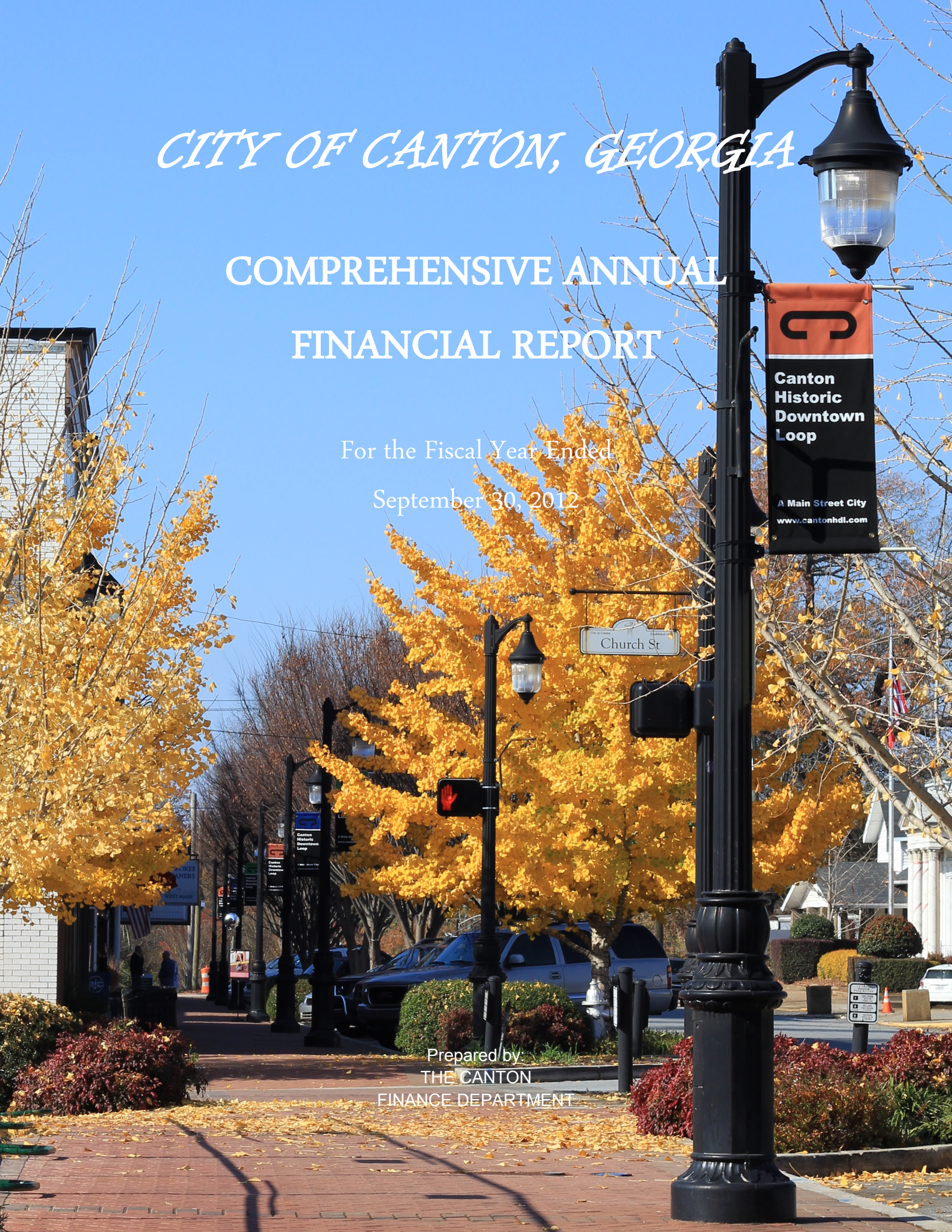


CITY OF CANTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended

September 30, 2012

Prepared by:
THE CANTON
FINANCE DEPARTMENT

CITY OF CANTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012

Submitted By:
The City of Canton
Finance Department

Nathan Ingram, CPA
Chief Financial Officer

CITY OF CANTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012

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CITY OF CANTON, GEORGIA

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SEPTEMBER 30, 2012

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CITY OF CANTON, GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
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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 30, 2013

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

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 (GAAP) and audited in accordance with generally accepted auditing standards 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, 2012.

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, 2012, 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, 2012, 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* is presented on page 109.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). 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 twenty three 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 eight 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 Main Street Program, 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 recreational venues, upgrades to water and sewer infrastructure, construction of a new raw water reservoir and construction of new fire facilities. The Mayor and City Council is 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 significant 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 has slowed in recent years due to the downturn in the economy, the City continues to plan for the future 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

Factors contributing to the future growth and development of the City of Canton are listed below:

Improved Transportation Systems

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 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 are also being upgraded to meet the increasing traffic volume generated by development.

Increased Job Opportunities

Continuous and increasing commercial, industrial and residential developments in the City will generate more local jobs and reduce the need for people to commute to the Atlanta area. In turn, the City is planning for an increase in demand for 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

The northern and western sections of Canton may experience many land use changes due to large areas of undeveloped land in this area. Over half of the vacant land is already slated for residential and industrial development.

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 Northside-Cherokee 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, SPLOST VI 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, 2012, the City had no general obligation bonds outstanding.

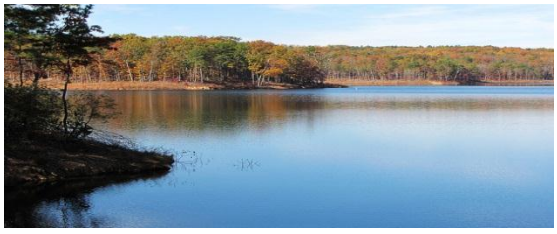
Long-Term Financial Planning

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

MAJOR INITIATIVES

Hickory Log Creek Raw Water Reservoir

The Hickory Log Creek Raw Water Reservoir is a joint governmental project between the City of Canton and the Cobb County-Marietta Water Authority to construct a 360 acre reservoir on Hickory Log Creek north of the City to meet the water needs of the citizens of Canton and Cobb County for many years to come. The costs of the project are jointly shared by the City of Canton and the Cobb County-Marietta Water Authority on a 25% and 75% basis respectively. Construction of the reservoir office is underway and is expected to be complete by the end of 2013. Additional land and mitigation property have been acquired 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 2013.



Downtown Streetscapes



City of Canton has been approved for grant funding to rehabilitate portions of the historic downtown area. Construction is currently underway on the 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. During Fiscal Year 2012, the City of Canton initiated the Streetscapes projects on Hickory Flat Road as well as Waleska Street. The projects have been funded via Georgia D.O.T. grants along with local monies. These projects should be completed during Fiscal Year 2013. The City has been approved for funding for a streetscape project along Marietta Road. This project should commence during Fiscal Year 2013 and be completed in 2014.

Public Safety Facilities and Equipment

The City of Canton is currently planning for the construction of up to three new fire stations along the northern edge of the City as well as the Canton Marketplace area. The planning for the new facilities has begun and land has been identified for the sites. As the City continues to grow, further plans will be made for any additional public safety facilities 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, 2011. This is the 12th 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. 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, 2011

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.



Christopher P Morrill
President

Jeffrey R. Esser
Executive Director



City of Canton, Georgia

City Officials
September 30, 2012

Mayor
Gene Hobgood

City Council
John Beresford
Bill Bryan
Glen Cummins
Jack Goodwin
E.H. "Hooky" Huffman
Bob Rush

City Manager
E. Scott Wood

Chief Financial Officer
Nathan Ingram

City Clerk
Susan Stanton

Police Chief
Robert Merchant

Fire Chief
Dean Floyd

Director of Public Works
David J. Cangemi

Community Development Director
Ken Patton

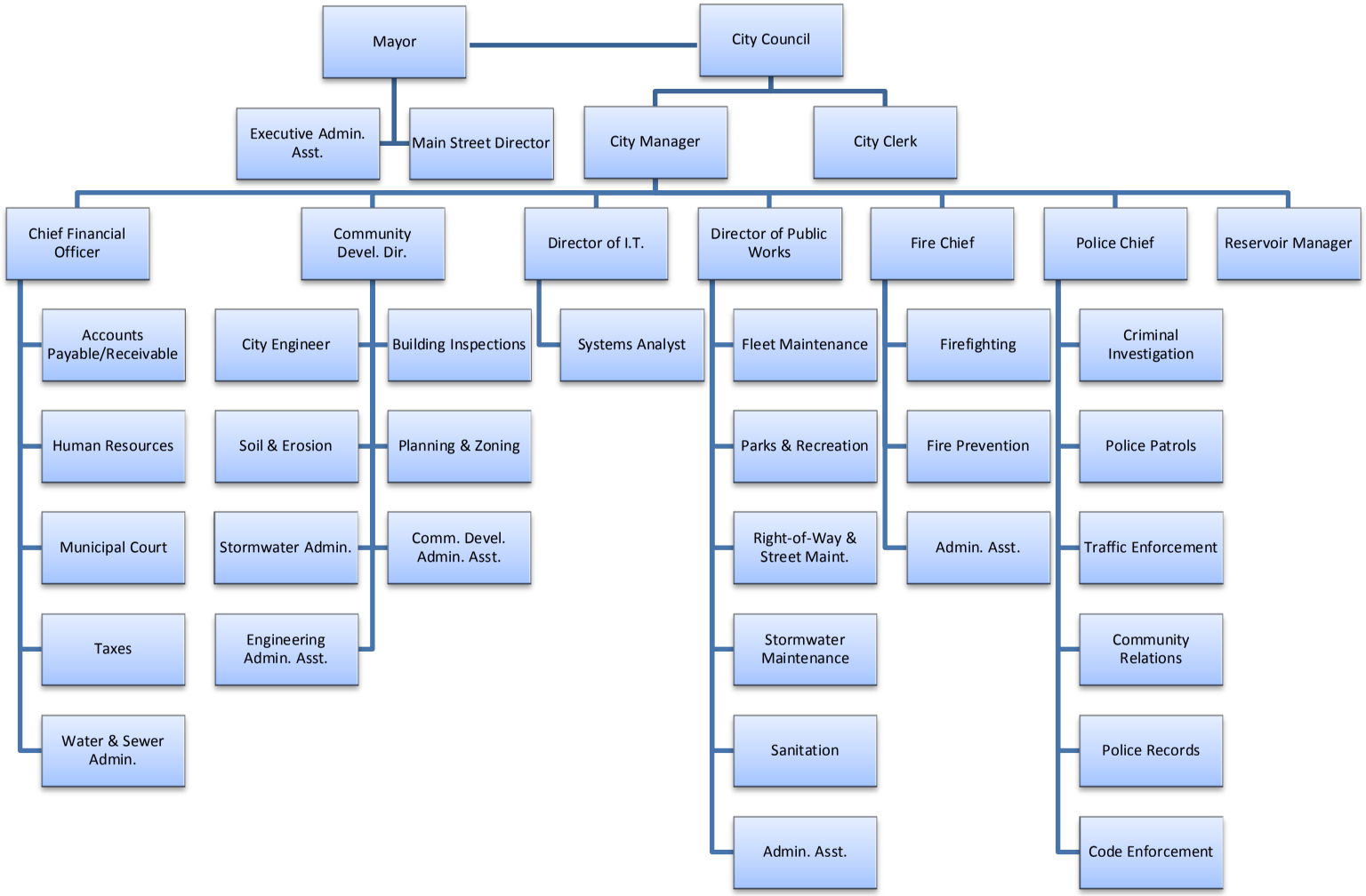
City Engineer
Joby West

Information Technology Director
Camille Wehs

City Attorney
Robert M. Dyer

City External Auditors
Mauldin & Jenkins, LLC

City of Canton
Organizational Chart
September 30, 2012



CITY OF CANTON, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2012

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 fiscal year ended September 30, 2012, 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, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 30, 2013, 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 the budgetary comparison schedule for the General Fund on pages 4 through 11 and 58 through 60, 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, the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds (SPLOST V), the Schedule of Expenditures of Special Purpose Local Option Sales Tax Proceeds (SPLOST VI), and the 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 30, 2013

CITY OF CANTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Fiscal Year Ended September 30, 2012

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, 2012. Management's discussion and analysis (MD&A) focuses on current fiscal 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 $4 million (4.7%) to $88,581,062 from $84,625,001 (restated) in 2011.

Combined revenue for 2012 increased by $2.5 million to $25.3 million from $22.8 million in 2011, of which governmental activities totaled $15.1 million and business-type activities totaled $10.2 million.

Overall expenses decreased about $381,000 (1.8%) to $21.4 million from $21.8 million in 2011, of which governmental activities totaled $13.7 million and business-type activities totaled $7.7 million.

As of September 30, 2012, the City's governmental funds reported combined ending fund balances of $9,279,900. Of this amount, $26,778 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, approximately $600,000 is assigned for use in the 2013 fiscal year operations of the General Fund and $1,487,266 is unassigned. The total governmental fund balance represents an increase of approximately 1.2% over the amount from 2011.

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 comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements (beginning on page 13). 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:

The 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. Governmental activities of the City include general government, judicial, public safety, public works, culture and recreation, and housing and development. Business-type activities include the water and sanitary sewer system, stormwater system, and sanitation services.

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., Canton Main Street Program, and Canton Tourism, Inc.) for which the City is financially accountable. Financial information for the 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 15). 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 decisions. 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 four governmental fund types: the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. Only five individual funds are considered to be major funds – the General Fund, Canton Building Authority, Road and Sidewalk Fund and both SPLOST Funds (SPLOST V & SPLOST VI). Data from the other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

Proprietary funds (beginning on page 21). 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. Proprietary funds provide the same type of information as the government-wide financial statements but in greater detail. The Water and Sewer Fund as well as the Sanitation Fund are considered to be major funds.

Fiduciary (agency) funds (page 26). 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 30 - 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 57). 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 $88,688,062 at the close of the current 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, 2012
($ in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Cash and Other Assets	$ 13,816	$ 12,093	$ 2,466	$ 2,626	$ 16,282	$ 14,719
Capital Assets	61,482	61,930	65,846	66,435	127,328	128,365
Total Assets	75,298	74,023	68,312	69,061	143,610	143,084
Current Liabilities	2,450	2,257	3,497	4,501	5,947	6,758
Noncurrent Liabilities	38,757	41,137	10,325	11,618	49,082	52,755
Total Liabilities	41,207	43,394	13,822	16,119	55,029	59,513
Net Assets:						
Invested in Capital Assets, Net of Debt	26,232	24,509	55,535	54,825	81,767	79,334
Restricted	2,938	2,536	-	-	2,938	2,536
Unrestricted (deficit)	4,921	3,584	(1,045)	(1,883)	3,876	1,701
Total Net Assets	$ 34,091	$ 30,629	$ 54,490	$ 52,942	$ 88,581	$ 83,571

The City has $81,767,076 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 $2,938,506 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 $3,875,480 in unrestricted funds.

As of September 30, 2012, 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, 2012, the City’s net assets increased approximately $4 million.

CITY OF CANTON, GEORGIA
Statement of Activities (condensed)
September 30, 2012
($ in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program Revenues						
Charges for Services	$ 1,330	$ 1,366	$ 10,189	$ 9,662	$ 11,519	$ 11,028
Operating Grants and Contributions	44	-	-	-	44	-
Capital Grants and Contributions	4,021	2,726	1	117	4,022	2,843
General Revenues						
Taxes	5,117	5,284	-	-	5,117	5,284
Other Taxes	4,453	3,531	-	-	4,453	3,531
Investment Earnings	10	28	12	5	22	33
Other Revenues	163	126	-	-	163	126
Total Revenues	15,138	13,061	10,202	9,784	25,340	22,845
EXPENSES						
General Government	1,505	1,914	-	-	1,505	1,914
Judicial	210	215	-	-	210	215
Public Safety	5,613	5,357	-	-	5,613	5,357
Public Works	2,721	2,583	-	-	2,721	2,583
Culture and Recreation	1,225	1,209	-	-	1,225	1,209
Housing and Development	632	685	-	-	632	685
Interest on Long-term Debt	1,789	1,763	-	-	1,789	1,763
Water and Sewer	-	-	6,176	6,407	6,176	6,407
Sanitation	-	-	968	1,022	968	1,022
Stormwater	-	-	545	610	545	610
Total Expenses	13,695	13,726	7,689	8,039	21,384	21,765
Increase (Decrease) in Net Assets before Transfers	1,443	(665)	2,513	1,745	3,956	1,080
Transfers	1,836	1,917	(1,836)	(1,917)	-	-
Change in Net Assets	3,279	1,252	677	(172)	3,956	1,080
Net Assets, Beginning (restated)	30,812	29,377	53,813	53,114	84,625	82,491
Net Assets, Ending	$ 34,091	$ 30,629	$ 54,490	$ 52,942	$ 88,581	$ 83,571

The change in net assets for the government-wide statements as a whole reflect an increase of approximately $4 million. The governmental activities accounted for a positive $3.3 million change and the business-type activities reported a net increase in net assets of $676,704.

