$ 3,559,090	$ -	$ -	$ 3,559,090
Sewer fees	3,805,255	-	-	3,805,255
Stormwater fees	-	-	961,895	961,895
Sanitation fees	-	1,195,178	-	1,195,178
Miscellaneous	132,849	7,597	-	140,446
Total operating revenues	7,497,194	1,202,775	961,895	9,661,864
OPERATING EXPENSES				
Cost of sales and services	4,558,283	1,022,298	529,010	6,109,591
Depreciation and amortization	1,288,760	-	77,902	1,366,662
Total operating expenses	5,847,043	1,022,298	606,912	7,476,253
Operating income	1,650,151	180,477	354,983	2,185,611
NON-OPERATING REVENUES (EXPENSES)				
Interest income	5,145	-	409	5,554
Intergovernmental	117,052	-	-	117,052
Interest expense	(559,457)	-	(3,320)	(562,777)
Total non-operating expenses	(437,260)	-	(2,911)	(440,171)
Income before transfers	1,212,891	180,477	352,072	1,745,440
Transfers in	426,177	-	188	426,365
Transfers out	(1,725,057)	-	(618,592)	(2,343,649)
	(1,298,880)	-	(618,404)	(1,917,284)
Change in net assets	(85,989)	180,477	(266,332)	(171,844)
Net assets, beginning	51,078,256	88,259	1,947,805	53,114,320
Net assets, ending	$ 50,992,267	$ 268,736	$ 1,681,473	$ 52,942,476

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, 2011

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Non-Major Stormwater Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 5,893,801	$ 1,068,958	$ 903,550	$ 7,866,309
Payments to suppliers	(4,385,926)	(855,964)	(194,349)	(5,436,239)
Payments to employees	(186,914)	(79,313)	(210,879)	(477,106)
Net cash provided by operating activities	1,320,961	133,681	498,322	1,952,964
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	426,177	-	188	426,365
Transfers out to other funds	(1,725,057)	-	(618,592)	(2,343,649)
Net cash used in non-capital financing activities	(1,298,880)	-	(618,404)	(1,917,284)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Advances from other funds proceeds	1,131,678	-	-	1,131,678
Principal payments on capital lease	-	-	(25,543)	(25,543)
Principal payments on notes payable	(192,408)	-	-	(192,408)
Principal payments on bonds payable	(1,045,588)	-	-	(1,045,588)
Interest paid	(523,747)	-	(3,320)	(527,067)
Purchases of capital assets	(762,240)	-	(291,548)	(1,053,788)
Receipt of intergovernmental grants	117,052	-	-	117,052
Net cash used in capital and related financing activities	(1,275,253)	-	(320,411)	(1,595,664)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	5,145	-	409	5,554
Net cash provided by investing activities	5,145	-	409	5,554
Net increase (decrease) in cash	(1,248,027)	133,681	(440,084)	(1,554,430)
Cash, beginning of year	1,334,625	87,121	822,551	2,244,297
Cash, end of year	$ 86,598	$ 220,802	$ 382,467	$ 689,867

(Continued)

CITY OF CANTON, GEORGIA

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Non-Major Stormwater Fund	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income	$ 1,650,151	$ 180,477	$ 354,983	$ 2,185,611
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,288,760	-	77,902	1,366,662
Change in assets and liabilities:				
Increase in accounts receivable	(1,635,816)	(133,817)	(58,345)	(1,827,978)
Decrease in due from other funds	198,145	93,829	86,292	378,266
Decrease in due from other governments	41,423	-	-	41,423
Decrease in prepaids	1,214	383	693	2,290
Decrease in inventory	17,692	-	-	17,692
Increase in accounts payable	86,583	399	85,899	172,881
Decrease in accrued liabilities	(16,089)	(4,832)	(3,871)	(24,792)
Decrease in due to other funds	(287,594)	-	(44,940)	(332,534)
Increase (decrease) in compensated absences payable	(762)	917	(287)	(132)
Decrease in customer deposits payable	(13,746)	(3,675)	(4)	(17,425)
Decrease in unearned revenue	(9,000)	-	-	(9,000)
Net cash provided by operating activities	$ 1,320,961	$ 133,681	$ 498,322	$ 1,952,964

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

CITY OF CANTON, GEORGIA

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2011

	Municipal Court Fund
ASSETS	
Cash	$ 160,737
Total assets	$ 160,737
LIABILITIES	
Due to others	$ 160,737
Total liabilities	$ 160,737

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

CITY OF CANTON, GEORGIA

COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2011

	Component Units				
ASSETS	**Canton Downtown Development Authority**	**Canton Development Authority**	**Canton Preservation**	**Canton Tourism**	**Total**
Cash and cash equivalents	$ 12,267	$ -	$ 2,223	$ 19,978	$ 34,468
Due from primary government	-	34,688	-	39,302	73,990
Inventory	-	-	-	4,465	4,465
Note receivable from primary government	-	921,029	-	-	921,029
Capital assets:					
Depreciable, net of accumulated depreciation	1,056,647	-	-	-	1,056,647
Total assets	1,068,914	955,717	2,223	63,745	2,090,599
LIABILITIES					
Accrued liabilities	-	34,688	-	-	34,688
Bonds payable due within one year	95,451	-	-	-	95,451
Bonds payable due in more than one year	343,881	921,029	-	-	1,264,910
Total liabilities	439,332	955,717	-	-	1,395,049
NET ASSETS					
Invested in capital assets, net of related debt	617,315	-	-	-	617,315
Unreserved	12,267	-	2,223	63,745	78,235
Total net assets	$ 629,582	$ -	$ 2,223	$ 63,745	$ 695,550

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, 2011

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	$ 86,475	$ 32,610	$ -	$ 95,488
Canton Development Authority	27,631	-	-	-
Canton Preservation	2,000	-	-	-
Canton Tourism	52,408	8,041	39,302	-
Total component units	$ 168,514	$ 40,651	$ 39,302	$ 95,488
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
$ 41,623	$ -	$ -	$ -	$ 41,623
-	(27,631)	-	-	(27,631)
-	-	(2,000)	-	(2,000)
-	-	-	(5,065)	(5,065)
$ 41,623	$ (27,631)	$ (2,000)	$ (5,065)	$ 6,927
$ 12	$ 27,631	$ 2	$ 196	$ 27,841
12	27,631	2	196	27,841
41,635	-	(1,998)	(4,869)	34,768
587,947	-	4,221	68,614	660,782
$ 629,582	$ -	$ 2,223	$ 63,745	$ 695,550

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 part of the General 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. Separate financial statements for the Canton Tree City Commission are not prepared.

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. Separate financial statements for the Canton Building Authority are not prepared.

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. Separate financial statements for the Urban Redevelopment Agency are not prepared.

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 City also reports the following fund types:

The **Special Revenue Funds** are used to account for specific revenues, such as confiscations and forfeitures, hotel/motel tax revenues, and GEFA grants, which are legally restricted or committed to expenditures for specific, restricted purposes.

The **Debt Service Fund** is used to account for the resources accumulated and payments made for principal and interest on long-term debt of the City.

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.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Prepaid items are accounted for using the consumption method. Payments made to vendors for services that will benefit periods beyond September 30, 2011, 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 and Net Assets

Fund equity at the governmental fund financial reporting level is classified as “fund balance.” Fund equity for all other reporting is classified as “net assets.”

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities under the current financial resources management focus of accounting. In the fund financial statements, governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Equity and Net Assets (Continued)

Fund balances are classified as follows:

Nonspendable – Fund balances are reported as nonspendable when amounts cannot be spent because they are either (a) not in spendable form (i.e., items that are not expected to be converted to cash) or (b) legally or contractually required to be maintained intact.

Restricted – Fund balances are reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

Committed – Fund balances are reported as committed when they can be used only for specific purposes pursuant to constraints imposed by a formal vote of the City Council. Only the City Council may modify or rescind the commitment.

Assigned – Fund balances are reported as assigned when amounts are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – Fund balances are reported as unassigned as the residual amount when the balances do not meet any of the above criterion. The City reports positive unassigned fund balance only in the General Fund.

Flow Assumptions – When both restricted and unrestricted amounts of fund balance are available for use for expenditures incurred, it is the City's policy to use restricted amounts first and then unrestricted amounts as they are needed. For unrestricted amounts of fund balance, it is the City's policy to use fund balance in the following order: (1) Committed, (2) Assigned, (3) Unassigned.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Equity and Net Assets (Continued)

Net Assets – Net assets represent the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used (i.e., the amount that the City has spent) for the acquisition, construction or improvement of those assets. Net assets are reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net assets are reported as unrestricted. The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available. Restrictions on the government-wide statement of net assets represent amounts segregated to meet debt covenants and State laws.

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.

N. Interfund Transactions

Interfund services provided and used in the fund financial statements are accounted for as revenue, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as a reduction of expenditures/expenses in the fund that is reimbursed.

