

CITY OF CANTON, GEORGIA

Comprehensive Annual Financial Report

***For the fiscal year ended
September 30, 2016***

Submitted By:
Finance Department

Nathan Ingram, CPA
Chief Financial Officer

CITY OF CANTON, GEORGIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the fiscal year ended September 30, 2016

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City of Canton

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Sandy McGrew, Ward I, City Council
Jo Ellen Wilson, Ward I, City Council
Jack Goodwin, Ward II, City Council
Bill Grant, Ward II, City Council
John R. Rust, Ward III, City Council
Farris Yawn, Ward III, City Council

March 20, 2017

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

Ladies and Gentleman:

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, 2016.

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.

Rushton & Company, LLC, Gainesville, 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, 2016, 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 unmodified opinion that the City of Canton's financial statements for the fiscal year ended September 30, 2016, 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 beginning on page 100.

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 thirty-two 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 public safety services; 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 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 Development Authority, a blended component unit, the Canton Tree City Commission, a blended component unit, the Urban Redevelopment Agency, a blended component unit and the Canton Preservation, a discretely presented component unit although with no activity during Fiscal Year 2016.

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, continued improvement in public safety, upgrades to water and sewer infrastructure 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.



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

<u>Year</u>	<u>Population*</u>	<u>% of County</u>
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

During prior years, the City completed a project to upgrade the water treatment and distribution system of the City. The permitted water capacity is currently 5.45 million gallons per day and conditionally permitted sewer capacity is 4.0 million gallons per day. In response to an EPD consent order, the City is currently initiating 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 between Highways 140 and 20. The parkway was opened in October 2013 and connects Highway 140 just east of I-575 with Highway 20 in the Canton Marketplace Area. Northside Hospital broke ground in March 2015 on the construction of the new Northside Hospital-Cherokee. The new 50-acre Northside Hospital complex will not only include the Hospital, but also medical office buildings as well as 900 parking spaces. The Hospital is projected to open in the 2017 calendar year. The City expects continued economic development within this area east of I-575.

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, Rental Car Tax Fund, Urban Redevelopment Agency, Confiscated Assets Fund, Impact Fee Fund, SPLOST VI Fund, Road & Sidewalk Fund, Water and Sewer Fund, Stormwater 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, 2016, the City had no general obligation bonds outstanding.

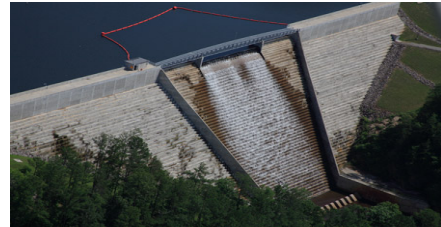
Long-Term Financial Planning

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. It is a 360 acre reservoir on Hickory Log Creek north of the City that should 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. In March of 2014, construction of the reservoir office building was completed. The 2,700 square foot reservoir office houses the reservoir management offices, a garage for equipment, control systems for the Hickory Log Creek Dam and monitoring stations, and provides meeting areas for the joint project board of managers. 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. Mitigation work and ancillary systems are ongoing and scheduled to be completed soon.



Downtown Streetscapes

The City of Canton was approved for grant funding to rehabilitate portions of the historic downtown area. Construction is now complete on the streetscape improvements from Main Street down Church Street, Elizabeth Street and East Marietta Street. The project consisted of pedestrian improvements, lamp posts, landscaping and benches. Also, during the Fiscal Year 2014 the streetscape project on Marietta Road was completed. This project involved road resurfacing, curbs, sidewalk improvements as well as installation of pedestrian and street lights. During Fiscal Year 2013, the City of Canton completed the Streetscapes projects on Hickory Flat Road as well as Waleska Street. The projects were funded via Georgia D.O.T. grants along with local monies.



Wastewater Treatment Plant

The City is currently renovating and improving its wastewater treatment plant located near Boling Park. The improvements are being funded through a low interest loan with the Georgia Environmental Finance Authority and when completed, will provide for more efficient operations that will assure the City meets capacity demands, EPD requirements and consent orders. The renovation will also allow for future growth and expansion as demand for wastewater treatment increases. The project will take approximately 21 months and should be completed during Fiscal Year 2017.

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, 2015. This was the 16th consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government 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 Rushton and Company. 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,

A handwritten signature in black ink, appearing to read "Nathan Ingram", with a long horizontal flourish extending to the right.

Nathan Ingram, CPA
Chief Financial Officer



Government Finance Officers Association

**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, 2015

Executive Director/CEO



City of Canton,
Georgia

City Officials
September 30, 2016

Mayor
Gene Hobgood

City Council
Sandy McGrew, Ward I
Jo Ellen Wilson, Ward I
Jack Goodwin, Ward II
Bill Grant, Ward II
John R. Rust, Ward III
Farris Yawn, Ward III