Property tax revenues, although fairly consistent from the prior fiscal year, did show a slight decrease of $166,765 (3.2%); due to a millage rate held steady. Charges for services did show an increase of approximately $500,000 (4.5%) due in part to a water and sewer rate increase that went into effect June 1, 2011. Capital grants and contributions increased over $1.2 million (42%) due in large part to the receipt of Georgia DOT grants for the Canton streetscape projects. Other taxes showed an increase of approximately $900,000 (26.1%) as a result of an overall improvement in the general economy; sales taxes, franchise taxes, business occupation taxes, etc.

Total Government expenses decreased approximately $381,000 (1.8%) between 2011 and 2012. Public safety and public works expenses increased approximately $250,000 and $150,000; respectively. General government expenses decreased by more than $400,000 (21.4%) primarily due to a decrease in technology expenses. Expenses for Culture and Recreation as well as Housing and Development continued with conservative spending, both remaining fairly consistent from the prior fiscal year.

The City of Canton has determined that a restatement is necessary of prior period balances to report revenue earned in the previous fiscal year(s). This prior period adjustment is detailed in Note 16.

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, 2012, the City's governmental funds reported combined ending fund balances of $9,279,900. Of this amount $1,487,266 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 $1,487,266. In 2011, the General Fund had a unassigned fund balance of $898,768. Included in General fund operations were $91,728 of net transfers to other funds which was comprised of a $121,240 transfer from the Sanitation Fund, a $68,564 transfer from the Hotel/Motel Tax Fund, a net transfer from the Impact Fee Fund of $18,468, and a $300,000 transfer to the Canton Building Authority.

The Canton Building Authority is a blended component unit classified as a debt service 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 $3,102,227, of which $850 is nonspendable and the remainder is restricted for debt service. The net change in the Canton Building Authority's fund balance for the fiscal year ended September 30, 2012 was a decrease of $325,687.

The Road and Sidewalk Fund is a capital projects fund that accounts for the receipt of funds from the Georgia Department of Transportation and private sector contributions for the construction and improvement of existing City thoroughfares as well as the construction of new roadways in the City. At the end of the current fiscal year, the Road and Sidewalk Fund had a fund balance of $651,795, which is an increase of $210,773 over the fund balance at the end of fiscal year 2011 as restated (See Note 16).

The SPLOST V & SPLOST VI Funds are capital project funds of the City. The purpose of the funds are 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 $737,946; a decrease of $493,084. The City started collecting SPLOST VI in July 2012 and had no expenditures for the current fiscal year. The fund balance at the end of the current fiscal year was $719,467.

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 nonmajor capital projects fund: the Impact Fees Fund.

Nonmajor governmental fund revenues totaled $506,933 for the fiscal year ending September 30, 2012. Nonmajor governmental fund expenditures totaled $882,981. Fund balance for all nonmajor governmental funds was $829,298. Nonmajor fund balances decreased $225,937. Significant changes in nonmajor fund balances came from the Impact Fee Fund which decreased $248,089 due to the continued reduction in residential construction.

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 $52,239,212, an increase of $376,204. Net assets invested in capital assets, net of related debt is $54,285,254 leaving a deficit balance in unrestricted net assets of ($2,046,042). The Water and Sewer fund reported net transfers to governmental funds of $1,361,706, primarily for debt service.

The Sanitation Fund has net assets of $403,689. The net assets increased $134,953 from 2011 due in part to savings gained through negotiating a new contract for residential waste collection.

The Stormwater Fund has net assets of $1,847,020. The net assets increased $165,547 from 2011 due to a slight decrease in operating expenses and a slight increase in fee revenue.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's comparison of actual revenues and expenditures to the adopted budget can be found on pages 59 and 60 of the annual report. Actual revenues were more than budgeted by $359,921. Actual expenditures were less than budgeted by $501,415.

CAPITAL ASSETS

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

	Governmental Activities		Business-type Activities		Total Government	
	2012	2011	2012	2011	2012	2011
Land	$ 12,588,975	$ 12,588,975	$ 5,513,315	$ 5,263,315	$ 18,102,290	$ 17,852,290
Construction in Progress	3,350,963	2,441,100	18,545,016	18,545,830	21,895,979	20,986,930
Site Improvements	-	-	4,588	5,228	4,588	5,228
Infrastructure	18,328,987	18,605,172	39,651,885	40,293,284	57,980,872	58,898,456
Buildings and Improvements	25,321,657	25,946,381	1,675,549	1,825,601	26,997,206	27,771,982
Furniture and Fixtures	59,533	68,910	-	-	59,533	68,910
Machinery and Equipment	823,363	986,786	455,362	501,637	1,278,725	1,488,423
Vehicles	1,008,484	1,292,609	-	-	1,008,484	1,292,609
Total	$ 61,481,962	$ 61,929,933	$ 65,845,715	$ 66,434,895	$ 127,327,677	$ 128,364,828

The City's investment in capital assets for its governmental and business-type activities decreased in 2012 primarily due to very limited capital outlay during the current fiscal year. Refer to Note 5 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	
	2012	2011	2012	2011	2012	2011
Bonds Payable	$ 36,466,258	$ 38,625,051	$ 5,879,886	$ 7,023,315	$ 42,346,144	$ 45,648,366
Capital Leases	153,078	198,648	48,297	77,252	201,375	275,900
Notes Payable	1,800,000	2,100,000	4,341,138	4,541,267	6,141,138	6,641,267
Total	$ 38,419,336	$ 40,923,699	$ 10,269,321	$ 11,641,834	$ 48,688,657	$ 52,565,533

At September 30, 2012, the City reported long-term debt of $48,688,657 exclusive of interest expense. The City has no general obligation debt at the current fiscal year end. Refer to Note 6 in the notes to financial statements for more information on long-term debt.

ECONOMIC FACTORS AND NEXT FISCAL YEAR'S BUDGETS AND RATES

The Mayor and Council in conjunction with the staff of the City of Canton have continued to aggressively address the current and future needs of the City by focusing on sound financial management, the use of current resources for capital expenditures and an extensive budgeting process. The City's General Fund budget for fiscal year 2013 is $10,675,344. This is an increase of approximately $500,000 from the prior fiscal year. The budget for fiscal year 2013, as it compares to 2012, continues to reflect the Mayor and Council's conservative approach to managing expenditures.

All three of the City's proprietary funds posted an operating income as well as a positive change in net assets. The Water and Sewer Fund posted an operating income partially as a result of a continued conservative approach with expenses. The Water and Sewer Fund will see the need for significant capital expenses and infrastructure repairs over the upcoming years.

The City does not anticipate significant growth in 2013 due to the continued concern of the economy. However, the City has started to notice a positive change in the number of building permits and business licenses issued. Additional growth in the commercial sector due to the 2009 opening of Canton Marketplace on Exit 19 off I-575 will continue to increase the tax digest of the City as well as increase revenues from sales tax and water and sewer fees. Canton Marketplace features several national big box retailers along with various smaller retailers, restaurants and banks.

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 City'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.

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CITY OF CANTON, GEORGIA
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	$ 6,119,004	$ 1,438,730	$ 7,557,734	$ 102,535
Restricted cash and cash equivalents	3,101,377	569,448	3,670,825	-
Taxes receivable	125,516	-	125,516	-
Accounts receivable, net of allowance	1,616,579	1,673,516	3,290,095	20
Due from primary government	-	-	-	62,694
Intergovernmental receivable	1,045,061	17,184	1,062,245	-
Internal balances	1,308,463	(1,308,463)	-	-
Inventory	-	60,841	60,841	3,938
Prepaid items	26,778	6,463	33,241	-
Deferred charges, unamortized balance	473,477	8,936	482,413	-
Note receivable from primary government	-	-	-	921,029
Capital Assets:				
Nondepreciable	15,939,938	24,058,331	39,998,269	-
Depreciable, net of accumulated depreciation	45,542,024	41,787,384	87,329,408	1,041,391
Total Assets	75,298,217	68,312,370	143,610,587	2,131,607
LIABILITIES				
Accounts payable	914,556	317,507	1,232,063	-
Accrued liabilities	1,535,893	824,942	2,360,835	63,637
Unearned revenue	-	2,354,573	2,354,573	-
Due to component unit	-	62,319	62,319	-
Compensated absences due within one year	288,196	14,721	302,917	-
Compensated absences due in more than one year	10,159	-	10,159	-
Claims and judgements payable due within one year	107,000	-	107,000	-
Note payable to component unit, long term	-	921,029	921,029	-
Capital leases due within one year	81,292	30,146	111,438	-
Capital leases due in more than one year	71,786	18,151	89,937	-
Notes payable due within one year	300,000	208,965	508,965	-
Notes payable due in more than one year	1,500,000	3,211,144	4,711,144	-
Bonds payable due within one year	2,434,936	1,212,710	3,647,646	100,085
Bonds payable due in more than one year	33,963,258	4,646,242	38,609,500	1,165,169
Total Liabilities	41,207,076	13,822,449	55,029,525	1,328,891
NET ASSETS				
Invested in capital assets, net of related debt	26,232,067	55,535,009	81,767,076	697,166
Restricted for:				
Public safety	8,813	-	8,813	-
Capital projects	2,744,096	-	2,744,096	-
Economic Development	185,597	-	185,597	-
Unrestricted (deficit)	4,920,568	(1,045,088)	3,875,480	105,550
Total Net Assets	$ 34,091,141	$ 54,489,921	$ 88,581,062	$ 802,716

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

FUNCTIONS/PROGRAMS	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue 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	$ 1,504,904	$ 202,179	$ -	$ 533,621	$ (769,104)	$ -	$ (769,104)	
Judicial	209,558	637,484	-	-	427,926	-	427,926	
Public safety	5,612,547	38,940	44,421	42,345	(5,486,841)	-	(5,486,841)	
Public works	2,721,301	82,450	-	2,529,304	(109,547)	-	(109,547)	
Culture and recreation	1,225,648	80,266	-	915,711	(229,671)	-	(229,671)	
Housing and development	631,829	288,999	-	-	(342,830)	-	(342,830)	
Interest on long-term debt	1,789,606	-	-	-	(1,789,606)	-	(1,789,606)	
Total Governmental Activities	13,695,393	1,330,318	44,421	4,020,981	(8,299,673)	-	(8,299,673)	
BUSINESS-TYPE ACTIVITIES								
Water and sewer	6,176,379	7,902,624	-	-	-	1,726,245	1,726,245	
Sanitation	968,295	1,224,488	-	-	-	256,193	256,193	
Stormwater	544,969	1,062,163	-	1,428	-	518,622	518,622	
Total Business-type Activities	7,689,643	10,189,275	-	1,428	-	2,501,060	2,501,060	
Total Primary Government	$ 21,385,036	$ 11,519,593	$ 44,421	$ 4,022,409	(8,299,673)	2,501,060	(5,798,613)	
COMPONENT UNITS	$ 227,783	$ 50,031	$ 110,501	$ 138,125				$ 70,874
General Revenues								
Property taxes					5,117,028	-	5,117,028	-
Franchise taxes					2,096,968	-	2,096,968	-
Alcoholic beverage taxes					481,902	-	481,902	-
Insurance premium taxes					1,076,827	-	1,076,827	-
Business occupation taxes					797,590	-	797,590	-
Investment earnings					10,005	11,665	21,670	27,759
Gain on sale of capital assets					10,324	-	10,324	-
Miscellaneous					152,365	-	152,365	-
Transfers					1,836,021	(1,836,021)	-	-
Total General Revenues and Transfers					11,579,030	(1,824,356)	9,754,674	27,759
Change in Net Assets					3,279,357	676,704	3,956,061	98,633
Net Assets, beginning (restated)					30,811,784	53,813,217	84,625,001	704,083
Net Assets, ending					$ 34,091,141	$ 54,489,921	$ 88,581,062	$ 802,716

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	General Fund	Canton Building Authority	Road & Sidewalk	SPLOST V	SPLOST VI	Other Nonmajor Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	$ 2,430,666	$ -	$ 1,743,848	$ 737,946	$ 245,360	$ 961,184	$ 6,119,004
Taxes receivable	125,516	-	-	-	-	-	125,516
Receivables, net of allowance	1,584,002	-	-	-	-	32,577	1,616,579
Intergovernmental receivable	33,213	-	537,741	-	474,107	-	1,045,061
Due from other funds	12,000	-	489,770	-	-	9,799	511,569
Prepaid expenditures	25,928	850	-	-	-	-	26,778
Advances to other funds	1,131,678	-	-	-	-	-	1,131,678
Restricted cash	-	3,101,377	-	-	-	-	3,101,377
Total Assets	$ 5,343,003	$ 3,102,227	$ 2,771,359	$ 737,946	$ 719,467	$ 1,003,560	$ 13,677,562
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable	$ 322,728	$ -	$ 591,490	$ -	$ -	$ 338	$ 914,556
Accrued liabilities	7,222	-	1,414,152	-	-	-	1,421,374
Deferred revenue	1,613,026	-	113,922	-	-	-	1,726,948
Due to other funds	160,860	-	-	-	-	173,924	334,784
Total Liabilities	2,103,836	-	2,119,564	-	-	174,262	4,397,662
Fund Balances:							
Nonspendable:							
Prepaid expenditures	25,928	850	-	-	-	-	26,778
Advances to other funds	1,131,678	-	-	-	-	-	1,131,678
Restricted:							
Public safety	-	-	-	-	-	8,813	8,813
Capital projects	-	-	651,795	737,946	719,467	634,888	2,744,096
Economic development	-	-	-	-	-	185,597	185,597
Debt service	-	3,101,377	-	-	-	-	3,101,377
Assigned use of fund balance in next fiscal year budget	594,295	-	-	-	-	-	594,295
Unassigned	1,487,266	-	-	-	-	-	1,487,266
Total Fund Balances	3,239,167	3,102,227	651,795	737,946	719,467	829,298	9,279,900
TOTAL LIABILITIES AND FUND BALANCES	$ 5,343,003	$ 3,102,227	$ 2,771,359	$ 737,946	$ 719,467	$ 1,003,560	$ 13,677,562

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

Total Governmental Fund Balance		**$ 9,279,900**

Amounts Reported for Governmental Activities in the ***Statement of Net Assets*** differs from the amount reported on the ***Balance Sheet*** for the Governmental Funds because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. However, in the Statement of Net Assets the cost of these assets is capitalized and expensed over their estimated lives through annual depreciation expense. These assets consist of:

Land and Improvements	$ 12,588,975	
Construction in Progress	3,350,963	
Buildings and Improvements	31,179,761	
Machinery, Equipment and Other	2,560,853	
Vehicles	3,925,481	
Infrastructure	26,782,577	
Accumulated Depreciation	(18,906,648)	
Total Capital Assets		61,481,962

Some of the City's revenues will be collected after fiscal year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.