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 $40,727,464 difference are as follows:

Notes payable	$ (2,100,000)
Capital leases payable	(198,648)
Bonds payable	(38,625,051)
Bond issuance costs	523,801
Unamortized discount	74,521
Accrued interest payable	(114,427)
Compensated absences	(287,660)
Net adjustment to reduce *fund balance - total governmental funds to arrive at net assets - governmental activities*	$ (40,727,464)

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 $1,465,661 difference are as follows:

Capital outlay	$ 1,134,018
Depreciation expense	(2,599,679)
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$ (1,465,661)

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 "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 $2,731,971 difference are as follows:

Amortization of discount and issuance costs	$	21,468
Principal payment on bonds payable		2,344,821
Principal payment on notes payable		300,000
Principal payment on capital leases		65,682
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	2,731,971

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 $7,869 difference are as follows:

Compensated absences	$	(11,463)
Accrued interest		3,594
Net adjustment to decrease *net changes in fund balances - total governmental funds* to arrive at *changes in net assets of governmental activities*	$	(7,869)

NOTE 3. LEGAL COMPLIANCE - BUDGETS

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

1. The City Manager 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, 2011.

The Confiscated Assets Fund and the Canton Building Authority had excesses of actual expenditures over appropriations for the fiscal year ended September 30, 2011 of $10,820 and $30,594, respectively. These over expenditures were funded by greater than anticipated revenues and by available fund balance.

NOTE 4. DEPOSITS

Credit risk. The City's policy is to adhere to the State statues as it relates to credit risk for investments. 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.

NOTE 4. DEPOSITS

Total deposits as of September 30, 2011 are summarized as follows:

Statement of Net Assets:		
Cash and cash equivalents	$	5,332,599
Restricted cash and cash equivalents		3,427,914
Statement of Fiduciary Net Assets:		
Cash - Agency fund		160,737
	$	8,921,250
Cash deposited with financial institutions	$	5,493,336
Money market mutual fund		3,427,914
	$	8,921,250

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, 2011, the City's deposits were properly insured and collateralized.

At September 30, 2011, the City had the following investments that are included in the custodial credit risk discussion above related to deposits:

Investment	Fair Value	Duration
Money Market Mutual Fund - Goldman Sachs Financial Square Treasury Obligation/Select	$ 3,427,914	52 Days

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 this date, the bill becomes delinquent and interest of 1% per month may be assessed by the City. A penalty of 10% is assessed on taxes not paid within 90 days of the due date. Property taxes are recorded as receivables and deferred revenues when levied. Revenues are recognized when available.

Receivables at September 30, 2011, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General	Road & Sidewalk	SPLOST V	Nonmajor Governmental
Receivables:				
Taxes	$ 242,529	$ -	$ -	$ 22,472
Accounts	-	-	-	-
Due from other governments	53,928	-	389,412	21,344
Other	1,365,620	348,100	-	-
Less allowance for uncollectible	(216,766)	-	-	-
Net total receivable	$ 1,445,311	$ 348,100	$ 389,412	$ 43,816

	Water & Sewer	Sanitation	Nonmajor Stormwater
Receivables:			
Taxes	$ -	$ -	$ -
Accounts	3,007,708	254,769	211,651
Due from other governments	25,338	-	-
Other	-	-	-
Less allowance for uncollectible	(516,554)	(25,508)	(21,176)
Net total receivable	$ 2,516,492	$ 229,261	$ 190,475

NOTE 6. CAPITAL ASSETS

Primary Government

Capital asset activity for the fiscal year ended September 30, 2011, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 12,588,975	$ -	$ -	$ 12,588,975
Construction in progress	1,642,325	798,775	-	2,441,100
Total	14,231,300	798,775	-	15,030,075
Capital assets, being depreciated:				
Buildings and improvements	30,917,601	-	-	30,917,601
Infrastructure	25,739,275	-	-	25,739,275
Furniture and fixtures	149,443	-	-	149,443
Machinery and equipment	2,242,610	235,779	-	2,478,389
Vehicles	4,116,470	99,464	(248,712)	3,967,222
Total	63,165,399	335,243	(248,712)	63,251,930
Less accumulated depreciation for:				
Buildings and improvements	(4,091,317)	(879,903)	-	(4,971,220)
Infrastructure	(5,928,120)	(1,205,983)	-	(7,134,103)
Furniture and fixtures	(71,487)	(9,046)	-	(80,533)
Machinery and equipment	(1,316,157)	(175,446)	-	(1,491,603)
Vehicles	(2,583,816)	(329,301)	238,504	(2,674,613)
Total	(13,990,897)	(2,599,679)	238,504	(16,352,072)
Total capital assets, being depreciated, net	49,174,502	(2,264,436)	(10,208)	46,899,858
Governmental activities capital assets, net	$ 63,405,802	$ (1,465,661)	$ (10,208)	$ 61,929,933

NOTE 6. CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Construction in progress	$ 18,057,439	$ 488,391	$ -	$ 18,545,830
Land	4,968,833	294,482	-	5,263,315
Total	23,026,272	782,873	-	23,809,145
Capital assets, being depreciated:				
Site improvements	9,600	-	-	9,600
Infrastructure	52,693,576	81,506	-	52,775,082
Buildings and improvements	4,285,492	-	-	4,285,492
Machinery, equipment and vehicles	1,444,863	189,409	-	1,634,272
Total	58,433,531	270,915	-	58,704,446
Less accumulated depreciation for:				
Site improvements	(3,733)	(639)	-	(4,372)
Infrastructure	(11,353,314)	(1,128,484)	-	(12,481,798)
Buildings and improvements	(2,309,839)	(150,052)	-	(2,459,891)
Machinery, equipment and vehicles	(1,063,063)	(69,572)	-	(1,132,635)
Total	(14,729,949)	(1,348,747)	-	(16,078,696)
Total capital assets, being depreciated, net	43,703,582	(1,077,832)	-	42,625,750
Business-type activities capital assets, net	$ 66,729,854	$ (294,959)	$ -	$ 66,434,895

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

Governmental activities:	
General government	$ 155,263
Public safety	427,272
Public works	1,274,777
Culture and recreation	742,367
Total depreciation expense - governmental activities	$ 2,599,679
Business-type activities:	
Water and sewer	$ 1,270,845
Stormwater	77,902
Total depreciation expense - business-type activities	$ 1,348,747

NOTE 6. CAPITAL ASSETS (Continued)

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	(282,369)	(27,326)	-	(309,695)
Furniture and fixtures	(68,582)	(219)	-	(68,801)
Total	(350,951)	(27,545)	-	(378,496)
Total capital assets, being depreciated, net	1,084,192	(27,545)	-	1,056,647
Total capital assets, net	$ 1,084,192	$ (27,545)	$ -	$ 1,056,647

NOTE 7. LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended September 30, 2011, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Governmental bonds	$ 40,969,872	$ -	$ (2,344,821)	$ 38,625,051	$ 2,216,655
Less discounts	(81,193)	-	6,672	(74,521)	-
Total bonds payable	40,888,679	-	(2,338,149)	38,550,530	2,216,655
Capital leases	264,330	-	(65,682)	198,648	74,701
Notes payable	2,400,000	-	(300,000)	2,100,000	300,000
Compensated absences	276,197	269,817	(258,354)	287,660	269,077
Governmental activities:					
Long-term liabilities	$ 43,829,206	$ 269,817	$ (2,962,185)	$ 41,136,838	$ 2,860,433

NOTE 7. LONG-TERM DEBT (CONTINUED)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Revenue bonds	$ 8,068,903	$ -	$ (1,045,588)	$ 7,023,315	$ 1,151,972
Less discounts	(46,439)	-	13,900	(32,539)	-
Total bonds payable	8,022,464	-	(1,031,688)	6,990,776	1,151,972
Capital lease	102,795	-	(25,543)	77,252	28,955
Notes payable	3,812,646	-	(192,408)	3,620,238	200,129
Note payable - component unit	921,029	-	-	921,029	-
Compensated absences	8,851	10,443	(10,575)	8,719	8,719
Business-type activities: Long-term liabilities	$ 12,867,785	$ 10,443	$ (1,260,214)	$ 11,618,014	$ 1,389,775

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.

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, 2011, the City had $1,121,976 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,		
2012	$ 81,001	$ 31,500
2013	81,040	31,516
2014	47,292	18,391
Total minimum lease payments	209,333	81,407
Less amount representing interest	10,685	4,155
Present value of future minimum lease payments	$ 198,648	$ 77,252

NOTE 7. LONG-TERM DEBT (CONTINUED)

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,	
2012	$ 300,000
2013	300,000
2014	300,000
2015	300,000
2016	300,000
2017-2018	600,000
Total payments	$ 2,100,000

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.

NOTE 7. LONG-TERM DEBT (CONTINUED)

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.