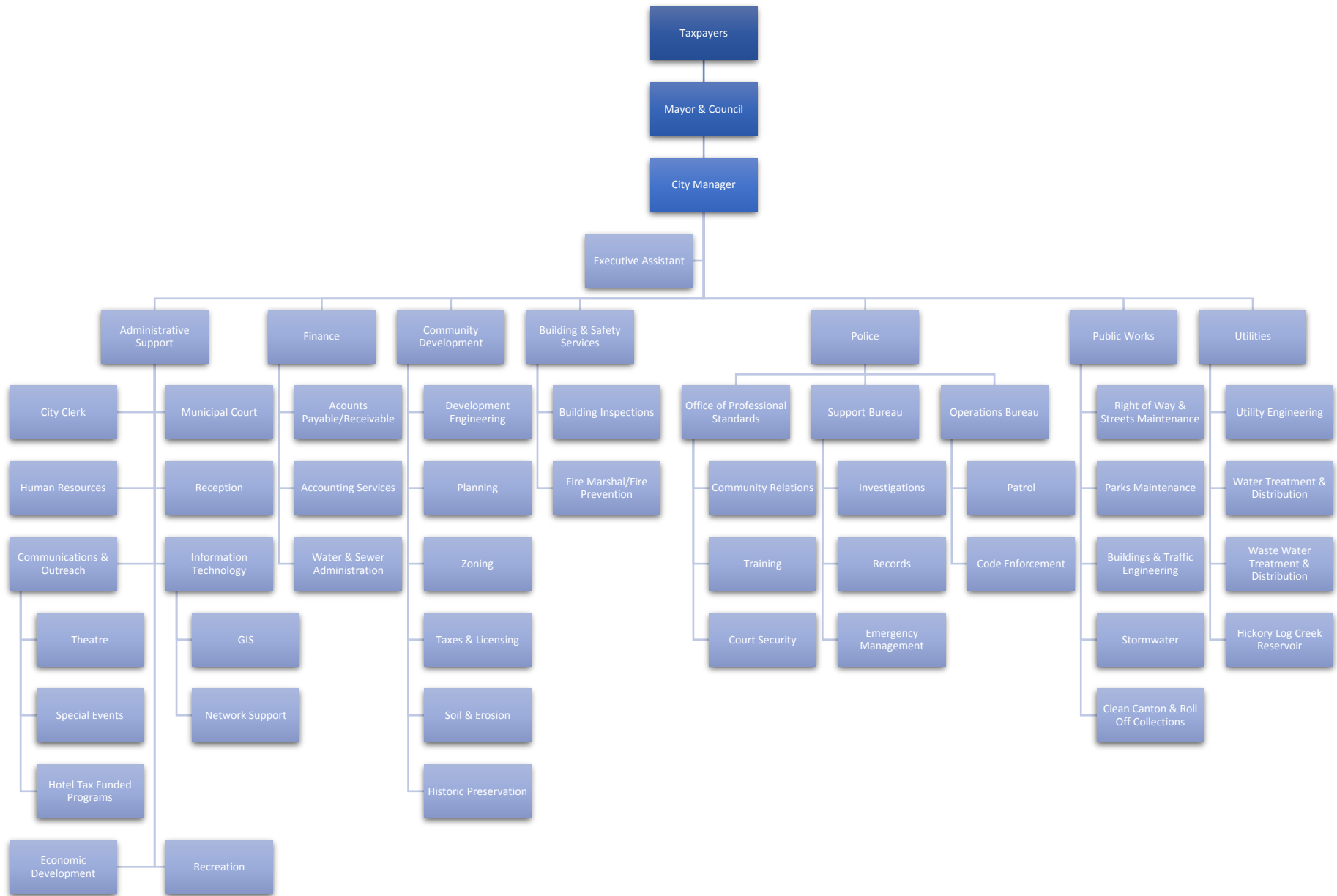
City Manager
William Peppers

City Clerk
Susan Stanton

City Attorney
Robert M. Dyer

City Auditors
Rushton & Company, LLC

**City of Canton
Organizational Chart
September 30, 2016**



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Independent Auditor's Report

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

Report on the Financial Statements

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information on pages 3 through 11 and 60 through 66 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canton, Georgia's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, the statistical section, and the schedule of projects financed with special purpose local option sales tax are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the financial statements.

The combining and individual fund financial statements and schedules, the schedule of projects financed with special purpose local option sales tax, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules, the schedule of projects financed with special purpose local option sales tax, and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Governmental Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2017, 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, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Canton, Georgia's internal control over financial reporting and compliance.

Rushton & Company, LLC

Certified Public Accountants
Gainesville, Georgia
March 20, 2017

CITY OF CANTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended September 30, 2016

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, 2016. Management's discussion and analysis (MD&A) focuses on current year activities and resulting changes. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

The City's combined net position improved by almost \$9.1 million (7.8%) to \$125,826,533 from \$116,740,273 in 2015.

Combined revenue for 2016 decreased by approximately \$850 thousand to \$33.7 million from \$34.5 million in 2015, of which governmental activities totaled \$18.7 million and business-type activities totaled \$15 million. This change was a result from an decrease in capital grants and contributions. Aside from this decrease in capital grants and contributions in 2016, revenue in most areas increased from those of 2015.

Overall expenses increased by about \$1.6 million (7%) to \$24.6 million from \$23 million in 2015, of which governmental activities increased by almost \$1.2 million while business-type expenses increased by only \$400,000. The increases were due from cumulative effects of small increases across most functions.

As of September 30, 2016, the City's governmental funds reported combined ending fund balances of \$12,580,069. Of this amount, \$19,861 is nonspendable due to prepaid expenditures, approximately \$6 million is restricted for identified governmental functions, \$1,901,450 is assigned for use in the 2017 fiscal year operations of the General Fund, \$270,206 is assigned for Tourism and \$4,350,527 is unassigned. The total governmental fund balance represents an increase of approximately 18% from that of 2015. The significant increase was due to the change in fund balance mainly in the Capital Project Funds, which is restricted for capital projects. The Impact Fee Fund showed an increase of almost \$700,000 due to funds being restricted for future use.

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

The Statement of Net Position presents the City's assets, liabilities and deferred outflows and inflows, with the differences reported as net position. Over time, the change in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 (e.g. uncollected taxes and earned but unused accrued vacation leave).

CITY OF CANTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended September 30, 2016

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 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 four individual funds are considered to be major funds – the General Fund, the Canton Building Authority Fund, the Road and Sidewalk Fund and the SPLOST VI Fund. 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 19). 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 City reports all of its proprietary funds as major funds.

Fiduciary (agency) funds (page 22). 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.

CITY OF CANTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended September 30, 2016

Notes to the financial statements (pages 25 - 59). 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 60). In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information concerning the City's schedule of budgetary comparisons and schedules regarding the City's defined benefit pension plan.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time, the change in net position 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 \$125,826,533 at the close of the fiscal year. The table below shows the split of net position between governmental and business-type activities.

CITY OF CANTON, GEORGIA
Statement of Net Position (condensed)
September 30, 2016
(\$ in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Cash and Other Current Assets	\$ 16,589	\$ 14,741	\$ 8,991	\$ 7,660	\$ 25,580	\$ 22,401
Capital Assets	73,064	73,180	75,225	69,101	148,289	142,281
Total Assets	<u>89,653</u>	<u>87,921</u>	<u>84,216</u>	<u>76,761</u>	<u>173,869</u>	<u>164,682</u>
Deferred Outflows of Resources	<u>1,261</u>	<u>741</u>	<u>92</u>	<u>54</u>	<u>1,353</u>	<u>795</u>
Current Liabilities	5,262	5,194	5,138	5,495	10,400	10,689
Noncurrent Liabilities	<u>27,813</u>	<u>29,380</u>	<u>11,022</u>	<u>8,194</u>	<u>38,835</u>	<u>37,574</u>
Total Liabilities	<u>33,075</u>	<u>34,574</u>	<u>16,160</u>	<u>13,689</u>	<u>49,235</u>	<u>48,263</u>
Deferred Inflows of Resources	<u>150</u>	<u>442</u>	<u>11</u>	<u>32</u>	<u>161</u>	<u>474</u>
Net Position:						
Net Investment in Capital Assets	46,561	44,299	61,863	58,518	108,424	102,817
Restricted	6,038	5,069	-	-	6,038	5,069
Unrestricted	<u>5,090</u>	<u>4,278</u>	<u>6,274</u>	<u>4,576</u>	<u>11,364</u>	<u>8,854</u>
Total Net Position	<u>\$ 57,689</u>	<u>\$ 53,646</u>	<u>\$ 68,137</u>	<u>\$ 63,094</u>	<u>\$ 125,826</u>	<u>\$ 116,740</u>

The City has \$108,424,723 of its net position 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 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 \$6,038,025 of its net position that is subject to external restrictions, constitutional provisions, or enabling legislation on how it can be used. The City has a balance of \$11,363,785 in unrestricted net position.