Taxes	1,477,346	
Fines	135,680	
Intergovernmental Revenue	113,922	
Total Deferred Revenue		1,726,948

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Capital Leases	(153,078)	
Accrued Interest Payable	(114,519)	
Compensated Absences	(298,355)	
Claims and judgements payable	(107,000)	
Notes Payable	(1,800,000)	
Bonds Payable	(36,398,194)	
Total Bonds, Notes, Capital Leases, and Compensated Absences		(38,871,146)

Other assets used in the governmental activities that are not financial resources and therefore are not reported in the funds.

Bond issue costs	473,477

Net Assets of Governmental Activities	**$ 34,091,141**

The notes to financial statements are an integral part of this statement

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CITY OF CANTON, GEORGIA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Canton Building Authority	Road & Sidewalk	SPLOST V	SPLOST VI	Other Nonmajor Funds	Total Governmental Funds
REVENUES							
Taxes	$ 8,936,362	$ -	$ -	$ -	$ -	$ 288,366	$ 9,224,728
Licenses and permits	440,336	-	-	-	-	-	440,336
Intergovernmental	43,737	-	1,149,415	1,756,384	719,461	3,165	3,672,162
Fines and forfeitures	640,806	-	-	-	-	5,508	646,314
Charges for services	47,648	-	-	-	-	204,849	252,497
Interest income	753	208	3,999	3,216	6	5,045	13,227
Contributions and donations	44,421	-	25,000	-	-	-	69,421
Miscellaneous	152,365	-	-	-	-	-	152,365
Total Revenues	10,306,428	208	1,178,414	1,759,600	719,467	506,933	14,471,050
EXPENDITURES							
Current Expenditures:							
General government	1,541,226	-	-	-	-	-	1,541,226
Judicial	209,235	-	-	-	-	-	209,235
Public safety	5,092,308	-	-	-	-	1,553	5,093,861
Public works	1,364,019	-	-	-	-	1,204	1,365,223
Recreation and culture	397,637	-	-	-	-	138,133	535,770
Housing and development	565,374	-	-	-	-	65,780	631,154
Capital Outlay	-	-	1,645,059	-	-	48,944	1,694,003
Debt Service:							
Principal	15,336	2,006,001	-	-	-	513,804	2,535,141
Interest and fiscal charges	3,244	1,672,798	-	-	-	113,563	1,789,605
Total Expenditures	9,188,379	3,678,799	1,645,059	-	-	882,981	15,395,218
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,118,049	(3,678,591)	(466,645)	1,759,600	719,467	(376,048)	(924,168)
OTHER FINANCING SOURCES(USES)							
Transfers out	(305,532)	(326,745)	-	(2,252,684)	-	(416,412)	(3,301,373)
Transfers in	213,804	3,679,649	677,418	-	-	566,523	5,137,394
Capital lease	30,778	-	-	-	-	-	30,778
Proceeds from sale of general capital assets	19,754	-	-	-	-	-	19,754
Total Other Financing Sources (Uses)	(41,196)	3,352,904	677,418	(2,252,684)	-	150,111	1,886,553
Net Change in Fund Balances	1,076,853	(325,687)	210,773	(493,084)	719,467	(225,937)	962,385
Fund balances, beginning of year (restated)	2,162,314	3,427,914	441,022	1,231,030	-	1,055,235	8,317,515
Fund balances, end of year	$ 3,239,167	$ 3,102,227	$ 651,795	$ 737,946	$ 719,467	$ 829,298	$ 9,279,900

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Net Change in Fund Balances - Total Governmental Funds:		**$ 962,385**
Amounts reported for governmental activities on the ***Statement of Activities*** are different from the amounts reported in the ***Statement of Revenues, Expenditures, and Changes in Fund Balance*** because:		
The net effect of various miscellaneous transactions involving capital assets (i.e., donations, sales and trade-ins) is to increase net assets.		
Contributions of Capital Assets	$ 222,206	
Net book value of capital assets disposed	(9,430)	212,776
The Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.		
Expenditures for Capital Assets	2,076,000	
Less Current Fiscal Year Depreciation	(2,736,747)	
Excess of depreciation expense over capital outlay		(660,747)
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. This amount is the net affect of these differences in the treatment of long-term debt and related items.		
Capital Lease Retirement	76,348	
Capital Lease Financing	(30,778)	
Bond Principal Retirement	2,158,793	
Notes Principal Retirement	300,000	2,504,363
Accrued Interest is reported in the government-wide statements but does not require the use of current financial resources and therefore is not reported at the fund level.		
Liability at September 30, 2012	(114,519)	
Liability at September 30, 2011	114,427	(92)
Compensated Absences are reported in the Statement of Activities but do not require the use of current financial resources and therefore are not reported as expenditures in the Governmental funds.		
Liability at September 30, 2012	(298,355)	
Liability at September 30, 2011	287,660	(10,695)

(continued)

CITY OF CANTON, GEORGIA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Amounts reported for governmental activities on the ***Statement of Activities*** are different from the amounts reported in the ***Statement of Revenues, Expenditures, and Changes in Fund Balance*** because: (continued)

Claims and judgements payable is reported in the government-wide statements but does not require the use of current financial resources and therefore not reported at the fund level.		
Liability at September 30, 2012		(107,000)
Because some revenues will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds.		
Deferred Revenue at September 30, 2012	1,726,948	
Deferred Revenue at September 30, 2011	(1,291,800)	
Total Increase in Deferred Revenue		435,148
Issuance costs, premiums, discounts, and similar items associated with debt are amortized over the life of the instrument. These are reported in the Statement of Activities but do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		
Bond Issue Costs at September 30, 2012	473,477	
Bond Issue Costs at September 30, 2011	(523,801)	(50,324)
Unamortized Discounts at September 30, 2012	68,064	
Unamortized Discounts at September 30, 2011	(74,521)	(6,457)
Change in Net Assets of Governmental Activities		**$ 3,279,357**

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Sanitation	Nonmajor Stormwater	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 461,605	$ 275,441	$ 701,684	$ 1,438,730
Restricted cash-customer deposits	473,893	95,405	150	569,448
Accounts receivable, net of allowance	1,330,829	199,693	142,994	1,673,516
Intergovernmental receivable	17,184	-	-	17,184
Inventories	60,841	-	-	60,841
Prepaid items	4,976	524	963	6,463
Total Current Assets	2,349,328	571,063	845,791	3,766,182
Noncurrent Assets:				
Capital Assets:				
Nondepreciable	23,989,724	-	68,607	24,058,331
Depreciable	57,731,423	1,460	1,499,469	59,232,352
Total capital assets	81,721,147	1,460	1,568,076	83,290,683
Accumulated depreciation	(17,173,484)	(1,460)	(270,024)	(17,444,968)
Total capital assets, net	64,547,663	-	1,298,052	65,845,715
Other noncurrent assets	8,936	-	-	8,936
Total Noncurrent Assets	64,556,599	-	1,298,052	65,854,651
Total Assets	66,905,927	571,063	2,143,843	69,620,833
LIABILITIES				
Current Liabilities:				
Accounts payable	182,517	68,304	66,686	317,507
Accrued liabilities	252,599	1,002	1,893	255,494
Compensated absences	9,046	2,663	3,012	14,721
Due to other funds	-	-	176,785	176,785
Customer deposits payable-restricted assets	473,893	95,405	150	569,448
Capital lease, current	-	-	30,146	30,146
Notes payable, current	208,965	-	-	208,965
Bonds payable, current	1,212,710	-	-	1,212,710
Unearned revenue	2,354,573	-	-	2,354,573
Total Current Liabilities	4,694,303	167,374	278,672	5,140,349
Noncurrent Liabilities:				
Capital lease	-	-	18,151	18,151
Note payable due to component unit	983,348	-	-	983,348
Notes payable	3,211,144	-	-	3,211,144
Bonds payable	4,646,242	-	-	4,646,242
Advances from other funds	1,131,678	-	-	1,131,678
Total Noncurrent Liabilities	9,972,412	-	18,151	9,990,563
Total Liabilities	14,666,715	167,374	296,823	15,130,912
NET ASSETS				
Invested in capital assets, net of related debt	54,285,254	-	1,249,755	55,535,009
Unrestricted (deficit)	(2,046,042)	403,689	597,265	(1,045,088)
Total Net Assets	$ 52,239,212	$ 403,689	$ 1,847,020	$ 54,489,921

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Sanitation	Nonmajor Stormwater	Total
Operating Revenues				
Water fees	$ 3,679,780	$ -	$ -	$ 3,679,780
Sewer fees	4,067,003	-	-	4,067,003
Stormwater fees	-	-	1,062,163	1,062,163
Sanitation fees	-	1,205,504	-	1,205,504
Miscellaneous	155,841	18,984	-	174,825
Total Operating Revenues	7,902,624	1,224,488	1,062,163	10,189,275
Operating Expenses				
Cost of sales and services	4,380,412	968,295	461,839	5,810,546
Depreciation and amortization	1,300,788	-	80,584	1,381,372
Total Operating Expenses	5,681,200	968,295	542,423	7,191,918
Operating Income	2,221,424	256,193	519,740	2,997,357
Nonoperating Revenue (Expenses)				
Intergovernmental	-	-	1,428	1,428
Investment earnings	11,665	-	-	11,665
Interest expense	(495,179)	-	(2,546)	(497,725)
Total Nonoperating Revenues (Expenses)	(483,514)	-	(1,118)	(484,632)
Income before transfers	1,737,910	256,193	518,622	2,512,725
Transfers in	326,745	-	495	327,240
Transfers (out)	(1,688,451)	(121,240)	(353,570)	(2,163,261)
Total Transfers	(1,361,706)	(121,240)	(353,075)	(1,836,021)
Change in Net Assets	376,204	134,953	165,547	676,704
Net Assets, beginning of year (restated)	51,863,008	268,736	1,681,473	53,813,217
Net Assets, end of year	$ 52,239,212	$ 403,689	$ 1,847,020	$ 54,489,921

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Sanitation	Nonmajor Stormwater	Total
Cash Flows From Operating Activities:				
Receipts from customers and users	$ 9,143,527	$ 1,252,659	$ 1,109,644	$ 11,505,830
Payments to suppliers	(4,288,351)	(905,947)	(98,238)	(5,292,536)
Payments to employees	(168,181)	(75,428)	(201,594)	(445,203)
Net cash provided by operating activities	4,686,995	271,284	809,812	5,768,091
Cash Flows From Non-Capital Financing Activities:				
Transfers in	326,745	-	495	327,240
Transfers (out)	(1,688,451)	(121,240)	(353,570)	(2,163,261)
Net cash (used) in non-capital financing activities	(1,361,706)	(121,240)	(353,075)	(1,836,021)
Cash Flows From Capital and Related Financing Activities:				
Principal payments on capital leases	-	-	(28,955)	(28,955)
Principal payments on notes payable	(200,129)	-	-	(200,129)
Principal payments on bonds payable	(1,143,429)	-	-	(1,143,429)
Interest paid	(474,702)	-	(2,546)	(477,248)
Purchase of capital assets	(669,794)	-	(107,297)	(777,091)
Receipt of intergovernmental grants	-	-	1,428	1,428
Net cash (used) in capital and related financing activities	(2,488,054)	-	(137,370)	(2,625,424)
Cash Flows From Investing Activities:				
Interest received	11,665	-	-	11,665
	11,665	-	-	11,665
Net increase in cash	848,900	150,044	319,367	1,318,311
Cash, beginning of year	86,598	220,802	382,467	689,867
Cash, end of year	$ 935,498	$ 370,846	$ 701,834	$ 2,008,178

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Sanitation	Nonmajor Stormwater	Total
Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities:				
Operating Income	$ 2,221,424	$ 256,193	$ 519,740	$ 2,997,357
Adjustments to reconcile operating income to net cash flows from operating activities:				
Depreciation and amortization	1,300,788	-	80,584	1,381,372
Change in assets and liabilities:				
Decrease in accounts receivable	1,168,479	29,568	47,481	1,245,528
Decrease in prepaids	35,139	2,900	4,414	42,453
Decrease in inventory	9,757	-	-	9,757
(Decrease) in accounts payable	(128,611)	(15,883)	(19,966)	(164,460)
Increase in accrued liabilities	148,525	577	735	149,837
Increase in due to other funds	-	-	176,785	176,785
Increase (decrease) in compensated absences payable	6,637	(674)	39	6,002
Increase (decrease) in customer deposits payable	1,957	(1,397)	-	560
(Decrease) in unearned revenue	(77,100)	-	-	(77,100)
Net cash provided by operating activities	$ 4,686,995	$ 271,284	$ 809,812	$ 5,768,091

The notes to financial statements are an integral part of this statement

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CITY OF CANTON, GEORGIA
STATEMENT OF FIDUCIARY ASSETS & LIABILITIES
FIDUCIARY FUND
SEPTEMBER 30, 2012

	Municipal Court Fund
ASSETS	
Cash	$ 168,026
Total Assets	$ 168,026
LIABILITIES	
Due to Others	$ 168,026
Total Liabilities	$ 168,026

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA
COMBINING STATEMENT OF NET ASSETS
COMPONENT UNITS
SEPTEMBER 30, 2012

	Canton Downtown Development Authority	Canton Development Authority	Canton Preservation, Inc.	Canton Main Street Program	Canton Tourism, Inc.	TOTAL
ASSETS						
Cash and cash equivalents	$ 33,844	$ -	$ 2,223	$ 14,534	$ 51,934	$ 102,535
Other receivables	-	-	-	20	-	20
Due from primary government	375	-	-	-	-	375
Inventory	-	-	-	-	3,938	3,938
Note receivable from primary government	-	983,348	-	-	-	983,348
Capital assets:						
Depreciable, net of accumulated depreciation	1,030,300	-	-	-	11,091	1,041,391
Total Assets	1,064,519	983,348	2,223	14,554	66,963	2,131,607
LIABILITIES						
Accrued liabilities	1,318	62,319	-	-	-	63,637
Bonds payable due within one year	100,085	-	-	-	-	100,085
Bonds payable due in more than one year	244,140	921,029	-	-	-	1,165,169
Total Liabilities	345,543	983,348	-	-	-	1,328,891
NET ASSETS						
Invested in capital assets, net of related debt	686,075	-	-	-	11,091	697,166
Unrestricted	32,901	-	2,223	14,554	55,872	105,550
Total Net Assets	$ 718,976	$ -	$ 2,223	$ 14,554	$ 66,963	$ 802,716

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
SEPTEMBER 30, 2012

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT: COMPONENT UNITS	Expenses	Program Revenues Charges For Services	Program Revenues Operating Grants and Contributions	Program Revenues Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets Canton Downtown Development Authority	Canton Development Authority	Canton Preservation, Inc.	Canton Main Street Program	Canton Tourism, Inc.	Total
Canton Downtown Dev. Authority	$ 88,028	$ 39,297	$ -	$ 138,125	$ 89,394	$ -	$ -	$ -	$ -	$ 89,394
Canton Development Authority	27,632	-	-	-	-	(27,632)	-	-	-	(27,632)
Canton Preservation, Inc.	-	-	-	-	-	-	-	-	-	-
Canton Main Street Program	82,934	10,734	78,221	-	-	-	-	6,021	-	6,021
Canton Tourism, Inc.	29,189	-	32,280	-	-	-	-	-	3,091	3,091
Total Component Units	$ 227,783	$ 50,031	$ 110,501	$ 138,125	89,394	(27,632)	-	6,021	3,091	70,874
General Revenues:										
Investment Earnings					-	27,632	-	-	127	27,759
Change in Net Assets					89,394	-	-	6,021	3,218	98,633
Net Assets, beginning (restated)					629,582	-	2,223	8,533	63,745	704,083
Net Assets, ending					$ 718,976	$ -	$ 2,223	$ 14,554	$ 66,963	$ 802,716

The notes to financial statements are an integral part of this statement

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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.

As required by generally accepted accounting principles, these financial statements present the City and its component units. Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organizations; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of; or the City is obligated for the debt of the organization. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City. The following entities are component units of Canton, Georgia:

Discretely Presented Component Units

The Canton Downtown Development Authority (the "CDDA")
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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Canton Development Authority (the "CDA")
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.

Canton Preservation, Inc. (the "CP")
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.