Governmental bonds currently outstanding mature as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30,			
2012	$ 2,216,655	$ 1,729,414	$ 3,946,069
2013	2,442,033	1,645,451	4,087,484
2014	2,211,433	1,546,683	3,758,116
2015	2,275,097	1,418,188	3,693,285
2016	2,087,976	1,321,932	3,409,908
2017-2021	10,151,476	5,071,289	15,222,765
2022-2026	9,990,941	3,069,170	13,060,111
2027-2030	7,249,440	748,388	7,997,828
Total	$ 38,625,051	$ 16,550,515	$ 55,175,566

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.

NOTE 7. LONG-TERM DEBT (Continued)

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.

Revenue bonds currently outstanding mature as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30,			
2012	$ 1,151,972	$ 317,142	$ 1,469,114
2013	1,212,710	257,237	1,469,947
2014	1,275,660	194,740	1,470,400
2015	1,342,583	128,297	1,470,880
2016	1,189,020	59,704	1,248,724
2017-2018	851,370	76,163	927,533
Total	$ 7,023,315	$ 1,033,283	$ 8,056,598

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, 2011:

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

NOTE 7. LONG-TERM DEBT (Continued)

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2012	$ 200,129	$ 148,371	$ 348,500
2013	208,965	139,535	348,500
2014	217,890	130,610	348,500
2015	227,299	121,201	348,500
2016	237,045	111,455	348,500
2017-2021	1,348,431	394,068	1,742,499
2022-2026	910,265	128,287	1,038,552
2027-2029	270,214	13,213	283,427
Total	$ 3,620,238	$ 1,186,740	$ 4,806,978

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, 2011, $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, 2011, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable	$ 507,529	$ -	$ (68,197)	$ 439,332	$ 95,451
Total long-term liabilities	$ 507,529	$ -	$ (68,197)	$ 439,332	$ 95,451

NOTE 7. LONG-TERM DEBT (Continued)

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. During fiscal year 2011 the two issues were refinanced and combined into one issue for repayment. The refinanced bond bears interest at a rate of 4.75% annually and payment is due in monthly installments of $9,520. The bond matures in December 2015.

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2012	$ 95,451	$ 18,785	$ 114,236
2013	100,085	14,151	114,236
2014	104,944	9,292	114,236
2015	110,038	4,198	114,236
2016	28,814	225	29,039
Total	$ 439,332	$ 46,651	$ 485,983

Canton Development Authority

Long-term liability activity for the year ended September 30, 2011, 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, 2011 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, 2011, is as follows:

Due to / from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds	$ 44,371
Road & Sidewalk Fund	Nonmajor governmental funds	194,565
Nonmajor governmental funds	General Fund	4,775
		$ 243,711

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	$ 955,717
Component unit - Canton Tourism, Inc.	Primary government - Nonmajor governmental funds	39,302
		$ 995,019

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

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor governmental funds	$ 49,500
Road & Sidewalk Fund	Nonmajor governmental funds	$ 645,449
Road & Sidewalk Fund	Stormwater Fund	618,592
		$ 1,264,041
Canton Building Authority	General Fund	$ 300,000
Canton Building Authority	SPLOST V Fund	1,660,010
Canton Building Authority	Water and Sewer Fund	1,724,869
		$ 3,684,879
Water and Sewer Fund	Canton Building Authority	$ 426,177
Nonmajor governmental funds	General Fund	$ 23,900
Nonmajor governmental funds	SPLOST V Fund	694,443
		$ 718,343
Stormwater Fund	Water and Sewer Fund	$ 188

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. Participants are not allowed to contribute to the Plan. 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, 2011, the date of the most recent actuarial valuation, there were 202 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	44
Terminated vested participants	48
Active employees - vested	69
Active employees - nonvested	41
Total	202

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 2011, the actuarially determined contribution rate was 16.17% of covered payroll.

For 2011, the City's recommended contribution was $744,165. Actual contributions totaled $744,165. The recommended contribution was determined as part of the January 1, 2010 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include a 7.75% rate of return on investments and projected salary increases of 3.5% (3.0% 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)	Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
1/1/2011	$ 5,911,179	$ 8,182,361	$ 2,271,182	72.24 %	$ 4,435,560	51.20 %

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
2011	$ 744,165	$ 744,165	100.0 %	$ -
2010	741,493	741,493	100.0	-
2009	712,974	712,974	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, 2011, 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, 2011, were $9,085, $6,460, and $12,557, 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, 2011, contractual commitments on uncompleted contracts were $1,001,709.

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 $280,887 for the year ended September 30, 2011. Of this amount 61%, or $172,397, 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. CHANGE IN ACCOUNTING PRINCIPLE

General Fund: The City of Canton has determined that a restatement is necessary of prior period balances to report a change in reporting entity as a result of GASB 54, as the Tree City Commission Fund does not meet the definition of a Special Revenue Fund. This change in reporting entity results in the reporting of the Tree City Commission Fund within the General Fund.

NOTE 16. CHANGE IN ACCOUNTING PRINCIPLE (Continued)

The affect of this adjustment on beginning fund balance of the General Fund as of September 30, 2011 is summarized below.

Fund Balance September 30, 2010, as previously reported	$	1,897,114
Adjustment for change in reporting entity		1,786
Fund Balance September 30, 2010, as restated	$	1,898,900

NOTE 17. PRIOR PERIOD ADJUSTMENT

The City of Canton has determined that a restatement of fund balance is necessary within the Road and Sidewalk Fund to accrue revenue earned and available during the prior fiscal year.

The affect of this adjustment on beginning fund balance of the Road and Sidewalk Fund as of September 30, 2011 is summarized below.

Fund Balance September 30, 2010, as previously reported	$	(752,753)
Adjustment for revenue earned in prior period		97,444
Fund Balance September 30, 2010, as restated	$	(655,309)

The adjustment to the Road and Sidewalk Fund also will increase net assets on the Statement of Activities as follows:

Net Assets at September 30, 2010, as previously reported	$	29,279,371
Adjustment for revenue earned in prior period		97,444
Net Assets at September 30, 2010, as restated	$	29,376,815

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

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)
1/1/2011	5,911,179	8,182,361	2,271,182	72.2%	4,435,560	51.2%
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%

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
Revenues				
Taxes	$ 8,214,539	$ 8,413,291	$ 8,547,635	$ 134,344
Licenses and permits	428,742	428,742	380,463	(48,279)
Fines and forfeitures	958,200	777,395	766,347	(11,048)
Charges for services	38,600	41,300	26,733	(14,567)
Interest	2,800	3,500	5,947	2,447
Intergovernmental	99,900	31,450	85,884	54,434
Miscellaneous	141,850	149,454	118,883	(30,571)
Total revenues	9,884,631	9,845,132	9,931,892	86,760
Expenditures				
Current:				
General government:				
City council	93,292	100,238	87,014	13,224
City clerk	138,704	149,498	143,322	6,176
Mayor	112,931	116,469	88,128	28,341
City manager	262,938	282,466	273,213	9,253
Elections	2,850	2,850	-	2,850
General administration	252,279	268,140	196,141	71,999
Financial administration	230,041	233,516	224,958	8,558
Tax collections	111,756	143,562	143,021	541
Human resources	68,022	102,455	102,149	306
General government buildings	208,753	221,519	220,683	836
Technology	341,159	342,214	332,716	9,498
Total general government	1,822,725	1,962,927	1,811,345	151,582
Judicial	219,240	222,419	214,064	8,355
Public safety:				
Fire	1,750,900	1,821,687	1,752,681	69,006
Police	3,366,175	3,325,756	3,292,216	33,540
Total public safety	5,117,075	5,147,443	5,044,897	102,546
Public works:				
Engineering	176,179	177,308	145,070	32,238
Streets	680,856	1,248,857	1,209,857	39,000
Total public works	857,035	1,426,165	1,354,927	71,238
Recreation	321,386	373,488	349,991	23,497
Housing and development:				
Building inspection	233,958	222,114	199,816	22,298
Planning and zoning	287,109	288,115	273,473	14,642
Code enforcement	56,661	60,102	59,073	1,029
Downtown development	82,863	82,762	81,850	912
Total housing and development	660,591	653,093	614,212	38,881

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
Expenditures				
Debt service:				
Principal	12,961	12,961	11,859	1,102
Interest	1,658	1,658	1,541	117
Total debt service	14,619	14,619	13,400	1,219
Total expenditures	9,012,671	9,800,154	9,402,836	397,318
Excess of revenues over expenditures	871,960	44,978	529,056	484,078
Other financing sources (uses)				
Proceeds from sale of capital assets	25,000	17,291	17,291	-
Transfer in	22,000	46,000	49,500	3,500
Transfers out	(356,400)	(356,400)	(323,900)	32,500
Total other financing sources (uses)	(309,400)	(293,109)	(257,109)	36,000
Net change in fund balances	562,560	(248,131)	271,947	520,078
Fund balances, beginning of year (restated)	1,898,900	1,898,900	1,898,900	-
Fund balances, end of year	$ 2,461,460	$ 1,650,769	$ 2,170,847	$ 520,078