CITY OF CANTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended September 30, 2016

As of September 30, 2016 the City of Canton is able to present positive balances in all net position categories for the governmental and business-type activities.

For the fiscal year ending September 30, 2016, the City's net position increased by almost \$9.1 million.

Statement of Activities (condensed)
For the fiscal years ending September 30, 2016 and 2015

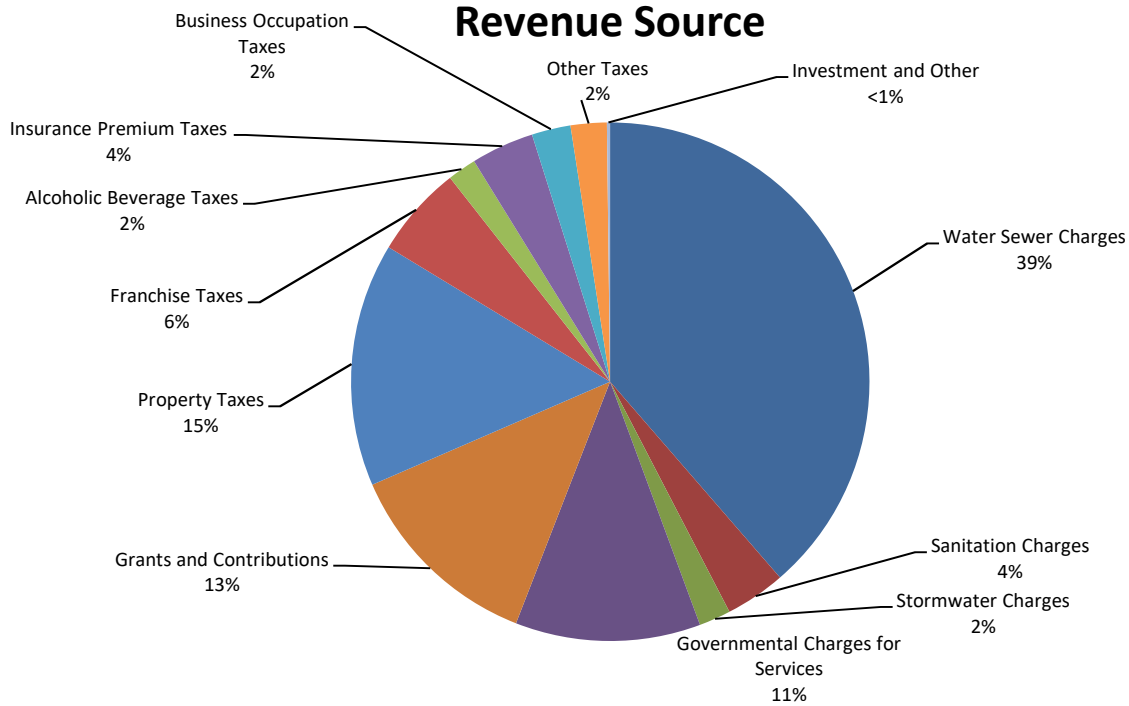
(\$ in thousands)

	Governmental Activities		Business-type Activities		Total Government	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
REVENUES						
Program Revenues						
Charges for Services	\$ 3,894	\$ 3,226	\$ 14,952	\$ 12,944	\$ 18,846	\$ 16,170
Operating Grants and Contributions	678	20	-	-	678	20
Capital Grants and Contributions	3,562	8,026	-	-	3,562	8,026
General Revenues						
Property Taxes	5,118	5,095	-	-	5,118	5,095
Franchise Taxes	1,924	1,935	-	-	1,924	1,935
Alcoholic Beverage Taxes	607	535	-	-	607	535
Insurance Premium Taxes	1,323	1,238	-	-	1,323	1,238
Business Occupation Taxes	819	762	-	-	819	762
Other Taxes	759	640	-	-	759	640
Investment Earnings	2	10	3	3	5	13
Other Revenues	63	119	-	-	63	119
Total Revenues	<u>18,749</u>	<u>21,606</u>	<u>14,955</u>	<u>12,947</u>	<u>33,704</u>	<u>34,553</u>
EXPENSES						
General Government	1,804	1,709	-	-	1,804	1,709
Judicial	297	269	-	-	297	269
Public Safety	7,156	6,064	-	-	7,156	6,064
Public Works	3,413	3,245	-	-	3,413	3,245
Culture and Recreation	1,701	1,460	-	-	1,701	1,460
Housing and Development	1,366	1,018	-	-	1,366	1,018
Interest on Long-term Debt	846	1,648	-	-	846	1,648
Water and Sewer	-	-	6,419	6,029	6,419	6,029
Stormwater	-	-	511	513	511	513
Sanitation	-	-	1,105	1,074	1,105	1,074
Total Expenses	<u>16,583</u>	<u>15,413</u>	<u>8,035</u>	<u>7,616</u>	<u>24,618</u>	<u>23,029</u>
Increase (Decrease) in Net Position						
before Transfers	2,166	6,193	6,920	5,331	9,086	11,524
Transfers	1,877	1,869	(1,877)	(1,869)	-	-
Change in Net Position	<u>4,043</u>	<u>8,062</u>	<u>5,043</u>	<u>3,462</u>	<u>9,086</u>	<u>11,524</u>
Net Position, Beginning	53,646	45,584	63,094	59,632	116,740	105,216
Net Position, Ending	<u>\$ 57,689</u>	<u>\$ 53,646</u>	<u>\$ 68,137</u>	<u>\$ 63,094</u>	<u>\$ 125,826</u>	<u>\$ 116,740</u>