Canton Tourism, Inc. (the "CT")
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.

Canton Main Street Program (the "CMSP")
The CMSP is being shown as a discretely presented component unit in the accompanying financial statements due to its relationship with the City. The mission of the CMSP is to implement downtown revitalization under the Main Street Four-Point Approach - Organization, Design, Promotion and Economic Restructuring, all with the context of historic preservation. Separate financial statements for the CMSP 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")
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")
The Authority is shown as a blended component unit in the accompanying financial statements and reported as a debt service 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Urban Redevelopment Agency (the "URA")
The URA is shown as a blended component unit in the accompanying financial statements and reported as a debt service 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.

(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 with the exception of interfund services provided and used. 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 normally are 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 noncurrent assets and noncurrent 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. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. 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. For identifying to which function program revenue pertains, the determining factor for charges for services is which function generates the revenue. For grants and contributions, the determining factor is to which function the revenues are restricted. 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 proprietary 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 Financial Statement Presentation

The government-wide financial statements are reported using the economic resources 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 generally are 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.

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 financial resources provided from the 1% Special Purpose Local Option Sales Tax approved by voters in 2004.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The *SPLOST VI Fund* accounts for the financial resources provided from the 1% Special Purpose Local Option Sales Tax approved by voters in 2010. Resources are to be used for transportation improvements, parks & recreation, general government buildings, fire facilities and equipment and water/wastewater equipment and debt.

The City reports the following major proprietary funds:

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

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

Additionally, the City 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 to expenditures for specific purposes.

The *Debt Service Funds* are 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 using the accrual basis of accounting, and are used to account for funds that the City holds for others in an agency capacity, including municipal court bonds.

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

Proprietary funds distinguish operating revenues and expenses form nonoperating 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 nonoperating 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(D) Budgets

Annual appropriated budgets are adopted on 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.

(E) Deposits and Investments

Georgia law authorizes local governments to invest in the following types of obligations:

1. Obligations of the State of Georgia or of any other States
2. Obligations of the United States Government
3. Obligations fully insured or guaranteed by the U.S. government or governmental agency
4. Obligations of any corporation of the government
5. Prime bankers' acceptances
6. The State of Georgia local government investment pool (i.e., Georgia Fund I)
7. Repurchase agreements
8. Obligations of other political subdivisions of the State of Georgia

Any bank deposit in excess of the total FDIC insured amount must be secured by 110% of an equivalent amount of State or U.S. obligations.

All investments are reported at fair value as determined by quoted market prices.

For the purposes of the statement of cash flows, cash and cash equivalents include all short-term highly liquid investments with original maturities of three months or less. Instruments considered to be cash equivalents include: Treasury bills, certificates of deposit, money market funds, and cash management pools.

(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 nonspendable fund balance, which indicates that they do not constitute "available, spendable resources" even though they are a component of net current assets.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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, 2012, are recorded as prepaid items in both government-wide and fund financial statements.

(I) Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, culverts, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the assets constructed.

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.

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. The City Council has not designated the authority to make assignments of fund balance and thus retains the authority to the Council.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 - 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.

During the year the Council authorized amendments to include appropriations for some activities that were not originally budgeted and to reclassify certain character and functional expenditures.

The budgetary comparison schedule is presented for the General Fund at the legal level of control. Material excesses (if both over 1 percent and greater than $3,000) of expenditures over the budget at the object level within departments are as follows:

There were no departments that exceeded the amended budget appropriations for the year ended September 30, 2012.

For the year ending September 30, 2012, the City adopted a budget for the Road & Sidewalk Fund which included the use of $608,592 in reserves; however, the fund only had available reserves of $441,022. As a result the City failed to adopt and operate under a balanced budget for the year ending September 30, 2012.

NOTE 3 - DEPOSITS

Credit Risk. The City's policy is to adhere to the State statutes 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 3 - DEPOSITS (CONTINUED)

Total deposits as of September 30, 2012 are summarized as follows:

Statement of Net Assets		
Cash and cash equivalents	$	7,557,734
Restricted cash and cash equivalents		3,670,825
Statement of Fiduciary Net Assets:		
Cash - Agency Fund		168,026
	$	11,396,585
Cash deposited with financial institutions	$	8,295,208
Money market mutual fund		3,101,377
	$	11,396,585

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, 2012, all deposits of the City were adequately insured and collateralized.

At September 30, 2012, the City had the following investments that are included in the custodial credit risk discussion above related to deposits:

Investment	Days to Maturity		Fair Value
Money Market Fund - Goldman Sachs Financial Square Treasury Obligation/Select	51 Days	$	3,101,377

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 4 - RECEIVABLES

Receivables are recorded on the City's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation and collectibility.

Property taxes are levied on property values assessed as of January 1. The tax bills are levied between October 1 and October 20 of each digest year. 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 as of year end for the City's individual major funds and nonmajor governmental funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	General Fund	Road & Sidewalk Fund	SPLOST VI Fund	Nonmajor Governmental Funds	Total Governmental Funds
Receivables:					
Property Taxes	$ 125,516	$ -	$ -	$ -	$ 125,516
Accounts	1,787,523	-	-	32,577	1,820,100
Intergovernmental	33,213	537,741	474,107	-	1,045,061
Total Gross Receivables	1,946,252	537,741	474,107	32,577	2,990,677
Less: Allowance for Uncollectibles	(203,521)	-	-	-	(203,521)
Total Net Receivables	$1,742,731	$ 537,741	$ 474,107	$ 32,577	$ 2,787,156

Receivables as of year end for the City's Proprietary Funds are as follows:

	Water & Sewer Fund	Sanitation Fund	Nonmajor Stormwater Fund	Total Proprietary Funds
Receivables:				
Accounts	$ 2,036,703	$ 221,881	$ 158,882	$ 2,417,466
Intergovernmental	17,184	-	-	17,184
Total Gross Receivables	2,053,887	221,881	158,882	2,434,650
Less: Allowance for Uncollectibles	(705,874)	(22,188)	(15,888)	(743,950)
Total Net Receivables	$ 1,348,013	$ 199,693	$ 142,994	$ 1,690,700

NOTE 5 - CAPITAL ASSETS

Primary Government

Capital asset activity for the year ended September 30, 2012 is as follows:

	Beginning Balance	Additions	Retirements and Transfers	Ending Balance
Governmental Activities:				
Non-Depreciable Assets:				
Land and Improvements	$12,588,975	$ -	$ -	$12,588,975
Construction in Progress	2,441,100	1,694,003	(784,140)	3,350,963
Total Non-depreciable Capital Assets	15,030,075	1,694,003	(784,140)	15,939,938
Depreciable Assets:				
Buildings and Improvements	30,917,601	262,160	-	31,179,761
Infrastructure	25,739,275	1,043,302	-	26,782,577
Furniture and Fixtures	149,443	-	(1,099)	148,344
Machinery and Equipment	2,478,389	52,103	(117,983)	2,412,509
Vehicles	3,967,222	30,778	(72,519)	3,925,481
Total Depreciable Capital Assets	63,251,930	1,388,343	(191,601)	64,448,672
Less Accumulated Depreciation:				
Buildings and Improvements	(4,971,220)	(886,884)	-	(5,858,104)
Infrastructure	(7,134,103)	(1,319,487)	-	(8,453,590)
Furniture and Fixtures	(80,533)	(9,047)	769	(88,811)
Machinery and Equipment	(1,491,603)	(206,426)	108,883	(1,589,146)
Vehicles	(2,674,613)	(314,903)	72,519	(2,916,997)
Total Accumulated Depreciation	(16,352,072)	(2,736,747)	182,171	(18,906,648)
Total Depreciable Capital Assets, Net	46,899,858	(1,348,404)	(9,430)	45,542,024
Governmental Activities Capital Assets, Net	$61,929,933	$ 345,599	$ (793,570)	$61,481,962
Business-type Activities:				
Non-Depreciable Assets:				
Land and Improvements	$ 5,263,315	$ 250,000	$ -	$ 5,513,315
Construction in Progress	18,545,830	190,366	(191,180)	18,545,016
Total Non-depreciable Capital Assets	23,809,145	440,366	(191,180)	24,058,331
Depreciable Assets:				
Site Improvements	9,600	-	-	9,600
Infrastructure	52,775,082	498,755	-	53,273,837
Buildings and Improvements	4,285,492	-	-	4,285,492
Machinery, Equipment and Vehicles	1,634,272	29,151	-	1,663,423
Total Depreciable Capital Assets	58,704,446	527,906	-	59,232,352
Less Accumulated Depreciation:				
Site Improvements	(4,372)	(640)	-	(5,012)
Infrastructure	(12,481,798)	(1,140,154)	-	(13,621,952)
Buildings and Improvements	(2,459,891)	(150,052)	-	(2,609,943)
Machinery, Equipment and Vehicles	(1,132,635)	(75,426)	-	(1,208,061)
Total Accumulated Depreciation	(16,078,696)	(1,366,272)	-	(17,444,968)
Total Depreciable Capital Assets, Net	42,625,750	(838,366)	-	41,787,384
Business-type Activities Capital Assets, Net	$66,434,895	$ (398,000)	$ (191,180)	$65,845,715

NOTE 5 - CAPITAL ASSETS (CONTINUED)

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

Governmental Activities:	
General Government	$ 167,137
Public Safety	445,194
Public Works	1,381,036
Culture and Recreation	743,380
Total Depreciation expense - governmental activities	$ 2,736,747
Business-type Activities:	
Water and Sewer	$ 1,285,687
Stormwater	80,584
Total Depreciation expense - business-type activities	$ 1,366,271

Canton Downtown Development Authority

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable Assets:				
Buildings	$ 1,366,304	$ -	$ -	$ 1,366,304
Furniture and Fixtures	68,839	1,130	-	69,969
Total Depreciable Capital Assets	1,435,143	1,130	-	1,436,273
Less Accumulated Depreciation				
Buildings	(309,695)	(27,326)	-	(337,021)
Furniture and Fixtures	(68,801)	(151)	-	(68,952)
Total Accumulated Depreciation	(378,496)	(27,477)	-	(405,973)
Total Capital Assets, Net	$ 1,056,647	$ (26,347)	$ -	$ 1,030,300

Canton Tourism, Inc.

	Beginning Balance	Additions	Retirements	Ending Balance
Depreciable Assets:				
Fixtures	$ -	$ 11,675	$ -	$ 11,675
Less Accumulated Depreciation	-	(584)	-	(584)
Total Capital Assets, Net	$ -	$ 11,091	$ -	$ 11,091

NOTE 6 - LONG-TERM DEBT

Primary Government

Long-term liability activity for the year ended September 30, 2012 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Governmental Bonds	$38,625,051	$ -	$ (2,158,793)	$36,466,258	$ 2,434,936
Less Discounts	(74,521)	-	6,457	(68,064)	-
Total Bonds Payable	38,550,530	-	(2,152,336)	36,398,194	2,434,936
Capital Leases	198,648	30,778	(76,348)	153,078	81,292
Notes Payable	2,100,000	-	(300,000)	1,800,000	300,000
Claims and Judgements Payable	-	107,000	-	107,000	107,000
Compensated Absences	287,660	269,280	(258,585)	298,355	288,196
Governmental Activities Long-term Liabilities	$41,136,838	$ 407,058	$ (2,787,269)	$38,756,627	$ 3,211,424
Business-type Activities:					
Revenue Bonds	$ 7,023,315	$ -	$ (1,143,429)	$ 5,879,886	$ 1,212,710
Less Discounts	(32,539)	-	11,605	(20,934)	-
Total Bonds Payable	6,990,776	-	(1,131,824)	5,858,952	1,212,710
Capital Lease	77,252		(28,955)	48,297	30,146
Notes Payable	3,620,238	-	(200,129)	3,420,109	208,965
Note Payable - Component Unit	921,029	-	-	921,029	-
Compensated Absences	8,719	15,445	(9,443)	14,721	14,721
Business-type Activities Long-term Liabilities	$11,618,014	$ 15,445	$ (1,370,351)	$10,263,108	$ 1,466,542

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, 2012, the City had $1,045,462 of vehicles and equipment under capital leases.

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

Fiscal Year Ending September 30,	Governmental Activities	Business-type Activities
2013	$ 85,739	$ 31,516
2014	72,615	18,391
Total minimum lease payments	158,354	49,907
Less amount representing interest	5,276	1,610
Present value of future minimum lease payments	$ 153,078	$ 48,297

NOTE 6 - 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:

Fiscal Year Ending September 30,	
2013	$ 300,000
2014	300,000
2015	300,000
2016	300,000
2017	300,000
2018	300,000
Total Payments	$ 1,800,000

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 are due annually, maturing on September 1, 2030. The proceeds were used for various infrastructure improvements and water and sewer upgrades.

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

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

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

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

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Governmental Bonds currently outstanding mature as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2013	$ 2,434,936	$ 1,611,406	$ 4,046,342
2014	2,236,555	1,514,621	3,751,176
2015	2,272,049	1,421,235	3,693,284
2016	2,133,902	1,322,531	3,456,433
2017	2,108,409	1,232,530	3,340,939
2018-2022	9,864,529	4,782,941	14,647,470
2023-2027	10,458,959	2,604,611	13,063,570
2028-2030	4,956,919	423,245	5,380,164
Total	$36,466,258	$14,913,120	$ 51,379,378

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

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

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

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

Revenue Bonds currently outstanding mature as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2013	$ 1,212,710	$ 257,237	$ 1,469,947
2014	1,275,660	194,740	1,470,400
2015	1,342,584	128,296	1,470,880
2016	1,194,050	60,045	1,254,095
2017	648,399	20,944	669,343
2018	206,483	1,269	207,752
Total	$ 5,879,886	$ 662,531	$ 6,542,417

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Notes Payable - GEFA. The City has also incurred debt to the Georgia Environmental Finance Authority for construction of various water and sewer system projects. These notes, including their original balances, are as follows at September 30, 2012:

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

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

Fiscal Year Ending September 30,	Principal	Interest	Total
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	247,419	101,081	348,500
2018-2022	1,406,635	335,860	1,742,495
2023-2027	717,086	94,732	811,818
2028-2029	157,770	4,482	162,252
Total	$ 3,420,109	$ 1,038,956	$ 4,459,065

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, 2012, $921,029 has been drawn down. The bond matures on January 1, 2052 and carries an interest rate of 3.00%. The repayment schedule will be determined when the construction is complete and all draws have been made.

NOTE 6 - LONG-TERM DEBT (CONTINUED)

Canton Downtown Development Authority

Long-term liability activity for the year ended September 30, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	$ 439,332	$ -	$ (95,107)	$ 344,225	$ 100,085

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 Theater and will be repaid through future revenues from the operation of the theater. 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
2013	$ 100,085	$ 14,151	$ 114,236
2014	104,944	9,292	114,236
2015	110,038	4,198	114,236
2016	29,158	225	29,383
Total	$ 344,225	$ 27,866	$ 372,091

Canton Development Authority

Long-term liability activity for the year ended September 30, 2012, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	$ 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, 2012, $921,029 has been drawn down. The bond matures on January 1, 2052 and carries an interest rate of 3.00%. The repayment schedule will be determined when the construction is complete and all draws have been made.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of September 30, 2012 is as follows:

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 12,000
Road & Sidewalk Fund	General Fund	$ 151,061
Road & Sidewalk Fund	Nonmajor Governmental Funds	161,924
Road & Sidewalk Fund	Stormwater Fund	176,785
		$ 489,770
Nonmajor Governmental Funds	General Fund	$ 9,799

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	$ 983,348
Component Unit - Canton Downtown Dev. Authority	Primary Government - Fiduciary Fund	375
		$ 983,723

Advances to/from other funds:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	$ 1,131,678

During Fiscal Year 2011, the General Fund advanced the Water and Sewer Fund $1,131,678 to provide funds to pay toward debt.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (CONTINUED)

Interfund transfers:

Transfers In	Transfers Out	Amount
General Fund	Nonmajor Governmental Funds	$ 68,564
General Fund	Nonmajor Governmental Funds	24,000
General Fund	Sanitation Fund	121,240
		$ 213,804
Road & Sidewalk Fund	Nonmajor Governmental Funds	$ 323,848
Road & Sidewalk Fund	Stormwater Fund	353,570
		$ 677,418
Canton Building Authority	General Fund	$ 300,000
Canton Building Authority	SPLOST V Fund	1,691,693
Canton Building Authority	Water and Sewer Fund	1,687,956
		$ 3,679,649
Nonmajor Governmental Funds	SPLOST V Fund	$ 560,991
Nonmajor Governmental Funds	General Fund	5,532
		$ 566,523
Water and Sewer Fund	Canton Building Authority	$ 326,745
Stormwater Fund	Water and Sewer Fund	$ 495

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 8 – 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 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, 2012, the date of the most recent actuarial valuation, there were 210 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	45
Terminated vested participants	54
Active employees - vested	76
Active employees - nonvested	35
Total	210

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 Fiscal Year 2012, the actuarially determined contribution rate was 16.19% of covered payroll.