CITY OF CANTON, GEORGIA

CANTON BUILDING AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Interest	$ -	$ -	$ 318	$ 318
Total revenues	-	-	318	318
EXPENDITURES				
Current:				
General government	-	-	36,513	(36,513)
Debt service:				
Principal	1,962,800	1,962,800	1,963,733	(933)
Interest	1,717,600	1,717,600	1,710,748	6,852
Total expenditures	3,680,400	3,680,400	3,710,994	(30,594)
Deficiency of revenues over expenditures	(3,680,400)	(3,680,400)	(3,710,676)	(30,276)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,680,400	3,680,400	3,684,879	4,479
Transfers out	(2,170,325)	(2,170,325)	(426,177)	1,744,148
Total other financing sources (uses)	1,510,075	1,510,075	3,258,702	1,748,627
Net change in fund balances	(2,170,325)	(2,170,325)	(451,974)	1,718,351
FUND BALANCES, beginning of year	3,879,888	3,879,888	3,879,888	-
FUND BALANCES, end of year	$ 1,709,563	$ 1,709,563	$ 3,427,914	$ 1,718,351

CITY OF CANTON, GEORGIA

NONMAJOR GOVERNMENTAL FUNDS

Hotel/Motel Tax Fund – To account for the 8% lodging tax levied in the City, as restricted by State law.

GEFA Grant Fund – To account for restricted grant monies received from the Georgia Environmental Finance Authority for the purpose of capital improvements.

Confiscated Assets Fund – To account for the City's share of excess funds received from confiscated capital and equipment. Georgia law allows police agencies to file for seizure of property related to illegal substances or activities. These funds are restricted by State law for expenditures for purchases of police equipment.

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.

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CITY OF CANTON, GEORGIA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011

ASSETS	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
	Hotel/Motel Tax Fund	GEFA Grant Fund	Confiscated Assets Fund	Urban Redevelopment Agency	Impact Fees Fund	
Cash and cash equivalents	$ 186,554	$ -	$ 3,787	$ -	$ 1,096,624	$ 1,286,965
Taxes receivable	22,472	-	-	-	-	22,472
Due from other governments	-	21,344	-	-	-	21,344
Due from other funds	-	-	-	-	4,775	4,775
Total assets	$ 209,026	$ 21,344	$ 3,787	$ -	$ 1,101,399	$ 1,335,556
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	$ 348	$ -	$ 1,735	$ -	$ -	$ 2,083
Due to other funds	-	20,514	-	-	218,422	238,936
Due to component unit	39,302	-	-	-	-	39,302
Total liabilities	39,650	20,514	1,735	-	218,422	280,321
FUND BALANCES						
Restricted:						
Capital projects	-	830	-	-	-	830
Public safety	-	-	2,052	-	-	2,052
Tourism	169,376	-	-	-	-	169,376
Impact fee projects - general government	-	-	-	-	227,285	227,285
Impact fee projects - pulbic safety	-	-	-	-	146,897	146,897
Impact fee projects - public works	-	-	-	-	489,483	489,483
Impact fee projects - culture and recreation	-	-	-	-	19,312	19,312
Total fund balances	169,376	830	2,052	-	882,977	1,055,235
Total liabilities and fund balances	$ 209,026	$ 21,344	$ 3,787	$ -	$ 1,101,399	$ 1,335,556

CITY OF CANTON, GEORGIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Special Revenue Funds			Debt Service Fund	Capital Projects Fund	
	Hotel/Motel Tax Fund	GEFA Grant Fund	Confiscated Assets Fund	Urban Redevelopment Agency	Impact Fees Fund	Total Nonmajor Governmental Funds
REVENUES						
Taxes	$ 280,887	$ -	$ -	$ -	$ -	$ 280,887
Charges for services	-	-	-	-	194,448	194,448
Intergovernmental	-	99,506	-	-	-	99,506
Interest	3,744	-	26	-	8,832	12,602
Miscellaneous	-	881	-	-	-	881
Total revenues	284,631	100,387	26	-	203,280	588,324
EXPENDITURES						
Current						
General government	-	60,211	-	-	6,100	66,311
Public safety	-	20,883	10,820	-	-	31,703
Culture and recreation	99,587	18,463	-	-	-	118,050
Housing and development	69,310	-	-	-	-	69,310
Capital outlay	-	-	-	-	11,076	11,076
Debt service						
Principal retirements	-	-	-	681,088	53,823	734,911
Interest expenditures	-	-	-	69,190	6,995	76,185
Total expenditures	168,897	99,557	10,820	750,278	77,994	1,107,546
Excess (deficiency) of revenues over (under) expenditures	115,734	830	(10,794)	(750,278)	125,286	(519,222)
Other financing sources (uses)						
Transfers in	-	-	12,846	694,443	11,054	718,343
Transfers out	(3,500)	-	-	-	(691,449)	(694,949)
Total other financing sources (uses)	(3,500)	-	12,846	694,443	(680,395)	23,394
Net change in fund balances	112,234	830	2,052	(55,835)	(555,109)	(495,828)
FUND BALANCES, beginning of year	57,142	-	-	55,835	1,438,086	1,551,063
FUND BALANCES, end of year	$ 169,376	$ 830	$ 2,052	$ -	$ 882,977	$ 1,055,235

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 190,000	$ 190,000	$ 280,887	$ 90,887
Interest	950	950	3,744	2,794
Total revenue	190,950	190,950	284,631	93,681
EXPENDITURES				
Culture and recreation	122,898	122,898	99,587	23,311
Housing and development	69,302	69,302	69,310	(8)
Total expenditures	192,200	192,200	168,897	23,303
Excess (deficiency) revenues over expenditures	(1,250)	(1,250)	115,734	116,984
OTHER FINANCING USES				
Transfer out	(3,500)	(3,500)	(3,500)	-
Total other financing uses	(3,500)	(3,500)	(3,500)	-
Net change in fund balances	(4,750)	(4,750)	112,234	116,984
FUND BALANCES, beginning of year	57,142	57,142	57,142	-
FUND BALANCES, end of year	$ 52,392	$ 52,392	$ 169,376	$ 116,984

CITY OF CANTON, GEORGIA
GEFA GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 99,900	$ 99,900	$ 99,506	$ (394)
Miscellaneous	-	-	881	881
Total revenue	99,900	99,900	100,387	487
EXPENDITURES				
General government	43,442	43,442	60,211	(16,769)
Public safety	37,995	37,995	20,883	17,112
Culture and recreation	18,463	18,463	18,463	-
Total expenditures	99,900	99,900	99,557	343
Net change in fund balances	-	-	830	830
FUND BALANCES, beginning of year	-	-	-	-
FUND BALANCES, end of year	$ -	$ -	$ 830	$ 830

CITY OF CANTON, GEORGIA
CONFISCATED ASSETS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Interest	-	-	26	26
Total revenue	-	-	26	26
EXPENDITURES				
Public safety	-	-	10,820	(10,820)
Total expenditures	-	-	10,820	(10,820)
Deficiency of revenues over expenditures	-	-	(10,794)	(10,794)
OTHER FINANCING SOURCES				
Transfer in	-	-	12,846	(12,846)
Total other financing sources	-	-	12,846	(12,846)
Net change in fund balances	-	-	2,052	2,052
FUND BALANCES, beginning of year	-	-	-	-
FUND BALANCES, end of year	$ -	$ -	$ 2,052	$ 2,052

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
EXPENDITURES				
Debt service				
Principal	$ 683,500	$ 683,500	$ 681,088	$ 2,412
Interest	74,100	74,100	69,190	4,910
Total expenditures	757,600	757,600	750,278	7,322
Deficiency of revenues over expenditures	(757,600)	(757,600)	(750,278)	7,322
OTHER FINANCING SOURCES				
Transfers in	757,600	757,600	694,443	(63,157)
Net change in fund balances	-	-	(55,835)	(55,835)
FUND BALANCES, beginning of year	55,835	55,835	55,835	-
FUND BALANCES, end of year	$ 55,835	$ 55,835	$ -	$ (55,835)

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 2,601,711	$ 2,601,711	$ 394,332	$ (2,207,379)
Interest	19,000	19,000	9,606	(9,394)
Total revenue	2,620,711	2,620,711	403,938	(2,216,773)
EXPENDITURES				
Capital outlay	4,033,590	4,033,590	762,741	3,270,849
Total expenditures	4,033,590	4,033,590	762,741	3,270,849
Deficiency revenues over expenditures	(1,412,879)	(1,412,879)	(358,803)	1,054,076
OTHER FINANCING SOURCES				
Transfer in	1,264,041	1,264,041	1,264,041	-
Total other financing sources	1,264,041	1,264,041	1,264,041	-
Net change in fund balances	(148,838)	(148,838)	905,238	1,054,076
FUND BALANCES, beginning of year (restated)	(655,309)	(655,309)	(655,309)	-
FUND BALANCES, end of year	$ (804,147)	$ (804,147)	$ 249,929	$ 1,054,076