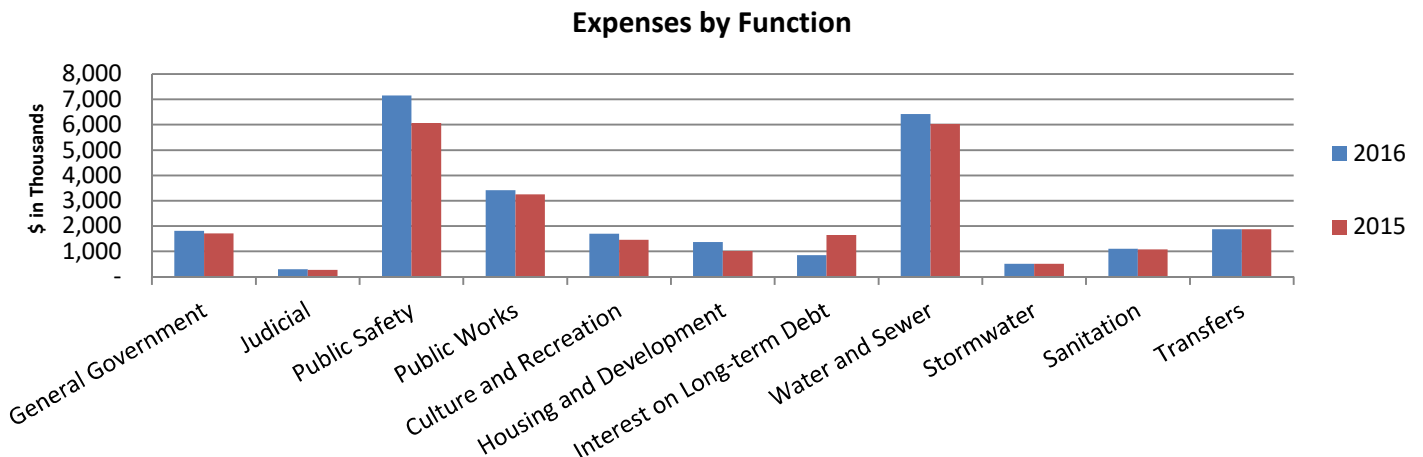
The total change in net position reflects an increase of almost \$9.1 million. The governmental activities reported an increase over \$4 million and the business-type activities reported an increase of more than \$5 million.

CITY OF CANTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended September 30, 2016

Property tax revenues, although fairly consistent from the prior year as a result of the City implementing a roll-back tax rate, did show a slight increase due to new development. Charges for services showed an increase of more than \$2.6 million (16%) due to an increase in planning & development fees as well as an increase in water and sewer revenues. Capital grants and contributions decreased by more than \$4.4 million due in large part to recognition during FY 2015 of the recently opened Etowah River Park. Other taxes showed an increase of approximately \$120,000 (20%) due to a continued increase in Hotel/Motel Taxes.



Total Governmental expenses increased by approximately \$1.2 million (7.6%) between 2015 and 2016; General Government increased by more than \$94,000 (5.6%), Judicial expenses increased by \$27,000 (10%), Public Safety was up by just over \$1 million (18%), Public Works increased approximately \$167,000 (5.2%), Culture and Recreation \$241,000 (16.6%), Housing and Development \$347,000 (28.9%), Water & Sewer \$390,000 (6.5%), Sanitation \$31,000 (2.9%) while the Stormwater Fund decreased slightly (<1%). Interest on long-term debt showed a marked decrease of over \$800,000, almost 50%.



CITY OF CANTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended September 30, 2016

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, 2016, the City's governmental funds reported combined ending fund balances of \$12,580,069. Of this amount, \$4,350,527 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 \$4,488,204. In 2015, the General Fund had an unassigned fund balance of \$4,079,335. Included in General fund operations was a \$15,000 net transfer from the Hotel/Motel Tax Fund to the benefit of the Tree City Commission. The increase in fund balance was due to conservative spending in the General Fund along with a monetary contribution from the Canton DDA as a result of a sale of a government building.

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 \$422,040, all of which is restricted to use. The net change in the Canton Building Authority's fund balance for the year ended September 30, 2016 was an +A253 increase of \$546. See Note 7 for additional information on the City's long-term debt.

The Road and Sidewalk Fund is a capital projects fund that accounts for the receipt of funds from the Georgia Department of Transportation and private sector contributions for the construction and improvement of existing City thoroughfares as well as the construction of new roadways in the City. At the end of the current fiscal year, the Road and Sidewalk Fund had a deficit fund balance of \$137,677, which is a increase of \$318,644 from that of the fund balance at the end of fiscal year 2015. This increase in fund balance was due, in large part, to recognizing the final intergovernmental revenue payments from the Georgia Department of Transportation as part of the completed Streetscape projects.

The SPLOST VI Fund is a capital project fund of the City. The purpose of the fund is to account for the collection of special purpose local option sales tax (SPLOST) and the construction of approved capital projects and the associated retirement of debt. At the end of the current fiscal year, the fund balance of the SPLOST VI Fund was \$3,350,125; an increase of \$271,843 that was attributed to the timing of certain projects.

CITY OF CANTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended September 30, 2016

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 nonmajor special revenue funds: the Hotel/Motel Tax Fund, the Rental Car Tax 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 nonmajor 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 \$2,173,161 for the fiscal year ending September 30, 2016; an increase of 84% due not only from a general increase in Hotel/Motel Tax receipts but also a significant increase in Impact Fees from development. Nonmajor governmental fund expenditures totaled \$1,047,640; an increase of 37% from that of fiscal year 2015. Fund balance for all nonmajor governmental funds was \$2,637,516; an increase of \$814,210 from that of fiscal year 2015. Significant changes in nonmajor fund balances came from the Impact Fee Fund which increased \$670,758 due to an increase in development.

Proprietary Funds

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

The Water and Sewer Fund has a net position of \$64,500,780, an increase of \$4,724,674. The net investment in capital assets is \$59,859,908, leaving an unrestricted net position of \$4,640,872. The Water and Sewer fund reported net transfers to governmental funds of \$1,877,323, primarily for debt service.

The Sanitation Fund also reported an increase in its net position. The reported total net position of \$1,073,000 was an increase of \$164,151 from that of the prior year end. The net investment in capital assets is \$183,511, resulting in an unrestricted net position of \$889,489.

The Stormwater Fund has a net position of \$2,563,321, an increase of \$153,782 from that of fiscal year 2015. The net investment in capital assets is \$1,819,556, leaving an unrestricted net position of \$743,765.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's comparison of actual revenues and expenditures to the adopted budget can be found on pages 60 and 61 of the annual report. Actual revenues exceeded the final adopted budget by almost \$900,000 while actual expenditures were \$600,000 less than budgeted amounts.