NOTE 8 – PENSION PLANS (CONTINUED)

For Fiscal Year 2012, the City's recommended contribution was $736,987. Actual contributions totaled $736,987. The recommended contribution was determined as part of the January 1, 2011 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include a 7.75% rate of return on investments and projected salary increase 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
1/1/2012	$6,552,735	$9,045,206	$2,492,471	72.44%	$4,651,155	53.59%

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, 2011.

Fiscal Year Ended Sep. 30,	Annual Pension Cost (APC)	Actual Pension Contribution	Percentage of APC Contributed	Net Pension Obligation
2012	$ 736,987	$ 736,987	100.00%	$ -
2011	744,165	744,165	100.00%	-
2010	741,493	741,493	100.00%	-

NOTE 9 – 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 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, 2012, 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, in 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, 2012, were $8,400, $7,700, and $13,026, respectively.

NOTE 10 – 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 11 – 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 12 – RISK MANAGEMENT

The City is exposed to various risks of losses related to torts, thefts of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

For the insured programs, there have been no significant reductions in insurance coverage from the prior year. The City did not settle any claims during the last three years that exceeded insurance coverage and had a material effect on the financial statements.

Chapter 9, Article 5 of Title 34 of the Official Code of Georgia Annotated authorized the Georgia Municipal Association of Workers' Compensation Self Insurance Fund. The liability of the fund to the employees of any member employer is specifically limited to such obligations as are imposed by applicable State laws against the employer for workers' compensation and/or employer's liability.

NOTE 12 – RISK MANAGEMENT (CONTINUED)

As part of the risk pool, the City is obligated to pay all contributions and assessments as prescribed by the pool, 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 worker's 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.

NOTE 13 – 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. As of September 30, 2012 the City has been named in a claim under Fair Labor Standard Acts. Management has determined there is a reasonably possible chance of being liable for damages. The City currently estimates a loss of $107,000 and has accrued this in the governmental activities.

Contractual Commitments:

For the fiscal year ended September 30, 2012, contractual commitments on uncompleted contracts were $1,714,820.

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 14 – 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 $288,366 for the year ended September 30, 2012. Of this amount 94%, or $272,477, 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 OCGA 48-13-51.

NOTE 15 – CHANGE IN REPORTING ENTITY

The City of Canton has determined that a restatement is necessary of prior period balances to report a change in reporting entity. It has been determined based on GASB Statements No. 14 & 39 that the City of Canton Main Street Program should properly be reported as a discretely presented component unit of the City.

General Fund:		
Fund Balance September 30, 2011, as previously reported	$	2,170,847
Adjustment for change in reporting entity		(8,533)
Fund Balance September 30, 2011, as restated	$	2,162,314
Main Street Program (Component Unit):		
Fund Balance September 30, 2011, as previously reported	$	-
Adjustment for change in reporting entity		8,533
Fund Balance September 30, 2011, as restated	$	8,533

NOTE 16 – 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 is summarized below:

Fund Balance September 30, 2011, as previously reported	$	249,929
Adjustment for revenue earned in prior period		191,093
Fund Balance September 30, 2011, as restated	$	441,022

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

Net Assets at September 30, 2011, as previously reported	$	30,629,224
Adjustment for revenue earned in prior period		191,093
Adjustment for change in reporting entity (See Note 15)		(8,533)
Net Assets at September 30, 2011, as restated	$	30,811,784

The City of Canton has determined that a restatement of net assets is necessary within the Water and Sewer Fund to accrue revenue earned and available during the prior fiscal year.

Net Assets at September 30, 2011, as previously reported	$	50,992,267
Adjustment for revenue earned in prior period		870,741
Net Assets at September 30, 2011, as restated	$	51,863,008

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CITY OF CANTON, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2012

FINANCIAL SECTION
Required Supplementary Information

CITY OF CANTON, GEORGIA

REQUIRED SUPPLEMENTARY INFORMATION
RETIREMENT PLAN
SCHEDULE OF FUNDING PROGRESS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
1/1/2012	$ 6,552,735	$ 9,045,206	$ 2,492,471	72.4%	$ 4,651,155	53.6%
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%

See assumptions used and disclosed in Note 8 to the Financial Statements

CITY OF CANTON, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 8,456,697	$ 8,515,097	$ 8,936,362	$ 421,265
Licenses and permits	397,626	397,626	440,336	42,710
Intergovernmental	14,479	44,479	43,737	(742)
Fines and forfeitures	823,400	823,400	640,806	(182,594)
Charges for services	60,097	60,097	47,648	(12,449)
Investment earnings	7,000	7,000	753	(6,247)
Contributions & donations	-	-	44,421	44,421
Miscellaneous	98,808	98,808	152,365	53,557
TOTAL REVENUES	9,858,107	9,946,507	10,306,428	359,921
EXPENDITURES				
Current Expenditures:				
General government:				
City council	69,540	69,540	45,523	24,017
City clerk	137,094	137,094	129,422	7,672
Mayor	108,958	108,958	83,810	25,148
City manager	211,839	219,939	219,874	65
Elections	3,050	7,000	6,927	73
General administration	190,076	198,076	163,695	34,381
Financial administration	153,038	153,038	135,796	17,242
Tax collections	94,671	153,071	153,019	52
Human resources	52,902	54,252	54,213	39
General government buildings	260,377	522,537	467,163	55,374
Technology	74,162	82,162	81,784	378
Total General Government	1,355,707	1,705,667	1,541,226	164,441
Judicial	221,277	221,277	209,235	12,042
Public Safety:				
Fire	1,959,022	2,008,522	1,778,488	230,034
Police	3,344,391	3,349,391	3,313,820	35,571
Total Public Safety	5,303,413	5,357,913	5,092,308	265,605
Public Works:				
Engineering	45,605	45,605	5,483	40,122
Streets	1,346,059	1,359,059	1,358,536	523
Total Public Works	1,391,664	1,404,664	1,364,019	40,645
Recreation and Culture	387,103	398,103	397,637	466

The notes to financial statements are an integral part of this schedule

CITY OF CANTON, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
continued….				
Housing and development:				
Building inspection	215,749	215,749	215,566	183
Planning and zoning	215,697	215,697	209,395	6,302
Code enforcement	62,800	62,800	62,192	608
Downtown development	88,699	88,699	78,221	10,478
Total Housing and Development	582,945	582,945	565,374	17,571
Debt Service:				
Principal	13,443	15,543	15,336	207
Interest and paying agent fees	1,182	3,682	3,244	438
Total Debt Service	14,625	19,225	18,580	645
TOTAL EXPENDITURES	9,256,734	9,689,794	9,188,379	501,415
EXCESS REVENUES OVER EXPENDITURES	601,373	256,713	1,118,049	861,336
OTHER FINANCING SOURCES(USES)				
Transfers out	(345,177)	(345,177)	(305,532)	39,645
Transfer in	213,804	213,804	213,804	-
Capital lease	-	20,000	30,778	10,778
Proceeds from sale of general capital assets	30,000	30,000	19,754	(10,246)
TOTAL OTHER FINANCING SOURCES(USES)	(101,373)	(81,373)	(41,196)	40,177
Net change in fund balance*	500,000	175,340	1,076,853	901,513
Fund balance, beginning of year (restated)	2,162,314	2,162,314	2,162,314	-
Fund balance, end of year	$ 2,662,314	$ 2,337,654	$ 3,239,167	$ 901,513

* The net change in fund balances was included in the budget as an increase (i.e., contingency) of fund balance.

The notes to financial statements are an integral part of this schedule

CITY OF CANTON, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2012

FINANCIAL SECTION
Combining and Individual Fund Statements and Schedules

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 City's impact fee ordinance.

CITY OF CANTON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012

	Special Revenue Funds			Debt Service Fund	Capital Project Fund	
	Hotel/Motel Tax	GEFA Grant	Confiscated Assets	Urban Redevelopment Agency	Impact Fees	TOTAL
ASSETS						
Cash and cash equivalents	$ 153,358	$ -	$ 8,813	$ -	$ 799,013	$ 961,184
Receivables(net of allowance for uncollectibles)	32,577	-	-	-	-	32,577
Due from other funds	-	-	-	-	9,799	9,799
Total Assets	$ 185,935	$ -	$ 8,813	$ -	$ 808,812	$ 1,003,560
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	$ 338	$ -	$ -	$ -	$ -	$ 338
Due to other funds	-	-	-	-	173,924	173,924
Total Liabilities	338	-	-	-	173,924	174,262
Fund Balances:						
Restricted:						
Capital projects	-	-	-	-	634,888	634,888
Public safety	-	-	8,813	-	-	8,813
Economic development	185,597	-	-	-	-	185,597
Total Fund Balances	185,597	-	8,813	-	634,888	829,298
TOTAL LIABILITIES AND FUND BALANCES	$ 185,935	$ -	$ 8,813	$ -	$ 808,812	$ 1,003,560

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Special Revenue Funds			Debt Service Fund	Capital Project Fund	
	Hotel/Motel Tax	GEFA Grant	Confiscated Assets	Urban Redevelopment Agency	Impact Fees	TOTAL
REVENUES						
Intergovernmental	$ -	$ 374	$ 2,791	$ -	$ -	$ 3,165
Taxes	288,366	-	-	-	-	288,366
Charges for services	-	-	-	-	204,849	204,849
Fines and forfeitures	-	-	5,508	-	-	5,508
Investment earnings	332	-	15	-	4,698	5,045
Total Revenues	288,698	374	8,314	-	209,547	506,933
EXPENDITURES						
Current Expenditures:						
Public safety	-	-	1,553	-	-	1,553
Public works	-	1,204	-	-	-	1,204
Recreation and culture	138,133	-	-	-	-	138,133
Housing and development	65,780	-	-	-	-	65,780
Capital Outlay	-	-	-	-	48,944	48,944
Debt Service:						
Principal	-	-	-	452,792	61,012	513,804
Interest and paying agent fees	-	-	-	108,199	5,364	113,563
Total Expenditures	203,913	1,204	1,553	560,991	115,320	882,981
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	84,785	(830)	6,761	(560,991)	94,227	(376,048)
OTHER FINANCING SOURCES (USES)						
Transfers in	-	-	-	560,991	5,532	566,523
Transfers out	(68,564)	-	-	-	(347,848)	(416,412)
Total Other Financing Sources (Uses)	(68,564)	-	-	560,991	(342,316)	150,111
Net Change in Fund Balances	16,221	(830)	6,761	-	(248,089)	(225,937)
Fund balances, beginning of year	169,376	830	2,052	-	882,977	1,055,235
Fund balances, end of year	$ 185,597	$ -	$ 8,813	$ -	$ 634,888	$ 829,298

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA
HOTEL/MOTEL TAX FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	$ 232,294	$ 232,294	$ 288,366	$ 56,072
Investment earnings	767	767	332	(435)
TOTAL REVENUES	233,061	233,061	288,698	55,637
EXPENDITURES				
Current Expenditures:				
Recreation and culture	146,236	146,236	138,133	8,103
Housing and development	65,780	65,780	65,780	-
TOTAL EXPENDITURES	212,016	212,016	203,913	8,103
EXCESS OF REVENUES OVER EXPENDITURES	21,045	21,045	84,785	63,740
OTHER FINANCING USES				
Transfers out	(68,564)	(68,564)	(68,564)	-
Net change in fund balance*	(47,519)	(47,519)	16,221	63,740
Fund balance, beginning of year	169,376	169,376	169,376	-
Fund balance, end of year	$ 121,857	$ 121,857	$ 185,597	$ 63,740

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

CITY OF CANTON, GEORGIA
GEFA GRANT FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 374	$ 374	$ 374	$ -
EXPENDITURES				
Current Expenditures:				
Public works	1,204	1,204	1,204	-
Net change in fund balance*	(830)	(830)	(830)	-
Fund balance, beginning of year	830	830	830	-
Fund balance, end of year	$ -	$ -	$ -	$ -

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

CITY OF CANTON, GEORGIA
CONFISCATED ASSETS FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ -	$ -	$ 2,791	$ 2,791
Fines and forfeitures	1,540	1,540	5,508	3,968
Investment earnings	15	15	15	-
TOTAL REVENUES	1,555	1,555	8,314	6,759
EXPENDITURES				
Current Expenditures:				
Public safety	1,555	1,555	1,553	2
Net change in fund balance	-	-	6,761	6,761
Fund balance, beginning of year	2,052	2,052	2,052	-
Fund balance, end of year	$ 2,052	$ 2,052	$ 8,813	$ 6,761

The notes to financial statements are an integral part of this schedule

CITY OF CANTON, GEORGIA
CANTON BUILDING AUTHORITY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Investment earnings	$ -	$ 200	$ 208	$ 8
EXPENDITURES				
Debt Service:				
Principal	2,033,658	2,032,158	2,006,001	26,157
Interest and paying agent fees	1,644,598	1,646,698	1,672,798	(26,100)
TOTAL EXPENDITURES	3,678,256	3,678,856	3,678,799	57
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,678,256)	(3,678,656)	(3,678,591)	65
OTHER FINANCING SOURCES(USES)				
Transfers out	(1,092,750)	(1,092,750)	(326,745)	766,005
Transfer in	3,678,256	3,678,656	3,679,649	993
TOTAL OTHER FINANCING SOURCES(USES)	2,585,506	2,585,906	3,352,904	766,998
Net change in fund balance*	(1,092,750)	(1,092,750)	(325,687)	767,063
Fund balance, beginning of year	3,427,914	3,427,914	3,427,914	-
Fund balance, end of year	$ 2,335,164	$ 2,335,164	$ 3,102,227	$ 767,063

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The notes to financial statements are an integral part of this schedule

CITY OF CANTON, GEORGIA
URBAN REDEVELOPMENT AGENCY

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
EXPENDITURES				
Debt Service:				
Principal	$ 508,641	$ 508,641	$ 452,792	$ 55,849
Interest and paying agent fees	52,350	52,350	108,199	(55,849)
TOTAL EXPENDITURES	560,991	560,991	560,991	-
OTHER FINANCING SOURCES(USES)				
Transfer in	560,991	560,991	560,991	-
Net change in fund balance	-	-	-	-
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ -	$ -	$ -	$ -

The notes to financial statements are an integral part of this schedule

CITY OF CANTON, GEORGIA
ROAD & SIDEWALK FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 5,269,040	$ 5,269,040	$ 1,149,415	$ (4,119,625)
Investment earnings	10,000	10,000	3,999	(6,001)
Contributions & donations	-	-	25,000	25,000
TOTAL REVENUES	5,279,040	5,279,040	1,178,414	(4,100,626)
EXPENDITURES				
Capital Outlay	6,565,050	6,565,050	1,645,059	4,919,991
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,286,010)	(1,286,010)	(466,645)	819,365
OTHER FINANCING SOURCES(USES)				
Transfer in	677,418	677,418	677,418	-
Net change in fund balance*	(608,592)	(608,592)	210,773	819,365
Fund balance, beginning of year (restated)	441,022	441,022	441,022	-
Fund balance, end of year	$ (167,570)	$ (167,570)	$ 651,795	$ 819,365

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The notes to financial statements are an integral part of this schedule

CITY OF CANTON, GEORGIA
SPLOST V

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 2,128,631	$ 2,128,631	$ 1,756,384	$ (372,247)
Investment earnings	4,000	4,000	3,216	(784)
TOTAL REVENUES	2,132,631	2,132,631	1,759,600	(373,031)
OTHER FINANCING SOURCES(USES)				
Transfers out	(2,220,183)	(2,220,183)	(2,252,684)	(32,501)
Net change in fund balance*	(87,552)	(87,552)	(493,084)	(405,532)
Fund balance, beginning of year	1,231,030	1,231,030	1,231,030	-
Fund balance, end of year	$ 1,143,478	$ 1,143,478	$ 737,946	$ (405,532)

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The notes to financial statements are an integral part of this schedule

CITY OF CANTON, GEORGIA
SPLOST VI

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Intergovernmental	$ 700,000	$ 700,000	$ 719,461	$ 19,461
Investment earnings	-	-	6	6
TOTAL REVENUES	700,000	700,000	719,467	19,467
Net change in fund balance*	700,000	700,000	719,467	19,467
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	$ 700,000	$ 700,000	$ 719,467	$ 19,467

* The net change in fund balances was included in the budget as an increase (i.e., contingency) of fund balance.