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 2,100,000	$ 2,100,000	$ 2,207,093	$ 107,093
Interest	10,000	10,000	5,555	(4,445)
Total revenues	2,110,000	2,110,000	2,212,648	102,648
OTHER FINANCING USES				
Transfers out	(2,449,600)	(2,449,600)	(2,354,453)	95,147
Total other financing uses	(2,449,600)	(2,449,600)	(2,354,453)	95,147
Net change in fund balances	(339,600)	(339,600)	(141,805)	197,795
FUND BALANCES, beginning of year	1,372,835	1,372,835	1,372,835	-
FUND BALANCES, end of year	$ 1,033,235	$ 1,033,235	$ 1,231,030	$ 197,795

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, 2011

	Budget			Variance With
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 276,000	$ 276,000	$ 194,448	$ (81,552)
Interest	11,000	11,000	8,832	(2,168)
Total revenue	287,000	287,000	203,280	(83,720)
EXPENDITURES				
Current:				
General government	-	10,000	6,100	3,900
Capital outlay	31,000	42,200	11,076	31,124
Debt service:				
Principal retirements	58,850	58,850	53,823	5,027
Interest expenditures	7,550	7,550	6,995	555
Total expenditures	97,400	118,600	77,994	40,606
Excess (deficiency) of revenues over expenditures	189,600	168,400	125,286	(43,114)
OTHER FINANCING SOURCES (USES)				
Transfers in	56,400	56,400	11,054	(45,346)
Transfers out	(667,449)	(691,449)	(691,449)	-
Total other financing sources (uses)	(611,049)	(635,049)	(680,395)	(45,346)
Net change in fund balances	(421,449)	(466,649)	(555,109)	(88,460)
FUND BALANCES, beginning of year	1,438,086	1,438,086	1,438,086	-
FUND BALANCES, end of year	$ 1,016,637	$ 971,437	$ 882,977	$ (88,460)

CITY OF CANTON, GEORGIA

SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

Special Purpose Local Option Sales Tax V	Estimated Cost		Expenditures		
Project	Original	Current	Prior Years	Current Year	Total
Streets and sidewalks	$ 2,575,000	$ 2,575,000	$ 1,368,511	$ -	$ 1,368,511
Parks and recreation facilities	1,500,000	14,325	14,325	-	14,325
Administration building debt retirement	2,000,000	2,000,000	1,262,644	694,443	1,957,087
Public safety building	2,000,000	139,050	139,050	-	139,050
Water and wastewater facilities	3,000,000	3,000,000	2,412,694	584,365	2,997,059
Senior Center	1,000,000	1,000,000	-	-	-
Community center debt retirement	2,000,000	5,346,625	3,211,674	1,075,645	4,287,319
Downtown parking deck	2,000,000	2,000,000	-	-	-
	$ 16,075,000	$ 16,075,000	$ 8,408,898	$ 2,354,453	$ 10,763,351

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, 2011

	Balance October 1, 2010	Additions	Deletions	Balance September 30, 2011
MUNICIPAL COURT				
Assets - cash	$ 159,061	$ 1,023,969	$ 1,022,293	$ 160,737
Liabilities - due to others	$ 159,061	$ 1,023,969	$ 1,022,293	$ 160,737

COMPONENT UNITS

CITY OF CANTON, GEORGIA

STATEMENT OF CASH FLOWS
COMPONENT UNIT - CANTON DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers and users	$	32,620
Payments to suppliers		(34,321)
Net cash used in operating activities		(1,701)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received		12
Net cash provided by investing activities		12
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal payments on bonds payable		(68,197)
Interest paid		(24,833)
Net cash used in capital and related financing activities		(93,030)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Receipts from City of Canton		102,872
Net cash provided by noncapital and related financing activities		102,872
Net decrease in cash and cash equivalents		8,153
Cash and cash equivalents, beginning of year		4,114
Cash and cash equivalents, end of year	$	12,267
Reconcilation of operating loss to net cash used in operating activities:		
Operating loss	$	(29,032)
Adjustments to reconcile operating loss to net cash used in operating activities:		
Depreciation		27,545
Change in assets and liabilities:		
Increase in accounts receivable		10
Decrease in accounts payable		(224)
Net cash used in operating activities	$	(1,701)

CITY OF CANTON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNIT - CANTON DEVELOPMENT AUTHORITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

REVENUES	
Interest	$ 107,079
Total revenues	107,079
EXPENDITURES	
Debt service	
Interest expenditures	107,079
Total expenditures	107,079
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 **73**

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 **78**

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

Debt Capacity **84**

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 **88**

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 **89**

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 EIGHT YEARS
(accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004
Governmental activities								
Invested in capital assets, net of related debt	**$ 24,508,669**	$ 23,904,711	$ 26,397,902	$ 22,643,905	$ 25,233,848	$ 9,626,727	$ 6,271,687	$ 24,303,698
Restricted	**2,536,194**	2,810,921	3,415,322	3,800,560	3,742,276	16,366,892	21,105,383	-
Unrestricted	**3,584,361**	2,563,739	2,035,811	709,265	970,752	2,543,076	(667,634)	2,687,212
Total governmental activities net assets	**$ 30,629,224**	$ 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	**$ 54,825,600**	$ 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	**(1,883,124)**	(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	**$ 52,942,476**	$ 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	**$ 79,334,269**	$ 77,775,631	$ 78,989,278	$ 72,566,490	$ 53,506,240	$ 32,469,631	$ 27,157,008	$ 43,944,441
Restricted	**2,536,194**	2,810,921	3,415,322	3,800,560	3,742,276	16,366,892	21,105,383	624,039
Unrestricted	**1,701,237**	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	**$ 83,571,700**	$ 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 EIGHT YEARS
(accrual basis of accounting)

	2011	2010	2009	2008	2007	2006	2005	2004
Expenses								
Governmental activities:								
General government	**$ 1,913,846**	$ 1,770,433	$ 2,205,371	$ 1,999,815	$ 2,012,028	$ 1,979,169	$ 1,878,098	$ 1,481,792
Judicial	**214,862**	224,185	207,879	219,639	255,742	-	-	-
Public safety	**5,357,078**	5,347,017	5,189,142	5,750,262	5,039,785	4,742,918	4,344,526	4,211,873
Public works	**2,582,581**	2,659,564	1,888,445	2,804,416	2,124,031	2,147,240	1,864,038	1,740,204
Culture and recreation	**1,209,105**	1,270,290	1,151,561	880,616	918,519	511,203	470,922	527,582
Housing and development	**684,792**	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	**1,763,412**	1,925,023	1,639,962	1,633,240	1,465,394	1,280,036	523,604	82,083
Total governmental activities expenses	**13,725,676**	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	**6,406,500**	5,941,837	5,618,888	6,217,761	5,589,256	5,180,238	5,281,264	4,229,065
Sanitation	**1,022,298**	1,068,407	1,062,946	1,047,868	991,360	889,970	717,330	558,651
Stormwater	**610,232**	389,054	842,291	-	-	-	-	-
Total business-type activities expenses	**8,039,030**	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	**$ 21,764,706**	$ 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	**$ 390,194**	$ 433,567	$ 494,699 (5)	$ 1,023,985 (2)	$ 345,985	$ 371,755	$ 270,658	$ 259,233
Judicial	**763,048**	817,571	973,150	904,255 (1)	-	-	-	-
Public safety	**42,267**	37,424	86,379 (5)	375,810 (1)	1,157,071	1,215,907	1,103,706	1,089,194
Public works	**116,062**	185,236	365,695 (5)	823,787	1,364,589	1,201,256	108,442	86,694
Culture and recreation	**38,053**	103,524	95,947 (5)	335,778	627,781	857,112	774,068	900,723
Housing and development	**15,949**	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	**2,726,142**	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	**4,091,715**	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	**7,497,194**	6,677,034	7,335,262	7,623,918	7,911,799	7,011,665	5,803,725	6,330,895
Sanitation	**1,202,775**	1,127,149	1,058,068	1,020,666	938,036	776,680	752,938	571,690
Stormwater	**961,895**	1,053,755	947,636	-	-	-	-	-
Capital grants and contributions	**117,052**	415,060	2,296,436 (6)	90,917	60,000	-	-	-
Total business-type activities program revenues	**9,778,916**	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	**$ 13,870,631**	$ 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 EIGHT YEARS
(accrual basis of accounting)