The significant difference between the original and final budget included an amendment to recognize additional transfers in from the Hotel/Motel Tax Fund to fund portions of the City of Canton historical theater and establish a City Communications and Outreach function. The City also amended the original budget for Public Safety, allocating funds from contingency to account for the purchase of equipment for the Canton Police Department. Although by the end of the year, the positive variance between actual and final budget were due primarily to less than full employment.

CITY OF CANTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended September 30, 2016

CAPITAL ASSETS

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

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 12,662,178	\$ 12,932,103	\$ 5,705,006	\$ 5,674,368	\$ 18,367,184	\$ 18,606,471
Construction in Progress	956,428	5,530,488	11,035,792	4,807,695	11,992,220	10,338,183
Site Improvements	-	-	2,028	2,668	2,028	2,668
Infrastructure	34,266,271	29,714,443	55,826,880	56,001,246	90,093,151	85,715,689
Buildings and Improvements	22,843,096	22,842,866	1,812,396	1,694,271	24,655,492	24,537,137
Furniture and Fixtures	30,495	36,719	-	-	30,495	36,719
Machinery and Equipment	937,956	956,395	842,682	920,886	1,780,638	1,877,281
Vehicles	1,367,987	1,166,951	-	-	1,367,987	1,166,951
Total	<u>\$ 73,064,411</u>	<u>\$ 73,179,965</u>	<u>\$ 75,224,784</u>	<u>\$ 69,101,134</u>	<u>\$ 148,289,195</u>	<u>\$ 142,281,099</u>

The City's investment in capital assets for its governmental activities increased in 2016 primarily due to the recent completion of the Etowah to Heritage Park Trail system as well as completed repairs to the Canton Creek Bridge on Marietta Rd. Within the business-type activities, the City saw continued construction on improvements to the Waste Water Treatment Facility. Refer to Note 6 in the notes to the financial statements for more information.

LONG-TERM DEBT

The table below represents long-term debt outstanding:

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Bonds Payable	\$ 25,788,589	\$ 27,906,199	\$ 1,786,760	\$ 2,988,971	\$ 27,575,349	\$ 30,895,170
Notes Payable	600,000	900,000	9,871,329	6,444,124	10,471,329	7,344,124
Total	<u>\$ 26,388,589</u>	<u>\$ 28,806,199</u>	<u>\$ 11,658,089</u>	<u>\$ 9,433,095</u>	<u>\$ 38,046,678</u>	<u>\$ 38,239,294</u>

At September 30, 2016, the City reported long-term debt of \$38,046,678, exclusive of interest expense. The City has no general obligation debt at fiscal year end. Refer to Note 7 in the notes to financial statements for more information on long-term debt.

CITY OF CANTON, GEORGIA
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the fiscal year ended September 30, 2016

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Mayor and Council in conjunction with the staff of the City of Canton have continued to aggressively address the current and future needs of the City by focusing on sound financial management, the use of current resources for capital expenditures and an extensive budgeting process. The City's General Fund budget for fiscal year 2017 is \$14,358,060. This is an increase of approximately \$700 thousand from the prior year. The budget for fiscal year 2017 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 position. The Water and Sewer Fund posted an operating income as a result of a continued conservative approach with expenses. Although, the Water and Sewer Fund will see the need for significant capital expenses and infrastructure repairs over the upcoming years.

The City of Canton noticed a continued increase in the number of building permits and business licenses issued. Along with residential home construction and existing home sales improving, 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. With the anticipated completion of Northside-Cherokee Hospital, further development in the Canton Marketplace area should continue to grow over the next few years.

FINANCIAL CONTACT

This financial report is designed to provide a general overview of the City of Canton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Department of Finance, 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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FINANCIAL SECTION

CITY OF CANTON, GEORGIA
STATEMENT OF NET POSITION
September 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 13,805,311	\$ 6,772,133	\$ 20,577,444	\$ 123,120
Taxes receivable	169,357	-	169,357	-
Accounts receivable (net)	1,524,709	1,695,040	3,219,749	333
Due from other governments	648,160	413,879	1,062,039	-
Prepaid items	19,861	8,491	28,352	-
Inventory	-	102,037	102,037	3,909
Restricted cash and cash equivalents	422,040	-	422,040	-
Total current assets	16,589,438	8,991,580	25,581,018	127,362
Noncurrent assets				
Capital assets				
Non-depreciable	13,618,606	16,740,798	30,359,404	-
Depreciable (net)	59,445,805	58,483,986	117,929,791	1,011,905
Total noncurrent assets	73,064,411	75,224,784	148,289,195	1,011,905
Total assets	89,653,849	84,216,364	173,870,213	1,139,267
DEFERRED OUTFLOWS OF RESOURCES				
Pension investment return differences	297,725	21,776	319,501	-
Pension experience differences	367,668	26,892	394,560	-
Pension contributions subsequent to measurement date	595,340	43,545	638,885	-
Total deferred outflows of resources	1,260,733	92,213	1,352,946	-
LIABILITIES				
Current liabilities				
Accounts payable	359,155	1,501,544	1,860,699	5,509
Intergovernmental payable	50,000	-	50,000	-
Accrued liabilities	1,763,078	779,377	2,542,455	-
Compensated absences payable	258,835	9,470	268,305	-
Customer deposits payable	-	526,519	526,519	-
Unearned revenue	394,494	1,399,350	1,793,844	-
Notes payable	300,000	277,168	577,168	-
Bonds payable	2,136,408	644,937	2,781,345	-
Total current liabilities	5,261,970	5,138,365	10,400,335	5,509
Noncurrent liabilities				
Compensated absences payable	105,392	11,462	116,854	-
Net pension liability	3,755,547	274,689	4,030,236	-
Notes payable	300,000	9,594,161	9,894,161	-
Bonds payable	23,652,181	1,141,823	24,794,004	-
Total noncurrent liabilities	27,813,120	11,022,135	38,835,255	-
Total liabilities	33,075,090	16,160,500	49,235,590	5,509
DEFERRED INFLOWS OF RESOURCES				
Pension assumption changes	59,107	4,323	63,430	-
Pension experience differences	90,953	6,653	97,606	-
Total deferred inflows of resources	150,060	10,976	161,036	-

CITY OF CANTON, GEORGIA
STATEMENT OF NET POSITION
September 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
NET POSITION				
Net investment in capital assets	\$ 46,561,748	\$ 61,862,975	\$ 108,424,723	\$ 1,011,905
Restricted for:				
Police equipment	27,117	-	27,117	-
Capital outlay	5,588,868	-	5,588,868	-
Debt service	422,040	-	422,040	-
Unrestricted	5,089,659	6,274,126	11,363,785	121,853
Total net position	\$ 57,689,432	\$ 68,137,101	\$ 125,826,533	\$ 1,133,758