CITY OF CANTON, GEORGIA
IMPACT FEES FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Charges for services	$ 238,400	$ 238,400	$ 204,849	$ (33,551)
Investment earnings	9,400	9,400	4,698	(4,702)
TOTAL REVENUES	247,800	247,800	209,547	(38,253)
EXPENDITURES				
Current Expenditures:				
General government	12,000	12,000	-	12,000
Capital Outlay	10,000	49,000	48,944	56
Debt Service:				
Principal	61,012	61,012	61,012	-
Interest and paying agent fees	5,365	5,365	5,364	1
TOTAL EXPENDITURES	88,377	127,377	115,320	12,057
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	159,423	120,423	94,227	(26,196)
OTHER FINANCING SOURCES(USES)				
Transfers out	(347,848)	(347,848)	(347,848)	-
Transfer in	45,177	45,177	5,532	(39,645)
TOTAL OTHER FINANCING SOURCES(USES)	(302,671)	(302,671)	(342,316)	(39,645)
Net change in fund balance*	(143,248)	(182,248)	(248,089)	(65,841)
Fund balance, beginning of year	882,977	882,977	882,977	-
Fund balance, end of year	$ 739,729	$ 700,729	$ 634,888	$ (65,841)

* The net change in fund balances was included in the budget as an appropriation (i.e., spenddown) of fund balance.

The notes to financial statements are an integral part of this schedule

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CITY OF CANTON, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX (SPLOST V)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Project	Estimated Cost		Expenditures			Estimated Percentage of Completion
	Original	Current	Life-To-Date (revised)	Current Period	Total Expended	
Streets and Sidewalks	$ 2,575,000	$ 1,368,511	$ 1,368,511	$ -	$ 1,368,511	100.00%
Parks and Recreation Facilities	1,500,000	1,667,819	1,236,893	358,831	1,595,724	95.68%
City Hall Renovation	2,000,000	2,518,078	1,957,087	560,991	2,518,078	100.00%
New Public Safety Buildings	2,000,000	539,050	139,050	-	139,050	25.80%
Water and Wastewater Facilities and Equipment	3,000,000	4,353,533	3,616,673	615,199	4,231,872	97.21%
New Senior Center	1,000,000	1,102,329	815,045	239,221	1,054,266	95.64%
New Community Center	2,000,000	2,204,660	1,630,091	478,442	2,108,533	95.64%
New Parking Deck	2,000,000	-	-	-	-	0.00%
Total	$ 16,075,000	$ 13,753,980	$ 10,763,350	$ 2,252,684	$ 13,016,034	

Note A: The SPLOST schedule has been prepared on the modified accrual basis of accounting.

Note B: In November 2004 the Special One Percent Sales Tax #5 was approved by voters in Cherokee County.

Note C: The prior year expenditures were revised to better allocate the portion of the community center which was constructed to provide park and recreation facilities, as well as senior center functions.

CITY OF CANTON, GEORGIA
SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX (SPLOST VI)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Project	Estimated Cost		Expenditures			Estimated Percentage of Completion
	Original	Current	Life-To-Date	Current Period	Total	
Transportation Facilities and Improvements	$ 6,000,000	$ 6,000,000	$ -	$ -	$ -	0.00%
Park and Recreation Facilities	4,800,000	4,800,000	-	-	-	0.00%
General Government Buildings	2,300,000	2,300,000	-	-	-	0.00%
Fire Facilities and Equipment	504,000	504,000	-	-	-	0.00%
Water, Wastewater Facilities, Equipment and Debt Service	3,700,000	3,700,000	-	-	-	0.00%
Total	$ 17,304,000	$ 17,304,000	$ -	$ -	$ -	

Note A: The SPLOST schedule has been prepared on the modified accrual basis of accounting.

Note B: In November 2010, the Special One Percent Sales Tax #6 was approved by voters in Cherokee County.

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, 2012

	TOTAL
ASSETS	
Cash, Balance Sept. 30, 2011	$ 160,737
Additions	847,760
Deductions	(840,471)
Cash, Balance Sept. 30, 2012	$ 168,026
LIABILITIES	
Due to Others, Sept. 30, 2011	$ 160,737
Additions	847,760
Deductions	(840,471)
Due to Others, Sept. 30, 2012	$ 168,026

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA

STATEMENT OF CASH FLOWS
COMPONENT UNIT - CANTON DOWNTOWN DEVELOPMENT AUTHORITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Cash Flows From Operating Activities:		
Receipts from customers and users	$	38,921
Payments to suppliers		(26,914)
Payments to employees		(13,190)
Net cash (used) in operating activities		(1,183)
Cash Flows From Non-Capital Financing Activities:		
Support from primary government		138,125
Cash Flows From Capital and Related Financing Activities:		
Principal payments on bonds payable		(95,107)
Interest paid		(19,128)
Purchase of capital assets		(1,130)
Net cash (used) in capital and related financing activities		(115,365)
Net increase in cash		21,577
Cash, beginning of year		12,267
Cash, end of year	$	33,844
Reconciliation of Operating Loss to Net Cash Flows Used in Operating Activities:		
Operating Loss	$	(29,603)
Adjustments to reconcile operating loss to net cash flows from operating activities:		
Depreciation		27,477
Change in assets and liabilities:		
(Increase) in accounts receivable		(375)
Increase in accounts payable		986
Increase in accrued liabilities		332
Net cash (used) in operating activities	$	(1,183)

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA

STATEMENT OF CASH FLOWS
COMPONENT UNIT - MAIN STREET PROGRAM
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

Cash Flows From Operating Activities:		
Receipts from customers and users	$	10,715
Cash receipts from other operating sources		78,221
Payments to suppliers		(26,416)
Payments to employees		(56,519)
Net cash provided by operating activities		6,001
Net increase in cash		6,001
Cash, beginning of year		8,533
Cash, end of year	$	14,534
Reconciliation of Operating Income to Net Cash Flows Provided by Operating Activities:		
Operating income	$	6,021
Change in assets and liabilities:		
(Increase) in accounts receivable		(20)
Net cash provided by operating activities	$	6,001

The notes to financial statements are an integral part of this statement

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, 2012

REVENUES	
Interest	$ 27,632
EXPENDITURES	
Debt Service:	
Interest	27,632
Net change in fund balance	-
Fund balance, beginning of year	-
Fund balance, end of year	$ -

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA

BALANCE SHEET
COMPONENT UNIT - CANTON TOURISM, INC.
SEPTEMBER 30, 2012

ASSETS		
Cash and cash equivalents	$	51,934
Inventories		3,938
Total Assets		55,872
LIABILITIES AND FUND BALANCES		
Liabilities		-
Fund Balances		
Unassigned	$	55,872
Fund Balance	$	55,872
Amounts reported in the Statement of Net Assets are different because:		
Capital assets are not financial resources and, therefore, are not reported on the fund level		11,091
Net Assets	$	66,963

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
COMPONENT UNIT - CANTON TOURISM, INC.
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

REVENUES		
Interest		$ 127
Contributions & Donations		32,280
TOTAL REVENUES		32,407
EXPENDITURES		
Current Expenditures:		
Housing and development		28,605
Capital Outlay		11,675
TOTAL EXPENDITURES		40,280
Net change in fund balance		(7,873)
Fund balance, beginning of year		63,745
Fund balance, end of year		$ 55,872
Change in Fund Balance		$ (7,873)
Amounts reported in the Statement of Activities are different because:		
Funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assests is allocated over their useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.		
Capital Outlay	$ 11,675	
Depreciation	(584)	11,091
Change in Net Assets		$ 3,218

The notes to financial statements are an integral part of this statement

CITY OF CANTON, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2012

STATISTICAL SECTION

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CITY OF CANTON, GEORGIA
NET ASSETS BY COMPONENT
LAST NINE YEARS
(accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities									
Invested in capital assets, net of related debt	$ 26,232,067	$ 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	2,938,506	5,964,108	2,810,921	3,415,322	3,800,560	3,742,276	16,366,892	21,105,383	-
Unrestricted (deficit)	4,920,568	156,447	2,563,739	2,035,811	709,265	970,752	2,543,076	(667,634)	2,687,212
Total Governmental Activities Net Assets	$ 34,091,141	$ 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	$ 55,535,009	$ 54,825,600	$ 53,870,920	$ 52,591,378	$ 49,922,585 (1)	$ 28,272,392	$ 22,842,904	$ 20,885,321	$ 19,640,743
Restricted	-	-	-	-	-	-	-	-	624,039
Unrestricted (deficit)	(1,045,088)	(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	$ 54,489,921	$ 52,942,476	$ 53,114,320	$ 48,941,258	$ 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	$ 81,767,076	$ 79,334,269	$ 77,775,631	$ 78,989,280	$ 72,566,490	$ 53,506,240	$ 32,469,631	$ 27,157,008	$ 43,944,441
Restricted	2,938,506	5,964,108	2,810,921	3,415,322	3,800,560	3,742,276	16,366,892	21,105,383	624,039
Unrestricted (deficit)	3,875,480	(1,726,677)	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	$ 88,581,062	$ 83,571,700	$ 82,393,691	$ 80,790,293	$ 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 NINE YEARS
(accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses									
Governmental Activities:									
General Government	$ 1,504,904	$ 2,184,613	$ 1,770,433	$ 2,205,371	$ 1,999,815	$ 2,012,028	$ 1,979,169	$ 1,878,098	$ 1,481,792
Judicial	209,558	214,862	224,185	207,879	219,639	255,742	-	-	-
Public Safety	5,612,547	5,097,691	5,347,017	5,189,142	5,750,262	5,039,785	4,742,918	4,344,526	4,211,873
Public Works	2,721,301	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	1,225,648	1,190,642	1,270,290	1,151,561	880,616	918,519	511,203	470,922	527,582
Housing and Development	631,829	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	1,789,606	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	13,695,393	13,718,593	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	6,176,379	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	968,295	1,022,298	1,068,407	1,062,946	1,047,868	991,360	889,970	717,330	558,651
Storm Water	544,969	610,232	389,054	842,291	-	-	-	-	-
Total Business-Type Activities Expenses	7,689,643	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	$ 21,385,036	$ 21,757,623	$ 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	$ 202,179	$ 489,700	$ 433,567	$ 494,699 (5)	$ 1,023,985 (2)	$ 345,985	$ 371,755	$ 270,658	$ 259,233
Judicial	637,484	763,048	817,571	973,150	904,255 (1)	-	-	-	-
Public safety	38,940	42,267	37,424	86,379 (5)	375,810 (1)	1,157,071	1,215,907	1,103,706	1,089,194
Public works	82,450	116,062	185,236	365,695 (5)	823,787	1,364,589	1,201,256	108,442	86,694
Culture and recreation	80,266	38,053	103,524	95,947 (5)	335,778	627,781	857,112	774,068	900,723
Housing and development	288,999	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	44,421	-	-	74,950	-	141,389	296,455	232,324	167,249
Capital Grants and Contributions	4,020,981	2,626,636	3,005,827	5,242,945 (6)	3,135,718 (3)	6,689,806	3,622,467	2,333,627	3,738,243
Total Government Activities Program Revenues	5,395,720	4,091,715	4,615,231	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	7,902,624	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	1,224,488	1,202,775	1,127,149	1,058,068	1,020,666	938,036	776,680	752,938	571,690
Storm Water	1,062,163	961,895	1,053,755	947,636	-	-	-	-	-
Capital Grants and Contributions	1,428	117,052	415,060	2,296,436 (6)	90,917	60,000	-	-	-
Total Business-Type Activities Program Revenues	10,190,703	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	$ 15,586,423	$ 13,870,631	$ 13,888,229	$ 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 NINE YEARS
(accrual basis of accounting)

	2012	2011	2010	2009	2008	2007	2006	2005	2004
Net (Expense)/Revenues									
Governmental Activities	$ (8,299,673)	$ (9,626,878)	$ (9,214,647)	$ (5,625,079)	$ (8,542,738)	$ (1,553,909)	$ (3,227,127)	$ (3,813,607)	$ (1,148,670)
Business-Type Activities	2,501,060	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	$ (5,798,613)	$ (7,886,992)	$ (7,340,947)	$ (1,511,802)	$ (7,072,866)	$ 775,310	$ (1,508,990)	$ (3,255,538)	$ 966,199
General Revenues and Other Changes to Net Assets									
Governmental Activities:									
Taxes									
Property taxes	$ 5,117,028	$ 5,283,793	$ 5,663,145	$ 5,045,129	$ 4,937,763	$ 4,028,723	$ 3,767,351	$ 3,024,059	$ 2,947,413
Franchise taxes	2,096,968	1,658,358	1,463,563	1,489,987	1,566,062	1,314,142	1,154,441	1,059,952	1,073,627
Alcoholic beverage taxes	481,902	476,962	467,132	476,441	456,247	476,331	434,392	408,295	377,993
Insurance premium taxes	1,076,827 (8)	414,989	427,411	431,459	421,365	405,196	386,094	358,867	331,611
Business occupation taxes	797,590	980,545	844,224	853,942	871,176	290,005	806,594	1,065,651	377,441
Sales and use taxes	-	-	- (7)	1,982,521 (5)	2,309,622 (3)	690,314	-	-	1,067,464
Unrestricted investment earnings	10,005	28,473	45,880	92,966	300,721	515,217	806,788	168,372	14,531
Gain (loss) on sale of capital assets	10,324	-	-	-	23,130	-	-	(62,709)	1,882,511
Miscellaneous	152,365	118,883	127,507	54,228	109,877	-	-	-	-
Transfers in (out)	1,836,021	1,917,284	(2,296,435)	(106,289)	(5,246,371)	(12,287,329)	(2,265,121)	(978,832)	493,014
Total Governmental Activities	11,579,030	10,879,287	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	11,665	5,554	2,927	2,077	5,632	108,845	29,509	21,687	14,714
Gain (loss) on sale of capital assets	-	-	-	-	-	-	280,000	136,450	9,117
Transfers in (out)	(1,836,021)	(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	(1,824,356)	(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	$ 9,754,674	$ 8,967,557	$ 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	$ 3,279,357	$ 1,252,409	$ (2,472,220)	$ 4,695,305	$ (2,793,146)	$ (6,121,310)	$ 1,863,412	$ 1,230,048	$ 7,416,935
Business-Type Activities	676,704	(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	$ 3,956,061	$ 1,080,565	$ 1,700,842	$ 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) Sales tax is now reported as intergovernmental revenues in accordance with tax revenues.
(8) With the revised distribution based on the 2010 Census, the City's share of insurance premium taxes increased.