	2011	2009	2009	2008	2007	2006	2005	2004
Net (expense)/revenue								
Governmental activities	**$ (9,633,961)**	$ (9,312,091)	$ (5,625,079)	$ (8,542,738)	$ (1,553,909)	$ (3,227,127)	$ (3,813,607)	$ (1,148,670)
Business-type activities	**1,739,886**	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	**$ (7,894,075)**	$ (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	**$ 5,283,793**	$ 5,663,145	$ 5,045,128	$ 4,937,763	$ 4,028,723	$ 3,767,351	$ 3,024,059	$ 2,549,493
Franchise taxes	**1,658,358**	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	**476,962**	467,132	476,441 (7)	-	-	-	-	-
Insurance premium tax	**414,989**	427,411	431,459 (7)	-	-	-	-	-
Business occupation tax	**980,545**	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	**28,473**	45,880	92,967	300,721	515,217	806,788	168,372	14,531
Gain (loss) on sale of capital assets	**7,083**	-	-	23,130	-	-	(62,709)	1,882,511
Miscellaneous	**118,883**	127,507	54,228	109,877	-	-	-	-
Transfers	**1,917,284**	(2,296,435)	(106,289)	(5,246,371)	(12,287,329)	(2,265,121)	(978,832)	493,014
Total governmental activities	**10,886,370**	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	**5,554**	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	**(1,917,284)**	2,296,435	106,289	5,246,371	12,287,329	2,265,121	978,832	988,347
Total business-type activities	**(1,911,730)**	2,299,362	108,366	5,252,003	12,396,174	2,574,630	1,136,969	1,012,178
Total primary government	**$ 8,974,640**	$ 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	**$ 1,252,409**	$ (2,569,664)	$ 4,695,305	$ (2,793,146)	$ (6,121,310)	$ 1,863,412	$ 1,230,048	$ 7,416,935
Business-type activities	**(171,844)**	4,173,062	4,221,643	6,721,875	14,725,393	4,292,767	1,695,038	3,127,047
Total primary government	**$ 1,080,565**	$ 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)

	2011 (1)	2010	2009	2008
General fund				
Reserved	**$ -**	$ 159,641	$ 142,690	$ 148,252
Unreserved	**-**	1,737,473	1,104,520	(53,994)
Nonspendable:				
Prepaids	**140,401**	-	-	-
Advances	**1,131,678**	-	-	-
Unassigned	**898,768**	-	-	-
Total general fund	**$ 2,170,847**	$ 1,897,114	$ 1,247,210	$ 94,258
All other governmental funds				
Reserved	**$ -**	$ 81,950	$ 90,344	$ -
Unreserved, reported in:				
Special revenue funds	**-**	3,912,701	23,898	1,170,981
Capital projects funds	**-**	2,058,168	2,781,566	3,018,151
Restricted:				
Public safety	**2,052**	-	-	-
Tourism	**169,376**	-	-	-
Capital projects	**1,481,789**	-	-	-
Debt service	**3,427,914**	-	-	-
Impact fee projects - general government	**227,285**	-	-	-
Impact fee projects - public safety	**146,897**	-	-	-
Impact fee projects - public works	**489,483**	-	-	-
Impact fee projects - culture and recreation	**19,312**	-	-	-
Total all other governmental funds	**$ 5,964,108**	$ 6,052,819	$ 2,895,808	$ 4,189,132

(1) During 2011 the City implemented GASB Statement No. 54, which changed the reporting of the governmental fund's fund balance

2007	2006	2005	2004	2003	2002
$ 130,191	$ 126,160	$ 140,673	$ 114,235	$ 101,201	$ 60,967
268,734	1,759,833	(1,424,283)	735,567	(1,363,087)	3,124,047
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 398,925	$ 1,885,993	$ (1,283,610)	$ 849,802	$ (1,261,886)	$ 3,185,014
$ -	$ -	$ -	$ 2,122,658	$ 1,625,627	$ 263,550
60,161	12,071,285	19,051,573	20,914	16,630	(185,967)
3,601,071	4,349,391	2,451,789	-	-	209,470
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 3,661,232	$ 16,420,676	$ 21,503,362	$ 2,143,572	$ 1,642,257	$ 287,053

CITY OF CANTON, GEORGIA

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

	2011	2010	2009	2008	2007
Revenues					
Taxes	**$ 8,828,522**	$ 8,811,792	$ 10,271,488	$ 10,398,102 (2)	$ 7,277,384
Licenses and permits	**380,463**	424,019	485,694 (4)	1,018,243	1,565,725
Intergovernmental	**2,786,815**	2,402,939	472,990 (1)	2,231,796 (1)(2)	2,879,125
Fines and forfeitures	**766,347**	806,541	984,754	888,543	812,693
Charges for services	**221,181**	364,072	625,412 (4)	1,740,184	2,404,294
Interest income	**34,028**	45,880	92,967	300,721	515,217
Contributions and donations	**-**	-	138,663	557,347	3,952,380
Miscellaneous	**119,764**	131,249	79,725	131,524	100,374
Total revenues	**13,137,120**	12,986,492	13,151,693	17,266,460	19,507,192
Expenditures					
General government	**1,914,169**	1,598,827	1,348,214	1,700,648	1,904,713
Judicial	**214,064**	221,600	206,466	220,126	250,581
Public safety	**5,076,600**	5,040,076	4,747,256	5,468,985	5,510,749
Public works	**1,354,927**	1,424,508	821,866	1,535,290	1,262,309
Culture and recreation	**468,041**	496,988	417,608	591,834	605,316
Housing and development	**683,522**	617,920	720,353 (5)	1,691,476	1,423,424
Capital outlay	**773,817**	753,660	787,600 (3)	3,654,500 (3)	8,163,714
Debt service					
Principal retirements	**2,710,503**	2,691,214	2,580,893	2,502,819	2,186,925
Interest and fiscal charges	**1,788,474**	1,847,638	1,594,435	1,536,399	1,402,921
Issuance costs	**-**	214,250	-	55,000	-
Total expenditures	**14,984,117**	14,906,681	13,224,691	18,957,077	22,710,652
Excess (deficiency) of revenues over (under) expenditures	**(1,846,997)**	(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	**17,291**	23,539	38,915	37,067	30,554
Transfers in	**5,716,763**	3,247,334	4,565,510	12,328,890	(38,453,337)
Transfers out	**(3,799,479)**	(5,543,769)	(4,671,799)	(17,575,261)	26,166,008
Total other financing sources (uses)	**1,934,575**	5,727,104	(67,374)	2,650,696	(11,043,052)
Net change in fund balances	**$ 87,578**	$ 3,806,915	$ (140,372)	$ 960,079	$ (14,246,512)
Debt service as a percentage of noncapital expenditures	**32.48%**	32.07%	45.43%	26.40%	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
$ 6,431,302	$ 5,915,310	$ 5,026,077	$ 4,710,925	$ 5,404,248
2,013,979	1,913,017	1,949,976	1,506,956	1,437,495
2,540,653	1,716,949	4,865,857	6,469,922	1,074,820
694,904	688,594	587,173	818,105	629,802
2,669,415	1,348,164	1,584,935	1,207,527	254,219
806,788	168,373	14,531	6,753	22,473
1,378,269	859,248	107,099	3,061,804	64,511
111,493	84,404	79,834	60,339	50,596
16,646,803	12,694,059	14,215,482	17,842,331	8,938,164
1,997,186	2,409,785	1,398,916	1,377,639	1,172,045
-	-	-	-	-
4,516,931	3,944,158	3,655,148	3,545,441	3,263,190
1,523,246	1,210,945	1,009,603	984,580	873,479
502,696	542,150	1,289,514	5,607,268	888,097
2,028,730	1,204,409	1,322,773	1,226,864	1,090,845
6,278,503	13,472,692	4,254,570	6,885,386	1,950,540
1,184,776	1,053,735	1,021,552	582,008	582,066
1,478,172	451,746	25,928	57,395	-
-	-	-	-	-
19,510,240	24,289,620	13,978,004	20,266,581	9,820,262
(2,863,437)	(11,595,561)	237,478	(2,424,250)	(882,098)
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)
19,043,771	24,798,872	1,481,360	1,665,138	79,872
986,508	28,821,941	2,375,525	(667,446)	(99,972)
$ (1,876,929)	$ 17,226,380	$ 2,613,003	$ (3,091,696)	$ (982,070)
20.13%	13.92%	10.77%	4.78%	7.40%

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
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%
2011	805,973,438	73,587,275	879,560,713	6.800	2,198,901,783	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
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
2011	6.800	28.150	0.25	35.200