CITY OF CANTON, GEORGIA
STATEMENT OF ACTIVITIES
For the fiscal year ended September 30, 2016

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,804,419	\$ 346,199	\$ 10,000	\$ 445,800	\$ (1,002,420)	\$ -	\$ (1,002,420)	\$ -
Judicial	296,899	-	-	-	(296,899)	-	(296,899)	-
Public safety	7,155,912	742,301	24,186	116,727	(6,272,698)	-	(6,272,698)	-
Public works	3,412,599	17,385	-	2,069,125	(1,326,089)	-	(1,326,089)	-
Culture and recreation	1,701,152	60,004	1,719	930,366	(709,063)	-	(709,063)	-
Housing and development	1,365,748	2,728,681	641,872	-	2,004,805	-	2,004,805	-
Interest on long-term debt	846,167	-	-	-	(846,167)	-	(846,167)	-
Total governmental activities	<u>16,582,896</u>	<u>3,894,570</u>	<u>677,777</u>	<u>3,562,018</u>	<u>(8,448,531)</u>	<u>-</u>	<u>(8,448,531)</u>	<u>-</u>
Business-type activities								
Water and Sewer	6,418,716	13,017,954	-	-	-	6,599,238	6,599,238	-
Sanitation	1,105,557	1,269,708	-	-	-	164,151	164,151	-
Stormwater	510,696	664,478	-	-	-	153,782	153,782	-
Total business-type activities	<u>8,034,969</u>	<u>14,952,140</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,917,171</u>	<u>6,917,171</u>	<u>-</u>
Total primary government	<u>\$ 24,617,865</u>	<u>\$ 18,846,710</u>	<u>\$ 677,777</u>	<u>\$ 3,562,018</u>	<u>\$ (8,448,531)</u>	<u>\$ 6,917,171</u>	<u>\$ (1,531,360)</u>	<u>\$ -</u>
Total component units	<u>\$ 257,292</u>	<u>\$ 38,743</u>	<u>\$ 5,000</u>	<u>\$ -</u>				<u>\$ (213,549)</u>
General revenues								
Taxes								
Property					\$ 5,118,477	\$ -	\$ 5,118,477	\$ -
Franchise					1,924,471	-	1,924,471	-
Alcoholic beverage					606,681	-	606,681	-
Insurance premium					1,322,908	-	1,322,908	-
Business occupation					818,577	-	818,577	-
Other					759,008	-	759,008	-
Interest and investment earnings					1,946	2,759	4,705	65
Payments from City of Canton					-	-	-	221,786
Miscellaneous					61,536	-	61,536	-
Gain on sale of assets					1,257	-	1,257	-
Transfers					1,877,323	(1,877,323)	-	-
Total general revenues and transfers					<u>12,492,184</u>	<u>(1,874,564)</u>	<u>10,617,620</u>	<u>221,851</u>
Change in net position					4,043,653	5,042,607	9,086,260	8,302
Net position - beginning					<u>53,645,779</u>	<u>63,094,494</u>	<u>116,740,273</u>	<u>1,125,456</u>
Net position - ending					<u>\$ 57,689,432</u>	<u>\$ 68,137,101</u>	<u>\$ 125,826,533</u>	<u>\$ 1,133,758</u>

CITY OF CANTON, GEORGIA
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2016

	General	Canton Building Authority	Road & Sidewalk	SPLOST VI	Nonmajor Governmental Funds	Totals
ASSETS						
Cash and cash equivalents	\$ 7,154,633	\$ -	\$ 1,352,056	\$ 2,790,161	\$ 2,508,461	\$ 13,805,311
Taxes receivable	111,667	-	-	-	57,690	169,357
Other receivables (net)	1,524,709	-	-	-	-	1,524,709
Due from other governments	88,196	-	-	559,964	-	648,160
Due from other funds	-	-	394,494	-	105,080	499,574
Prepaid items	19,861	-	-	-	-	19,861
Restricted cash and cash equivalents	-	422,040	-	-	-	422,040
Total assets	\$ 8,899,066	\$ 422,040	\$ 1,746,550	\$ 3,350,125	\$ 2,671,231	\$ 17,089,012
LIABILITIES						
Accounts payable	\$ 325,440	\$ -	\$ -	\$ -	\$ 33,715	\$ 359,155
Intergovernmental payable	50,000	-	-	-	-	50,000
Accrued liabilities	217,990	-	1,489,733	-	-	1,707,723
Due to other funds	499,574	-	-	-	-	499,574
Unearned revenue	-	-	394,494	-	-	394,494
Total liabilities	1,093,004	-	1,884,227	-	33,715	3,010,946
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue:						
Franchise taxes	1,324,197	-	-	-	-	1,324,197
Property taxes	131,840	-	-	-	-	131,840
Fines and forfeitures	41,960	-	-	-	-	41,960
Total deferred inflows of resources	1,497,997	-	-	-	-	1,497,997
FUND BALANCES						
Nonspendable:						
Prepaid items	19,861	-	-	-	-	19,861
Restricted for:						
Police equipment	-	-	-	-	27,117	27,117
Capital outlay	-	-	-	3,350,125	2,238,743	5,588,868
Debt service	-	422,040	-	-	-	422,040
Assigned to:						
Tourism	-	-	-	-	270,206	270,206
Subsequent year's budget	1,800,000	-	-	-	101,450	1,901,450
Unassigned	4,488,204	-	(137,677)	-	-	4,350,527
Total fund balances	6,308,065	422,040	(137,677)	3,350,125	2,637,516	12,580,069
Total liabilities, deferred inflows, and fund balances	\$ 8,899,066	\$ 422,040	\$ 1,746,550	\$ 3,350,125	\$ 2,671,231	\$ 17,089,012

CITY OF CANTON, GEORGIA
RECONCILIATION OF THE BALANCE SHEET OF
THE GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
September 30, 2016

Total fund balance - total governmental funds \$ 12,580,069

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

Some assets are not financial resources and, therefore, are not reported in the funds.

These are:

Capital assets	\$ 104,122,089	
Accumulated depreciation	<u>(31,057,678)</u>	73,064,411

Long-term assets (receivables) are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.