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CITY OF CANTON, GEORGIA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN YEARS
(modified accrual basis of accounting)

	2012	2011[1]	2010	2009	2008	2007	2006	2005	2004	2003
General fund										
Nonspendable	$ 1,157,606	$ 1,272,079	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Assigned	594,295	-	-	-	-	-	-	-	-	-
Unassigned	1,487,266	898,768	-	-	-	-	-	-	-	-
Reserved	-	-	159,641	142,690	148,252	130,191	126,160	140,673	114,235	101,201
Unreserved (deficit)	-	-	1,739,259	1,104,520	(53,994)	268,734	1,759,833	(1,424,283)	735,567	(1,363,087)
Total general fund	$ 3,239,167	$ 2,170,847	$ 1,898,900	$ 1,247,210	$ 94,258	$ 398,925	$ 1,885,993	$ (1,283,610)	$ 849,802	$ (1,261,886)
All other governmental funds										
Nonspendable	$ 850	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Reserved	-	-	81,950	90,344	-	-	-	-	2,122,658	1,625,627
Restricted:										
Public safety	8,813	2,052	-	-	-	-	-	-	-	-
Culture and recreation	-	169,376	-	-	-	-	-	-	-	-
Capital projects	2,744,096	1,481,789	-	-	-	-	-	-	-	-
Economic development	185,597	-	-	-	-	-	-	-	-	-
Debt service	3,101,377	3,427,914	-	-	-	-	-	-	-	-
Impact fee projects	-	882,977	-	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	3,912,701	23,898	1,170,981	60,161	12,071,285	19,051,573	20,914	16,630
Capital projects funds	-	-	2,058,168	2,781,566	3,018,151	3,601,071	4,349,391	2,451,789	-	-
Total all other governmental funds	$ 6,040,733	$ 5,964,108	$ 6,052,819	$ 2,895,808	$ 4,189,132	$ 3,661,232	$ 16,420,676	$ 21,503,362	$ 2,143,572	$ 1,642,257

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

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Taxes	$ 9,224,728	$ 8,828,522	$ 8,811,792	$ 10,271,488	$ 10,398,102 (2)	$ 7,277,384	$ 6,431,302	$ 5,915,310	$ 5,026,077	$ 4,710,925
Licenses and permits	440,336	380,463	424,019	485,694 (4)	1,018,243	1,565,725	2,013,979	1,913,017	1,949,976	1,506,956
Intergovernmental	3,672,162	2,687,309	2,402,939	472,990 (1)	2,231,796 (1)	2,879,125	2,540,653	1,716,949	4,865,857	6,469,922
Fines and Forfeitures	646,314	766,347	806,541	984,754	888,543	812,693	694,904	688,594	587,173	818,105
Charges for Services	252,497	221,181	364,072	625,412 (4)	1,740,184	2,404,294	2,669,415	1,348,164	1,584,935	1,207,527
Investment Income	13,227	34,028	45,880	92,966	300,721	515,217	806,788	168,373	14,531	6,753
Contributions and donations	69,421	-	-	138,663	557,347	3,952,380	1,378,269	859,248	107,099	3,061,804
Miscellaneous Revenues	152,365	219,270	131,249	79,725	131,524	100,374	111,493	84,404	79,834	60,339
Total Revenues	14,471,050	13,137,120	12,986,492	13,151,692	17,266,460	19,507,192	16,646,803	12,694,059	14,215,482	17,842,331
Expenditures										
Current:										
General government	1,541,226	1,953,515	1,598,827	1,348,214	1,700,648	1,904,713	1,997,186	2,409,785	1,398,916	1,377,639
Judicial	209,235	214,064	221,600	206,466	220,126	250,581	-	-	-	-
Public safety	5,093,861	5,055,717	5,040,076	4,747,256	5,468,985	5,510,749	4,516,931	3,944,158	3,655,148	3,545,441
Public works	1,365,223	2,117,668	1,424,508	821,866	1,535,290	1,262,309	1,523,246	1,210,945	1,009,603	984,580
Culture and recreation	535,770	449,578	496,988	417,608	591,834	605,316	502,696	542,150	1,289,514	5,607,268
Housing and development	631,154	683,522	617,920	720,353 (5)	1,691,476	1,423,424	2,028,730	1,204,409	1,322,773	1,226,864
Capital Outlay	1,694,003	11,076	753,660	787,600 (3)	3,654,500 (3)	8,163,714	6,278,503	13,472,692	4,254,570	6,885,386
Debt Service:										
Principal	2,535,141	2,710,491	2,691,214	2,580,893	2,502,819	2,186,925	1,184,776	1,053,735	1,021,552	582,008
Interest	1,789,605	1,788,486	1,847,638	1,594,435	1,536,399	1,402,921	1,478,172	451,746	25,928	57,395
Issuance costs	-	-	214,250	-	55,000	-	-	-	-	-
Total Expenditures	$ 15,395,218	$ 14,984,117	$ 14,906,681	$ 13,224,691	$ 18,957,077	$ 22,710,652	$ 19,510,240	$ 24,289,620	$ 13,978,004	$ 20,266,581

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Excess of revenues over (under) expenditures	$ (924,168)	$ (1,846,997)	$ (1,920,189)	$ (72,999)	$ (1,690,617)	$ (3,203,460)	$ (2,863,437)	$(11,595,561)	$ 237,478	$ (2,424,250)
Other financing sources (uses)										
Proceeds from capital leases	30,778	-	-	-	-	1,213,723	300,000	59,950	-	-
Issuance of long-term debt	-	-	8,000,000	-	7,860,000	-	2,928,062	29,563,477	-	-
Proceeds from sale of capital assets	19,754	17,291	23,539	38,915	37,067	30,554	23,568	177,346	1,882,511	32,555
Transfers to other funds	(3,301,373)	(3,799,479)	(5,543,769)	(4,671,799)	(17,575,261)	(38,453,337)	(21,308,893)	(25,777,704)	(988,346)	(2,365,139)
Transfers from other funds	5,137,394	5,716,763	3,247,334	4,565,510	12,328,890	26,166,008	19,043,771	24,798,872	1,481,360	1,665,138
Total other financing sources (uses)	1,886,553	1,934,575	5,727,104	(67,374)	2,650,696	(11,043,052)	986,508	28,821,941	2,375,525	(667,446)
Net change in fund balances	$ 962,385	$ 87,578	$ 3,806,915	$ (140,373)	$ 960,079	$(14,246,512)	$ (1,876,929)	$ 17,226,380	$ 2,613,003	$ (3,091,696)
Debt Service as a percentage of noncapital expenditures	31.56%	32.48%	32.07%	45.43%	26.40%	24.68%	20.13%	13.92%	10.77%	4.78%

(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 toher 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.

CITY OF CANTON, GEORGIA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE - ALL TAXABLE PROPERTY
LAST TEN YEARS

Tax Year	Real Property Assessed Value	Personal Property Assessed Value	Total Assessed Value	Total District Tax Rate	Estimated Actual Value	Ratio of Total Assessed to Total Estimated Actual Value
2002	267,029,520	38,243,462	305,272,982	7.500	763,182,455	40%
2003	382,187,240	42,515,016	424,702,256	7.385	1,061,755,640	40%
2004	404,698,171	54,223,786	458,921,957	7.115	1,147,304,893	40%
2005	467,999,181	40,203,702	508,202,883	6.778	1,270,507,208	40%
2006	583,154,134	46,877,412	630,031,546	6.256	1,575,078,865	40%
2007 (1)	708,649,395	69,380,409	778,029,804	5.970	1,945,074,510	40%
2008 (1)	738,218,959	68,149,455	806,368,414	5.950	2,015,921,035	40%
2009 (1)	717,924,959	68,817,871	786,742,830	6.800	1,966,857,075	40%
2010 (1)	650,269,054	74,057,516	724,326,570	6.800	1,810,816,425	40%
2011	597,707,308	69,642,000	667,349,308	6.800	1,668,373,270	40%

Source: City of Canton Property Tax Billing Department
(1) Reassessments have resulted in the adjustment to assessed values after initial reporting.

CITY OF CANTON, GEORGIA

PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS

(Per $1,000 of Assessed Value)

LAST TEN YEARS

Fiscal Year	City of Canton	Cherokee County [1]	State	Total Direct & Overlapping Rates
2003	7.500	27.320	0.25	35.070
2004	7.385	27.140	0.25	34.775
2005	7.115	26.730	0.25	34.095
2006	6.778	26.590	0.25	33.618
2007	6.256	26.250	0.25	32.756
2008	5.970	26.000	0.25	32.220
2009	5.950	25.990	0.25	32.190
2010	6.800	26.550	0.25	33.600
2011	6.800	28.150	0.25	35.200
2012	6.800	28.985	0.25	36.035

(1) Source: Cherokee County CAFR

CITY OF CANTON, GEORGIA
PRINCIPAL TAXPAYERS
CURRENT AND NINE YEARS AGO

Taxpayer Name	2012 Assessed Value	2012 Rank	2012 % Assessed	2002 [1] Assessed Value	2002 [1] Rank	2002 [1] % Assessed
GLL Selection II Georgia, LP	$ 19,568,120	1	2.93%	$ -		-
DDRM Riverstone Plaza, LLC	12,197,440	2	1.83%	-		-
Universal Alloy Corporation	8,633,653	3	1.29%	-		-
Target Corporation	8,491,414	4	1.27%	-		-
Wal-Mart Real Estate Business	7,870,927	5	1.18%	4,850,175	6	1.72%
Lowe's Home Centers, Inc.	7,160,349	6	1.07%	-		-
Georgia Power Company	5,697,724	7	0.85%			
River Ridge of Canton, LP	5,638,920	8	0.84%			
Walden Crossing, LLC	5,227,080	9	0.78%	-		-
Northside Hospital-Cherokee	4,830,840	10	0.72%	-		-
Bright - Sasser Canton, LLC	-		-	16,806,640	1	5.96%
Siemens Energy and Automation	-		-	11,192,491	2	3.97%
Heritage at Riverstone, LLC	-		-	6,894,640	3	2.45%
Fairgreen Capital, LLC	-		-	5,997,240	4	2.13%
Pramac Industries Inc.	-		-	5,534,924	5	1.96%
Piolax Corporation	-		-	4,443,705	7	1.58%
Canterbury Ridge	-		-	3,748,200	8	1.33%
Chatham-Weiland, LLC	-		-	2,543,440	9	0.90%
Quill	-		-	2,471,472	10	0.88%
Total	$ 85,316,467		12.78%	$ 64,482,927		22.87%

Source: City of Canton Property Tax Department.
(1) 2003 Information was not available at press time.

CITY OF CANTON, GEORGIA
TOP TEN WATER AND SEWER CUSTOMERS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Customer Name	Rank	Water Consumption	Water Revenue	Sewer Consumption	Sewer Revenue	Total Revenue	% of System
River Ridge Apartments	1	15,280,500	$ 81,794	13,915,000	$ 112,019	$ 193,813	2.63%
Waleska Water*	2	72,615,000	$ 186,170	-	-	$ 186,170	2.53%
Laurels of Greenwood Apartments	3	12,989,600	$ 69,617	12,989,600	$ 104,570	$ 174,187	2.36%
Canterbury Ridge Apartments	4	12,769,020	$ 68,522	12,769,020	$ 102,794	$ 171,316	2.33%
Lancaster Ridge Apartments	5	10,781,100	$ 57,934	10,679,000	$ 85,969	$ 143,903	1.95%
Northside Hospital - Cherokee	6	10,355,500	$ 64,727	8,889,890	$ 75,415	$ 140,142	1.90%
Signature Management Apartments	7	9,723,900	$ 52,315	9,716,900	$ 78,281	$ 130,596	1.77%
Walden Crossing Apartments	8	9,057,300	$ 51,003	9,057,300	$ 76,424	$ 127,427	1.73%
Canton Mill Lofts Apartments	9	7,162,600	$ 38,604	7,155,300	$ 57,626	$ 96,230	1.31%
East Inwood Riverstone Apartments	10	7,471,000	$ 40,202	6,761,500	$ 52,240	$ 92,442	1.25%

Source: City of Canton Utility Billing Department
*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
SEPTEMBER 30, 2012

Water Rates - Residential	Rates	
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/Industrial		
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

The City of Canton provides services on a contractual basis to the following entities:

City of Waleska	Water	$ 2.25 per 1,000 gallons
Hembree Water System	Water	$ 2.25 per 1,000 gallons
Cherokee County Water & Sewerage Authority	Sewer	$ 3.93 per 1,000 gallons
City of Ball Ground	Sewer	$ 3.93 per 1,000 gallons

Source: City of Canton Utility Billing Department
* Wholesale Water and Sewer rates were revised January 1, 2009.
* Retail Water and Sewer rates were revised July 1, 2011.

CITY OF CANTON, GEORGIA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL 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	2,304,582	2,285,795	99.2%	18,787	2,304,582	100.00%
2003	2,559,938	2,387,786	93.3%	79,699	2,467,485	96.39%
2004	2,922,050	2,915,064	99.8%	6,986	2,922,050	100.00%
2005	3,448,955	3,373,282	97.8%	75,673	3,448,955	100.00%
2006	3,949,863	3,631,547	91.9%	318,316	3,949,863	100.00%
2007 (1)	4,439,575	4,365,324	98.3%	64,695	4,430,019	99.78%
2008 (1)	4,549,360	4,378,812	96.3%	153,977	4,532,789	99.64%
2009 (1)	5,213,667	4,809,024	92.2%	377,925	5,186,949	99.49%
2010 (1)	4,826,095	4,668,442	96.7%	133,812	4,802,254	99.51%
2011	4,538,828	4,454,464	98.1%	-	4,454,464	98.14%

(1) Reassessments have resulted in the write-down of original tax levies (and refunding of paid taxes) after initial reporting.

CITY OF CANTON, GEORGIA
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN YEARS

	Governmental Activities(1)			Business-Type Activities(1)					
Fiscal Year	Bonds Payable	Notes Payable	Capital Leases	Revenue Bonds	GEFA Notes	Capital Leases	Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
2003	$ -	$ -	$ 1,515,413	$ 14,404,105	$ 2,207,495	$ -	$ 18,127,013	5.38%	$ 1,598.78
2004	$ 2,748,554	$ -	$ 558,704	$ 14,257,795	$ 2,438,961	$ -	$ 20,004,014	4.96%	$ 1,516.03
2005	$ 31,667,597	$ -	$ 325,875	$ 12,794,549	$ 3,007,289	$ -	$ 47,795,310	10.05%	$ 3,166.51
2006	$ 33,548,488	$ -	$ 488,271	$ 11,933,028	$ 3,394,453	$ -	$ 49,364,240	9.19%	$ 2,983.82
2007	$ 31,652,989	$ 3,000,000	$ 978,037	$ 11,031,600	$ 3,301,524	$ 306,253	$ 50,270,403	7.95%	$ 2,570.98
2008	$ 37,477,343	$ 2,900,000	$ 610,864	$ 10,127,834	$ 3,956,425	$ 237,558	$ 55,310,024	7.85%	$ 2,577.00
2009	$ 35,227,006	$ 2,700,000	$ 399,726	$ 9,102,673	$ 3,996,630	$ 155,449	$ 51,581,484	6.52%	$ 2,269.91
2010	$ 40,969,872	$ 2,400,000	$ 264,330	$ 8,068,903	$ 3,812,646	$ 102,795	$ 55,618,546	6.15%	$ 2,410.55
2011	$ 38,625,051	$ 2,100,000	$ 198,648	$ 7,023,315	$ 3,620,238	$ 77,252	$ 51,644,504	10.29%	$ 2,249.52
2012	$ 36,466,258	$ 1,800,000	$ 153,078	$ 5,879,886	$ 3,420,109	$ 48,297	$ 47,767,628	9.37%	$ 2,043.10

(1) Details regarding the City's outstanding debt can be found in Note 6 in the Notes to 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, 2012

	Net General Obligation Bonded Debt Outstanding	Percentage Applicable to City of Canton (1)	Amount Aplicable to City of Canton
Overlapping General Obligation Debt:			
Cherokee County 2005	$ 3,640,000	8.64%	$ 314,614
Cherokee County 2008	3,655,000	8.64%	315,910
Cherokee County 2009	39,005,000	8.64%	3,371,294
Cherokee County 2010	10,767,000	8.64%	930,617
Cherokee County Board of Education	513,183,265	8.64%	44,355,643
Other Overlapping Debt:			
Cherokee County Resource Recovery Development Authority	17,545,000	8.64%	1,516,456
Total Overlapping Debt	$ 587,795,265		$ 50,804,534

Source: The overlapping debt numbers were obtained from Cherokee County's 2011 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

(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
DEBT CAPACITY - STATEMENT OF LEGAL DEBT MARGIN
LAST TEN YEARS

Tax Year	Assessed Value of Tax Digest	General Bonded Debt Limit (10%)	Total Debt Applicable to Limit	Legal Debt Margin	Total Net Applicable Debt as a % of Debt Limit
2002	$ 305,272,982	$ 30,527,298	$ -	$ 30,527,298	0.00%
2003	$ 424,702,256	$ 42,470,226	$ -	$ 42,470,226	0.00%
2004	$ 458,921,957	$ 45,892,196	$ -	$ 45,892,196	0.00%
2005	$ 508,202,883	$ 50,820,288	$ -	$ 50,820,288	0.00%
2006	$ 630,031,546	$ 63,003,155	$ -	$ 63,003,155	0.00%
2007	$ 965,227,428	$ 96,522,743	$ -	$ 96,522,743	0.00%
2008	$ 967,572,795	$ 96,757,280	$ -	$ 96,757,280	0.00%
2009	$ 896,267,792	$ 89,626,779	$ -	$ 89,626,779	0.00%
2010	$ 879,560,713	$ 87,956,071	$ -	$ 87,956,071	0.00%
2011	$ 811,489,994	$ 81,148,999	$ -	$ 81,148,999	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 obligations bonds.