(1) Source: Cherokee County CAFR

CITY OF CANTON, GEORGIA

PRINCIPAL TAXPAYERS
CURRENT AND NINE YEARS AGO

	2011			2002		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
GLL Selection II Georgia, LP	$ 18,438,720	1	2.10 %	$ -		- %
DDRM Riverstone Plaza, LLC	12,515,920	2	1.42	-		-
Universal Alloy Corporation	9,850,338	3	1.12	-		-
Target Corporation	6,470,280	4	0.74	-		-
Windstream Georgia Comm Corp.	6,430,362	5	0.73	-		-
Wal-Mart Real Estate Business	5,884,440	6	0.67	4,850,175	6	1.72
Northside Hospital-Cherokee	5,389,600	7	0.61	-		-
Walden Crossing, LLC	5,360,600	8	0.61	-		-
Lowe's Home Center, Inc.	5,073,520	9	0.58	-		-
Kohl's Department Stores, LLC	3,039,893	10	0.35	-		-
Bright - Sasser Canton, LLC	-		-	16,806,640	1	5.96
JDN Development	-		-	11,192,491	2	3.97
Piolax Corporation	-		-	6,894,640	3	2.45
Home Depot	-		-	5,997,240	4	2.13
Alltel Georgia Communications Corp			-	5,534,924	5	1.96
Howell Lamb III	-		-	4,443,705	7	1.58
Siemens Energy and Automation	-		-	3,748,200	8	1.33
Carmike Cinema	-		-	2,543,440	9	0.90
Kroger	-		-	2,471,472	10	0.88
	$ 78,453,673		8.92 %	$ 64,482,927		22.87 %

Source: City of Canton Property Tax Billing Department

CITY OF CANTON, GEORGIA

TOP TEN WATER AND SEWER CUSTOMERS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Customer	Rank	Gallons	Water Revenues	Gallons	Sewer Revenue	Total Revenue	Percentage of Total Revenues
Waleska Water*	1	66,160,180	$ 180,192	-	$ -	$ 180,192	2.45 %
River Ridge Apartments	2	14,725,000	78,186	12,700,000	86,602	164,788	2.24
Hickory Knoll Apartments	3	11,249,000	57,848	11,249,000	76,176	134,023	1.82
Heritage @ Riverstone	4	10,557,000	59,484	9,742,000	67,834	127,318	1.73
Laurels of Greenwood Apartments	5	10,225,000	49,477	10,225,000	63,480	112,956	1.53
Walden Crossing Apartments	6	8,313,400	43,704	8,298,200	57,303	101,006	1.37
Canterbury Ridge Apartments	7	8,611,200	42,337	8,611,200	55,625	97,963	1.33
Signature Management	8	8,801,800	43,141	8,801,800	51,594	94,735	1.29
Northside Hospital - Cherokee	9	9,444,183	48,187	6,893,849	41,598	89,785	1.22
Cherokee Co. Board of Education	10	6,145,964	33,396	4,564,739	30,498	63,894	0.87

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, 2011

	Rates	
Water rates - residential		
First 2,000 gallons (minimum rate)	$ 10.90	
2,001 gallons to 10,000 gallons	5.35	per thousand gallons
10,001 gallons to 15,000 gallons	6.40	per thousand gallons
15,001 gallons and above	6.95	per thousand gallons
Water rates - irrigation		
First 2,000 gallons (minimum rate)	14.10	
2,001 gallons and above	5.35	per thousand gallons
Water rates - commercial		
First 2,000 gallons (minimum rate)	10.90	
2,001 gallons and above	5.35	per thousand gallons
Sewer rates		
First 2,000 gallons (minimum rate)	16.35	
2,001 gallons and above	8.05	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
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
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	2,922,050	2,915,064	99.8%	6,986	2,922,050	100.00%
2006	3,448,955	3,373,282	97.8%	75,673	3,448,955	100.00%
2007	3,949,863	3,631,547	91.9%	318,316	3,949,863	100.00%
2008	4,445,075	4,365,324	98.2%	64,658	4,429,982	99.66%
2009	4,583,871	4,378,812	95.5%	169,661	4,548,473	99.23%
2010	5,531,287	5,098,309	92.2%	379,368	5,477,677	99.03%
2011	5,648,262	5,490,609	97.2%	-	5,490,609	97.21%

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			
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
2011	38,625,051	2,100,000	198,648	7,023,315	3,620,238	77,252	51,644,504	10.29%	2,250

(1) Details regarding the City's outstanding debt can be found in Note 7 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, 2011

	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	$ 7,130,000	9.773%	$ 696,848
Cherokee County 2007 A and B Series	2,039,000	9.773%	199,281
Cherokee County 2008	5,106,000	9.773%	499,033
Cherokee County 2009	42,055,000	9.773%	4,110,229
Cherokee County 2010	10,767,000	9.773%	1,052,308
Cherokee County Board of Education	256,990,000	9.773%	25,116,815
Other Overlapping Debt:			
Cherokee County Resource Recovery Development Authority	17,855,000	9.773%	1,745,051
Total overlapping debt	$ 341,942,000		$ 33,419,565

Source: The overlapping debt numbers were obtained from Cherokee County's 2010 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

LEGAL DEBT MARGIN INFORMATION
SEPTEMBER 30, 2011

Total assessed value	$	879,560,713
Debt limit (10% of total assessed value)		87,956,071
Debt applicable to limit:		
General obligation bonds		-
Less: Amount set aside for repayment of general obligation debt		-
Total net debt applicable to limit		-
Legal debt margin	$	87,956,071
Total net debt applicable to the limit as a percentage of debt limit		0.00%

Note: Under state finance law, the City's outstanding general obligation debt should not exceed 10 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

The City did not have any general obligation debt outstanding prior to fiscal year 2011.

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	
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
2011	7,497,194	4,558,283	2,938,911	1,045,588	376,659	1,422,247	2.07

(1) Operating expenses do not include depreciation expense and interest expense.

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)
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%
2011	22,958	501,999,628 (4)	21,866	30.6	14.00	4,487	8.9%

NA - Not available

(1) Bureau of Census and Atlanta Regional Commission

(2) Georgia Department of Labor

(3) Cherokee County Board of Education

(4) The 2010 Census provided updated income information, while prior year's were estimates based on the 2000 Census.

CITY OF CANTON, GEORGIA

PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

	2011			2001 (3)		
Employer	Employees	Rank	Percentage of Total City Employment	Employees (1)	Rank	Percentage of Total City Employment
Cherokee County Board of Commissioners	1,401	1	12.73 %	330	3	6.69 %
Northside Hospital - Cherokee	881	2	8.00	180	1	10.13
Cherokee County Board of Education (2)	655	3	5.95	500	4	3.65
Wal-Mart	320	4	2.91	370	2	7.50
Publix (3 Locations)	315	5	2.86	-		-
Universal Alloy Corporation	270	6	2.45	155	5	3.14
Piolax Corporation	195	7	1.77	130	6	2.63
Home Depot	143	8	1.30	-		-
Lowe's	125	9	1.14	-		-
City of Canton	123	10	1.12	-		-
Morrison Products	-		-	100	7	2.03
Quill Corporation	-		-	87	8	1.76
K-Mart	-		-	75	9	1.52
YDK America	-		-	70	10	1.42
	4,428		40.23 %	1,997		40.47 %

(1) Information is obtained from the City's tax department.

(2) Current year's data unavailable at press time.

(3) 2002 data was not available at press time.

CITY OF CANTON, GEORGIA

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

Function	**2011**	2010	2009	2008	2007
General government					
Management	**5**	5	5	6	4
Finance	**4**	4	3	3	4
Technology	**2**	2	2	1	1
Judicial					
Municipal court	**2**	2	2	2	2
Public safety					
Police officers	**39**	39	42	41	38
Police administration	**9**	9	9	10	10
Firefighters	**22**	22	23	25	30
Fire administration	**5**	5	5	3	3
Public works					
Engineering	**3**	3	3	3	-
Streets	**18**	15	14	18	20
Culture and recreation					
Parks	**4**	4	4	4	6
Housing and development					
Building	**3**	3	3	7	11
Planning and zoning	**1**	2	2	2	7
Economic development	**1**	1	1	1	1
Transit	**-**	-	-	-	7
Utilities					
Sanitation roll-off site	**1**	1	1	1	2
Water administration	**4**	4	4	4	4
Total	**123**	121	123	131	150

Source: Various City departments.

2006	2005	2004	2003	2002
4	4	4	4	4
6	6	6	4	4
2	2	2	1	1
2	2	2	3	3
42	38	38	39	34
10	10	10	9	8
30	31	30	26	26
2	2	2	2	2
1	-	-	-	-
21	21	21	20	20
5	4	4	4	3
10	10	12	10	8
6	6	3	3	3
1	1	1	1	1
8	8	8	8	6
1	1	1	-	-
4	4	4	3	3
155	150	148	137	126

CITY OF CANTON, GEORGIA

OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	**2011**	2010	2009	2008	2007
Public safety					
Police					
Physical arrests	**1,094**	1,160	1,291	1,291	1,479
Parking violations	**1,639**	1,635	1,722	2,521	3,077
Traffic violations	**6,792**	8,898	9,338	8,057	11,472
Fire					
Emergency responses	**2,848**	1,869	2,686	2,706	2,737
Fires extinguished	**33**	115	93	108	87
Public works					
Street resurfacing (miles)	**125**	139	132	125	223
Signs installed/replaced	**94**	90	93	196	194
Trees cut/miscellaneous	**191**	294	262	225	366
Water and sewer					
New connections (1)	**19**	63	57	127	561
Average daily consumption (million gallons/day)	**2.850**	2.986	2.470	2.330	2.710
Transit					
Total route miles	**N/A**	N/A	N/A (a)	25,128	100,512
Passengers	**N/A**	N/A	N/A (a)	9,990	60,258

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.