These are:

Franchise taxes	\$ 1,324,197	
Property taxes	131,840	
Fines and forfeitures	<u>41,960</u>	1,497,997

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

These are:

Deferred outflows of resources:		
Pension investment return differences	\$ 297,725	
Pension experience differences	367,668	
Pension contributions subsequent to measurement date	595,340	
Deferred inflows of resources:		
Pension assumption changes	(59,107)	
Pension experience differences	<u>(90,953)</u>	1,110,673

Long-term liabilities are not due and payable in the current period and are not reported in the funds.

These are:

Accrued liabilities - interest	\$ (55,355)	
Compensated absences payable	(364,227)	
Net pension liability	(3,755,547)	
Notes payable	(600,000)	
Bonds payable	<u>(25,788,589)</u>	<u>(30,563,718)</u>

Net position of the governmental activities	<u>\$ 57,689,432</u>
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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, 2016

	General	Canton Building Authority	Road & Sidewalk	SPLOST VI	Nonmajor Governmental Funds	Totals
REVENUES						
Taxes	\$ 9,826,254	\$ -	\$ -	\$ -	\$ 643,534	\$ 10,469,788
Licenses and permits	1,463,623	-	-	-	-	1,463,623
Fines and forfeitures	652,546	-	-	-	19,503	672,049
Charges for services	255,711	-	-	-	1,509,444	1,765,155
Intergovernmental	666,532	-	318,174	3,542,361	-	4,527,067
Interest	250	546	470	619	680	2,565
Contributions	30,284	-	-	-	-	30,284
Other	61,536	-	-	-	-	61,536
Total revenues	12,956,736	546	318,644	3,542,980	2,173,161	18,992,067
EXPENDITURES						
Current						
General government	1,499,801	150	-	-	-	1,499,951
Judicial	301,967	-	-	-	-	301,967
Public safety	7,212,399	-	-	-	18,808	7,231,207
Public works	1,598,761	-	-	-	-	1,598,761
Culture and recreation	723,027	-	-	-	10,000	733,027
Housing and development	1,109,083	-	-	-	261,086	1,370,169
Capital outlay	-	-	-	2,248,989	639,085	2,888,074
Debt service						
Principal	-	2,306,661	-	-	116,511	2,423,172
Interest	-	892,660	-	-	2,150	894,810
Total expenditures	12,445,038	3,199,471	-	2,248,989	1,047,640	18,941,138
Excess (deficiency) of revenues over (under) expenditures	511,698	(3,198,925)	318,644	1,293,991	1,125,521	50,929
Other financing sources (uses)						
Transfers in	429,972	3,199,471	-	-	118,661	3,748,104
Transfers out	(418,661)	-	-	(1,022,148)	(429,972)	(1,870,781)
Proceeds from sales of capital assets	11,966	-	-	-	-	11,966
Total other financing sources (uses)	23,277	3,199,471	-	(1,022,148)	(311,311)	1,889,289
Net change in fund balance	534,975	546	318,644	271,843	814,210	1,940,218
Fund balances, October 1	5,773,090	421,494	(456,321)	3,078,282	1,823,306	10,639,851
Fund balances, September 30	\$ 6,308,065	\$ 422,040	\$ (137,677)	\$ 3,350,125	\$ 2,637,516	\$ 12,580,069

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, 2016

Net change in fund balances - total governmental funds \$ 1,940,218

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlays	\$ 3,784,084	
Depreciation	<u>(3,619,004)</u>	165,080

In the statement of activities, the gain/loss on the disposal of capital assets is reported, whereas in the governmental funds, the proceeds from the sale of capital assets increases financial resources.

Cost of assets disposed	\$ (248,597)	
Related accumulated depreciation	<u>237,888</u>	(10,709)

Distributions of capital assets decrease net position in the statement of activities, but do not appear in the governmental funds because they are not financial uses. (269,925)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These include recognition of unavailable revenues. (244,097)

Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.

Pension contributions	\$ 595,340	
Cost of benefits earned net of employee contributions	<u>(570,049)</u>	25,291

The proceeds of debt issuance provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These include the following:

Amortization of discount	\$ -	
Principal payments on notes payable	300,000	
Principal payments on bonds payable	<u>2,117,610</u>	2,417,610

Some expenses reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. These include the following:

Net decrease in accrued liabilities - interest	\$ 54,205	
Net increase in compensated absences	<u>(34,020)</u>	<u>20,185</u>

Change in net position of governmental activities		<u><u>\$ 4,043,653</u></u>
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CITY OF CANTON, GEORGIA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2016

	Business-Type Activities			
	Water and Sewer	Sanitation	Stormwater	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 5,160,164	\$ 869,516	\$ 742,453	\$ 6,772,133
Accounts receivable (net)	1,415,863	196,956	82,221	1,695,040
Due from other governments	413,879	-	-	413,879
Prepaid items	7,091	136	1,264	8,491
Inventory	102,037	-	-	102,037
Total current assets	<u>7,099,034</u>	<u>1,066,608</u>	<u>825,938</u>	<u>8,991,580</u>
Noncurrent assets				
Capital assets				
Nondepreciable	16,446,940	183,511	110,347	16,740,798
Depreciable	80,086,607	-	2,379,104	82,465,711
Accumulated depreciation	<u>(23,314,756)</u>	<u>-</u>	<u>(666,969)</u>	<u>(23,981,725)</u>
Total capital assets	<u>73,218,791</u>	<u>183,511</u>	<u>1,822,482</u>	<u>75,224,784</u>
Total assets	<u>80,317,825</u>	<u>1,250,119</u>	<u>2,648,420</u>	<u>84,216,364</u>
DEFERRED OUTFLOWS OF RESOURCES				
Pension investment return differences	14,749	1,495	5,532	21,776
Pension experience differences	18,214	1,846	6,832	26,892
Pension contributions subsequent to measurement date	<u>29,493</u>	<u>2,990</u>	<u>11,062</u>	<u>43,545</u>
Total deferred outflows of resources	<u>62,456</u>	<u>6,331</u>	<u>23,426</u>	<u>92,213</u>
LIABILITIES				
Current liabilities				
Accounts payable	1,387,707	80,958	32,879	1,501,544
Accrued liabilities	775,495	956	2,926	779,377
Compensated absences payable	8,334	1,136	-	9,470
Customer deposits payable	446,864	79,505	150	526,519
Unearned revenue	1,399,350	-	-	1,399,350
Notes payable	277,168	-	-	277,168
Bonds payable	<u>644,937</u>	<u>-</u>	<u>-</u>	<u>644,937</u>
Total current liabilities	<u>4,939,855</u>	<u>162,555</u>	<u>35,955</u>	<u>5,138,365</u>
Noncurrent liabilities				
Compensated absences payable	10,180	1,282	-	11,462
Net pension liability	186,048	18,859	69,782	274,689
Notes payable	9,594,161	-	-	9,594,161
Bonds payable	<u>1,141,823</u>	<u>-</u>	<u>-</u>	<u>1,141,823</u>
Total noncurrent liabilities	<u>10,932,212</u>	<u>20,141</u>	<u>69,782</u>	<u>11,022,135</u>
Total liabilities	<u>15,872,067</u>	<u>182,696</u>	<u>105,737</u>	<u>16,160,500</u>
DEFERRED INFLOWS OF RESOURCES				
Pension assumption changes	2,928	297	1,098	4,323
Pension experience differences	<u>4,506</u>	<u>457</u>	<u>1,690</u>	<u>6,653</u>
Total deferred inflows of resources	<u>7,434</u>	<u>754</u>	<u>2,788</u>	<u>10,976</u>
NET POSITION				
Net investment in capital assets	59,859,908	183,511	1,819,556	61,862,975
Unrestricted	<u>4,640,872</u>	<u>889,489</u>	<u>743,765</u>	<u>6,274,126</u>
Total net position	<u>\$ 64,500,780</u>	<u>\$ 1,073,000</u>	<u>\$ 2,563,321</u>	<u>\$ 68,137,101</u>