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	
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	$ 6,677,544	$ 4,020,823	$ 2,656,721	$ 1,033,770	$ 431,593	$ 1,465,363	1.81
2011	$ 7,502,339	$ 4,558,283	$ 2,944,056	$ 1,045,588	$ 376,659	$ 1,422,247	2.07
2012	$ 7,914,289	$ 4,380,412	$ 3,533,877	$ 1,143,429	$ 320,368	$ 1,463,797	2.41

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

CITY OF CANTON, GEORGIA
DEMOGRAPHIC AND ECONOMIC INFORMATION
LAST TEN YEARS

Fiscal Year	Population [1]	Personal Income	Per Capita Personal Income [1]	Median Age [1]	Education Level in Years [2]	School Enrollment [3]	Unemployment Rate [2] %
2003	11,338	$ 337,158,106	$ 29,737	33.40	12.81	3,885	3.9
2004	13,195	$ 403,635,050	$ 30,590	34.20	12.83	3,317	3.0
2005	15,094	$ 475,577,224	$ 31,508	35.00	12.89	3,975	3.9
2006	16,544	$ 536,901,290	$ 32,453	35.80	12.90	4,182	4.4
2007	19,553	$ 632,695,974	$ 32,358	36.80	12.93	4,616	4.4
2008	21,464	$ 704,834,832	$ 32,838	36.80	12.93	5,091	8.5
2009	22,724	$ 791,204,232	$ 34,818	28.00	14.00	5,199	10.3
2010	23,073	$ 904,553,892	$ 39,204	34.00	14.00	5,269	9.1
2011	22,958	$ 501,999,628 [4]	$ 21,866	30.60	14.00	4,487	8.9
2012	23,380	$ 509,613,860	$ 21,797	32.00	14.00	5,414	6.4

Sources:
(1) U.S. Census Bureau
(2) Georgia Department of Labor
(3) Cherokee County Board of Education
(4) The 2010 Census provided updated income information, while the prior years were estimates.

CITY OF CANTON, GEORGIA
PRINCIPAL EMPLOYERS
CURRENT AND NINE YEARS AGO

	2012			2002 [2]		
Employer	Employees	Rank	% of Total City Employment	Employees (1)	Rank	% of Total City Employment
Northside Hospital - Cherokee	931	1	8.71%	180	4	3.65%
Cherokee County Board of Commissioners	748	2	7.00%	330	3	6.69%
Cherokee County Board of Education	653	3	6.11%	500	1	10.13%
Wal-Mart Associates, Inc.	300	4	2.81%	370	2	7.50%
Publix Super Markets (3 Locations)	290	5	2.71%			
Universal Alloy Corporation	245	6	2.29%	155	5	3.14%
Piolax Corporation	210	7	1.97%	130	6	2.63%
Home Depot	125	8	1.17%			
Lowe's	115	9	1.08%			
City of Canton	123	10	1.15%			
Morrison Products				100	7	2.03%
Quill Corporation				87	8	1.76%
YDK America				75	9	1.52%
K-Mart				70	10	1.42%
	3,740		19.29%	1,997		40.47%

(1) Historic employment information was estimated from information provided by the Cherokee County Chamber of Commerce, the Cherokee County Industrial Development Authority, the Georgia Department of Labor and prior years.
(2) 2003 Information was not available at press time.

CITY OF CANTON, GEORGIA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
Management	9	5	5	5	6	4	4	4	4	4
Finance	5	4	4	3	3	4	6	6	6	4
Municipal Court	2	2	2	2	2	2	2	2	2	3
Technology	2	2	2	2	1	1	2	2	2	1
Public Safety										
Police Officers	37	39	39	42	41	38	42	38	38	39
Police Administration	6	9	9	9	10	10	10	10	10	9
Firefighters	21	22	22	23	25	30	30	31	30	26
Fire Administration	5	5	5	5	3	3	2	2	2	2
Public Works										
Engineering	4	3	3	3	3	-	1	-	-	-
Streets	15	18	15	14	18	20	21	21	21	20
Culture and Recreation										
Parks	5	4	4	4	4	6	5	4	4	4
Housing and Development										
Building	3	3	3	3	7	11	10	10	12	10
Planning and Zoning	2	1	2	2	2	7	6	6	3	3
Economic Development	1	1	1	1	1	1	1	1	1	1
Transit	-	-	-	-	-	7	8	8	8	8
Utilities										
Sanitation Roll-Off Site	1	1	1	1	1	2	1	1	1	-
Water Administration	5	4	4	4	4	4	4	4	4	3
Total	123	123	121	123	131	150	155	150	148	137

Source: Various City Departments

CITY OF CANTON, GEORGIA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police:										
Physical Arrests	796	1,094	1,160	1,291	1,291	1,479	1,315	1,229	978	773
Parking Violations	1,213	1,639	1,635	1,722	2,521	3,077	3,537	2,301	1,601	N/A
Traffic Violations	4,377	6,792	8,898	9,338	8,057	11,472	12,976	11,692	8,006	N/A
Fire										
Emergency Responses	2,954	2,848	1,869	2,686	2,706	2,737	N/A	N/A	N/A	N/A
Fires Extinguished	88	33	115	93	108	87	N/A	N/A	N/A	N/A
Public Works										
Streets/Sidewalks Repaired	108	125	139	132	125	223	137	139	103	114
Signs Installed/Replaced	44	94	90	93	196	194	189	140	136	161
Trees Cut/Miscellaneous	304	191	294	262	225	366	840	614	796	493
Water										
New Connections [1]	113	19	63	57	127	561	776	584	567	213
Average Daily Consumption (Million Gallons Daily)	2.65	2.85	2.986	2.47	2.330	2.710	3.352	2.309	N/A	N/A
Transit [2]										
Total Route Miles	N/A	N/A	N/A	N/A	N/A	100,512	95,643	88,914	90,237	66,677
Passengers	N/A	N/A	N/A	N/A	N/A	60,258	49,081	41,134	24,219	27,928

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

N/A - Information not available for this operating indicator

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

CITY OF CANTON, GEORGIA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	34	34	34	34	27	33	25	22	22	19
Fire										
Fire Stations	2	2	2	2	2	2	2	2	2	2
Pumper Trucks	4	4	4	5	5	5	4	3	3	3
Ladder Truck	1	1	1	1	1	1	1	1	1	1
Platform Truck	1	1	1	1	1	1	0	0	0	0
Public Works										
Streets (miles)	122.40	91.76	143.98	143.4	143.4	142	107	105	105	95
Sidewalks (miles)	19.20	21.11	20.64	20.5	20.5	20	17	16	15	13
Parks & Recreation										
Acreage of Parks	173	173	171	171	170	170	170	170	170	170
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball Fields	5	5	5	5	5	5	5	5	5	5
Soccer Fields	2	2	2	2	2	2	2	2	2	2
Tennis Courts	4	4	4	4	4	4	4	4	4	4
Community Center	1	1	1	1	1	1	1	0	0	0
Water										
Water Mains (miles)	137	137	137	137	137	137	137	106	105	99
Water Plant Capacity (million gallons daily)	5.5	5.5	5.5	5.45	5.45	5.45	5.45	5.45	5.45	5.45
Sewer										
Sanitary Sewer Mains (miles)	79	79	79	79	79	79	79	65	65	57
Sewer Plant Capacity (million gallons daily)	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00	1.89
Transit [1]										
Buses	0	0	0	0	5	5	5	4	4	4
Trolley	0	0	0	0	1	1	1	1	1	0

Source: Various City Departments. Capital asset indicators are not available for the general government function.

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

CITY OF CANTON, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2012

COMPLIANCE SECTION
Compliance and Internal Control Reports

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, 2012, which collectively comprise the City of Canton, Georgia's basic financial statements and have issued our report thereon dated April 30, 2013. 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 2012-01 and 2012-02, 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 deficiencies described in the accompanying schedule of findings and questioned costs, as items 2012-03 and 2012-04, to be significant deficiencies.

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 2012-5.

We noted certain matters that we reported to management of the City in a separate letter dated April 30, 2013.

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 them.

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 30, 2013

CITY OF CANTON, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2012

Single Audit Section

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, 2012. 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, 2012.

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.

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.



Atlanta, Georgia
April 30, 2013

CITY OF CANTON, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For Fiscal Year Ended September 30, 2012

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Total Expenditures	Federal Expenditures	Grant Award Amount
U.S. Department of Transportation - Federal Transit Cluster					
Passed through the Georgia Department of Transportation					
Hickory Flat Road, Livable Centers Initiative (LCI)	20.205	CSSTP-002-00 (846)	$ 541,046	$ 432,837	$ 680,000
Waleska Street, Livable Centers Initiative (LCI)	20.205	CSSTP-002-00 (847)	1,053,594	830,501	1,512,000
Total U.S. Department of Transportation			$ 1,594,640	$ 1,263,338	$ 2,192,000
U.S. Department of Housing and Urban Development					
Passed through the Georgia Community Development Block Grant via Cherokee County Georgia					
Community Development Block Grant	14.218	CD-10-COFC	$ 36,956	$ 36,956	$ 65,000
U.S. Department of Energy					
Passed through the Georgia Environmental Finance Authority					
ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-EE0000806	$ 343	$ 343	$ 99,900
Total of Expenditures of Federal Awards				$ 1,300,637	

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

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 Office of Management and Budget 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 basic financial statements.

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

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 ___ none reported
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, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES

2012 – 01 Restatement of Prior Year Balances

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

Condition: Internal controls were not sufficient to detect material misstatements in the City's financial statements for the fiscal year ended September 30, 2011.

Context/Cause: During our audit for the fiscal year ended September 30, 2012, material misstatements were identified by management that caused the need to restate opening fund balance and net assets (equity) of the Road & Sidewalk Fund and Water & Sewer Fund, respectively. The nature and magnitude of these corrections for the prior period restatements are as follows:

- The Road & Sidewalk Fund required an adjustment of $191,093 to properly recognize revenues which were earned and available during the fiscal year ending September 30, 2011. These revenues represent deposits received by the City from developers until the City has met certain requirements to recognize the amounts as revenue. These requirements were met by the City and yet the above amount improperly remained in unearned revenues as of September 30, 2011. This restatement also caused a restatement to the opening net assets of the governmental activities.

- The Water & Sewer Fund required an adjustment of $870,741 to properly recognize revenues which were earned during the fiscal year ending September 30, 2011. These revenues represent deposits received by the City from developers for prepaid sewer connection charges and as various lots were connected to the City's system, the above amount should have been recognized as revenue yet the amount improperly remained in unearned revenues as of September 30, 2011.

Effects: Total adjustments of $1,061,834 were needed to correctly report opening fund balance and net assets (equity) of the City's funds.

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

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that amounts in the financial statements are properly reported as required by generally accepted accounting principles.

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2012 – 02 Expenditures and Related Liabilities

Criteria: Generally, expenditures should be recognized as soon as a liability is incurred, regardless of the timing of the related cash flows, in accordance with generally accepted accounting principles.

Condition: Internal controls were not sufficient to detect certain misstatements in the reporting of the City's expenditures and related liabilities.

Context/Cause: During our testing of expenditures related to the City's Department of Transportation (DOT) projects, an adjustment was required in the Road & Sidewalk Fund to record retainage payable. The adjustment related to the amount the City has withheld from payment to the contractors for work completed and stored through September 30, 2012, in accordance with the terms of each contract. Additionally, these expenditures are being partially funded by reimbursable grants through the Georgia DOT and therefore, adjustments were required to record receivables and deferred revenues for the amounts the City is to receive from the grants but did not collect within 60 days of year-end.

Effects: An audit adjustment of approximately $142,000 were required in the Road & Sidewalk Fund to correctly report expenditures and the related retainage payable liability, while an entry for approximately $114,000 was required to accrued the intergovernmental receivable and deferred revenue.

Recommendation: We recommend the City carefully review all expenditures and related balance sheet accounts to ensure all transactions are reported in the proper period 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 expenditures and the related balance sheet accounts are properly recorded.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2012 – 03 Capital Asset Reporting

Criteria: Internal controls should be in place to ensure that City's capital asset listings are complete with all assets of the City, including those which are donated to the City by third parties.

Condition: Internal controls were not sufficient to detect misstatements in the reporting of the City's infrastructure assets for governmental activities.

Context/Cause: During our testing of capital assets, an audit adjustment was required to record donated assets received by the City from developers. These assets included streets, sidewalks and streetlights.

Effects: An audit adjustment totaling approximately $222,000 was required to correctly report infrastructure assets of the City's governmental activities as of September 30, 2012.

Recommendation: We recommend the City carefully review all minutes of the City Council's meetings to ensure any assets which are accepted by the City are properly evaluated, with the assistance of the engineering department, and recorded in accordance with generally accepted accounting principles.

Auditee's Response: We concur with the finding. The City will ensure all capital asset activity is properly reported in accordance with generally accepted accounting principles in future periods.

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2012 – 04 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)

2012 – 04 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, 2012

SECTION II
FINANCIAL STATEMENT FINDINGS AND RESPONSES (CONTINUED)

2012 – 05 Governmental Fund Budgets

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

a) Each unit of local government shall adopt and operate under an annual balanced budget for the general fund, each special revenue fund, and each debt service fund in use by the local government. The annual balanced budget 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 annual appropriated balanced budgets for all governmental funds. Management did not budget and operate under a balanced budget for the Road & Sidewalk Fund, which is reported as a capital project fund for the fiscal year ended September 30, 2012.

Context/Cause: The City adopted a budget to utilize fund balance reserves to fund current period expenditures. However, at October 1, 2011 the City's actual fund balance available for appropriation was less than the appropriation by approximately $168,000. Additionally, the City did not amend their original budget to reflect this deficit to ensure the City was operating under an annual balanced budget.

Effects: The City failed to operate under an annual balanced budget, which has resulted in a compliance violation with State law.

Recommendation: We recommend the City timely adopt and operate under balanced budgets for all governmental funds reported in the financial statements.

Auditee's Response: We concur with the finding. We will take necessary steps in the future to ensure that all governmental funds which use estimated fund balance in annual balanced budgets, have the budget amended appropriately when a fund balance shortfall exists.

CITY OF CANTON, GEORGIA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

SECTION III
FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

None noted

CITY OF CANTON, GEORGIA

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012

The prior year's report did not include any findings relative to federal awards.

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