2006	2005	2004	2003	2002
1,315	1,229	978	773	N/A
3,537	2,301	1,601	N/A	N/A
12,976	11,692	8,006	N/A	N/A
N/A	N/A	N/A	N/A	N/A
N/A	N/A	N/A	N/A	N/A
137	139	103	114	28
189	140	136	161	159
840	614	796	493	201
776	584	567	213	714
3.352	2.309	N/A	N/A	N/A
95,643	88,914	90,237	66,677	66,677
49,081	41,134	24,219	27,928	16,406

CITY OF CANTON, GEORGIA

CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	**2011**	2010	2009	2008	2007
Public Safety					
Police					
Stations	**1**	1	1	1	1
Patrol Units	**34**	34	34	27	33
Fire					
Fire Stations	**2**	2	2	2	2
Pumper Trucks	**4**	4	5	5	5
Ladder Truck	**1**	1	1	1	1
Platform Truck	**1**	1	1	1	1
Public Works					
Streets (miles)	**144**	144	143	143	142
Sidewalks (miles)	**21**	21	21	21	20
Culture & Recreation					
Acreage of Parks	**171**	171	171	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
Trolley	**-**	-	-	(a) 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.

2006	2005	2004	2003	2002
1	1	1	1	1
25	22	22	19	21
2	2	2	2	2
4	3	3	3	3
1	1	1	1	1
-	-	-	-	-
107	105	105	95	95
17	16	15	13	13
170	170	170	170	112
4	4	4	4	4
5	5	5	5	5
2	2	2	2	2
4	4	4	4	4
1	-	-	-	-
137	106	105	99	99
5	5	5	5	5
79	65	65	57	57
4	4	4	2	2
5	4	4	4	3
1	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, 2011, which collectively comprise the City of Canton, Georgia's basic financial statements and have issued our report thereon dated April 25, 2012. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. 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

Management of the City is responsible for establishing and maintaining effective 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 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 be identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 questioned costs, as items 2011-1 through 2011-4 to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs, as item 2011-5, to be a significant deficiency

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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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2011-6.

We noted certain matters that we reported to management of the City in a separate letter dated April 25, 2012.

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, management of the City and others within 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
April 25, 2012

MAULDIN & JENKINS
CERTIFIED PUBLIC ACCOUNTANTS, LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the City of Canton, Georgia's (the "City's") compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City of Canton, Georgia complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011.

Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

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

Mauldin & Jenkins, LLC

Atlanta, Georgia
April 25, 2012

CITY OF CANTON, GEORGIA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

FEDERAL GRANTOR Pass-through Grantor/Program Title	FEDERAL CFDA NUMBER	AGENCY OR PASS-THROUGH GRANTOR NUMBER	FEDERAL EXPENDITURES
U.S. Department of Transportation - Federal Transit Cluster			
Passed through the Georgia Department of Transportation			
Hickory Flat Road, Liviable Centers Initiative (LCI)	20.205	CSSTP-002-00 (846)	$ 21,298
Waleska Street, Liviable Centers Initiative (LCI)	20.205	CSSTP-002-00 (847)	24,769
ARRA - SR 5 Signal Improvements	20.205	CSMO-0006-00(791)	348,264
Total U.S. Department of Transportation - Federal Transit Cluster			394,331
U.S. Department of Energy:			
Passed through the Georgia Environmental Finance Authority			
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0000806	99,557
Total U.S. Department of Energy			99,557
U.S. Department of Agriculture:			
Passed through the Natural Resources Conservation Service:			
Disaster Grants - Public Assistance (Presidentially Declared Disaster)	10.923	65-4310-10-404	56,434
Total U.S Department of Agriculture			56,434
Total Expenditures of Federal Awards			$ 550,322

See accompanying note to the Schedule of Expenditures of Federal Awards.

CITY OF CANTON, GEORGIA

NOTE TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Canton, Georgia and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION I
SUMMARY OF AUDITOR RESULTS

Financial Statements

Type of auditor's report issued	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	X yes ___ no
Significant deficiencies identified?	X yes ___ no
Noncompliance material to financial statements noted?	X yes ___ no

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	___ yes X no
Significant deficiencies identified not considered to be material weaknesses?	___ yes X none reported
Type of auditor's report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with OMB Circular A-133, Section 510(a)?	___ yes X no

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:	$300,000
Auditee qualified as low-risk auditee?	___ yes X no

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2011-1 Fund Balance (Prior Period Adjustment)

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 fund balance of the City's Road & Sidewalk Fund.

Context/Cause: During our testing, audit adjustments were required to adjust the opening fund balance of the Road & Sidewalk Fund to record intergovernmental revenues which were not appropriately accrued in the fiscal year ended September 30, 2010.

Effects: An audit adjustment of $97,444 was needed to correctly report opening fund balance.

Recommendation: We recommend the City carefully review the financial statements and applicable reporting requirements under generally accepted accounting principles to ensure that all information and financial data is properly stated.

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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2011-2 Timely Reconciliation of Cash

Criteria: Internal controls should be in place to ensure that all financial transactions are timely recorded in the financial statements.

Condition: Internal controls were not sufficient as the City failed to timely reconcile and record cash transactions related to the City's pooled cash account.

Context/Cause: During our audit of the City's cash balances we encountered delays and challenges with the audit of the City's pooled cash account as a result of the account not being reconciled and adjusted until early March 2012.

Effects: Failure to timely and accurately reconcile the City's cash account creates challenges for management and the governing body from making the most efficient and effective decisions as it relates to cash flow needs.

Recommendation: We recommend that the finance department continuously review all cash reconciliations and bank statements to ensure that total cash balances are accurately reflected within the trial balance on a monthly basis.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure all cash transactions are timely reported.

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2011-3 Capital Asset Reporting

Criteria: Internal controls should be in place to ensure that the general ledgers of the City are properly maintained using full accrual or modified-accrual accounting methods, based on GAAP for a governmental entity.

Condition: Internal controls were not sufficient to detect material misstatements in the reporting of the City's Stormwater Fund.

Context/Cause: During our testing of capital assets, certain audit adjustments were required to correct current year amounts in the Stormwater Fund. The nature of these adjustments is as follows:

- The City was treating the Stormwater fund, a proprietary fund, as a governmental fund, not reporting the current year capital assets activity on the balance sheet, but rather reporting the activity in the income statement of the fund.

Effects: Audit adjustments totaling $311,266 were needed to correctly report the capital asset activity.

Recommendation: We recommend the City carefully review all transactions of the proprietary funds and ensure that they are properly handling the transactions in accordance with governmental accounting standards.

Auditee's Response: We concur with the finding. The City will ensure all capital asset activity is properly reported in accordance with governmental accounting standards.

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2011-4 Expenditure/Expense Recognition

Criteria: Generally, expenditures/expenses 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 Canton Downtown Development Authority's (the Authority) expenditures and related balance sheet accounts.

Context/Cause: During our testing of expenditures, an audit adjustment was required to correct current year amounts. The Authority did not properly accrue the interest payable related to the outstanding bonds.

Effects: An audit adjustment totaling $27,631 was needed to correctly report expenditures and the related balance sheet accounts.

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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2011-5 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.

- Individuals who open the mail are not utilizing a means to indicate receipt of cash prior to forwarding the cash to accounting.
- Individuals who investigate discrepancies or issues related to cash are allowed to maintain cash receipts journals, post journal entries to the general ledger, maintain the chart of accounts, and approve transactional data.
- Individuals who review, authorize, and sign checks can initiate checks for expenditures, prepare checks, mail checks, investigate discrepancies or issues involving expenditures, and reconcile bank accounts.
- Individuals who process bills are not independent of the assessment and collection function.
- Citizen complaint follow-up is not independent of accounts receivable, bookkeeping, or cash handling.
- Taxes collected for other governmental units are not segregated in a segregated trust fund.
- Recording and approval of abatements, cancellations, or refunds is not independent of cash handling and other receivables bookkeeping.
- Individuals who maintain or authorize accounts receivable adjustments can edit the accounts receivable master file, open mail or copy checks received, and maintain access to cash.
- Manual journal entries are not being reviewed by a person independent of the entry preparation and entry posting.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2011-5 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 QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2011-6 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 Confiscated Assets Fund or the Road & Sidewalk Fund for the fiscal year ended September 30, 2011.

Context/Cause: The City did not adopt a budget for the Confiscated Assets Fund. The original and final budgets for the Road & Sidewalk Fund showed deficits in excess of available fund balance by $148,838.

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

None noted

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011

SECTION IV
STATUS OF PRIOR AUDIT FINDINGS

None noted