CITY OF CANTON, GEORGIA
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the fiscal year ended September 30, 2016

	Business-Type Activities			Totals
	Water and Sewer	Sanitation	Stormwater	
OPERATING REVENUES				
Water fees	\$ 5,302,584	\$ -	\$ -	\$ 5,302,584
Sewer fees	7,372,610	-	-	7,372,610
Sanitation fees	-	1,240,046	-	1,240,046
Stormwater fees	-	-	664,478	664,478
Miscellaneous	342,760	29,662	-	372,422
Total operating revenues	13,017,954	1,269,708	664,478	14,952,140
OPERATING EXPENSES				
Costs of sales and services	4,481,619	1,105,557	384,119	5,971,295
Depreciation	1,687,484	-	126,577	1,814,061
Total operating expenses	6,169,103	1,105,557	510,696	7,785,356
Operating income	6,848,851	164,151	153,782	7,166,784
Non-operating revenues (expenses)				
Interest revenue	2,759	-	-	2,759
Interest expense	(249,613)	-	-	(249,613)
Total non-operating revenues (expenses)	(246,854)	-	-	(246,854)
Net income before transfers	6,601,997	164,151	153,782	6,919,930
Transfers				
Transfers in	348,500	-	-	348,500
Transfers out	(2,225,823)	-	-	(2,225,823)
Total transfers	(1,877,323)	-	-	(1,877,323)
Change in net position	4,724,674	164,151	153,782	5,042,607
Net position, October 1	59,776,106	908,849	2,409,539	63,094,494
Net position, September 30	\$ 64,500,780	\$ 1,073,000	\$ 2,563,321	\$ 68,137,101

CITY OF CANTON, GEORGIA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the fiscal year ended September 30, 2016

	Business-Type Activities			
	Water and Sewer	Sanitation	Stormwater	
Cash flows from operating activities:				
Receipts from customers and users	\$ 12,569,455	\$ 1,270,072	\$ 671,851	\$ 14,511,378
Payments to suppliers	(4,211,826)	(1,045,821)	(380,777)	(5,638,424)
Payments to employees	(366,670)	(47,560)	(33,261)	(447,491)
Net cash provided by operating activities	<u>7,990,959</u>	<u>176,691</u>	<u>257,813</u>	<u>8,425,463</u>
Cash flows from non-capital financing activities:				
Payments to other funds	<u>(2,225,823)</u>	<u>-</u>	<u>-</u>	<u>(2,225,823)</u>
Cash flows from capital and related financing activities:				
Receipts from other governments	521,160	-	-	521,160
Receipts from other funds	348,500	-	-	348,500
Payments to other funds	(500,000)	-	-	(500,000)
Acquisition of capital assets	(5,846,239)	(23,566)	(364,186)	(6,233,991)
Payment of capital related payables	(897,332)	-	(252,277)	(1,149,609)
Issuance of notes payable	3,299,579	-	-	3,299,579
Principal payments - notes payable	(266,644)	-	-	(266,644)
Principal payments - bonds payable	(1,202,813)	-	-	(1,202,813)
Interest paid	(249,023)	-	-	(249,023)
Net cash provided (used) by capital and related financing activities	<u>(4,792,812)</u>	<u>(23,566)</u>	<u>(616,463)</u>	<u>(5,432,841)</u>
Cash flows from investing activities:				
Interest received	<u>2,759</u>	<u>-</u>	<u>-</u>	<u>2,759</u>
Net cash provided by investing activities	<u>2,759</u>	<u>-</u>	<u>-</u>	<u>2,759</u>
Net increase in cash and cash equivalents	975,083	153,125	(358,650)	769,558
Cash and cash equivalents, October 1	<u>4,185,081</u>	<u>716,391</u>	<u>1,101,103</u>	<u>6,002,575</u>
Cash and cash equivalents, September 30	<u><u>\$ 5,160,164</u></u>	<u><u>\$ 869,516</u></u>	<u><u>\$ 742,453</u></u>	<u><u>\$ 6,772,133</u></u>
Reconciliation of operating income to net cash provided by operating activities:				
Operating income	<u>\$ 6,848,851</u>	<u>\$ 164,151</u>	<u>\$ 153,782</u>	<u>\$ 7,166,784</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:				
Depreciation expense	1,687,484	-	126,577	1,814,061
(Increase) decrease in accounts receivable	(223,005)	7,293	7,373	(208,339)
(Increase) decrease in prepaid items	(152)	118	(581)	(615)
(Increase) decrease in inventory	20,685	-	-	20,685
(Increase) decrease in pension deferred outflows	(25,758)	(2,611)	(9,661)	(38,030)
Increase (decrease) in accounts payable	26,992	10,478	(25,638)	11,832
Increase (decrease) in accrued liabilities	(140,403)	501	(2,197)	(142,099)
Increase (decrease) in payroll liabilities	36,228	5,156	13,585	54,969
Increase (decrease) in customer deposits payable	5,129	(6,929)	-	(1,800)
Increase (decrease) in unearned revenue	(230,623)	-	-	(230,623)
Increase (decrease) in pension deferred inflows	(14,469)	(1,466)	(5,427)	(21,362)
Total adjustments	<u>1,142,108</u>	<u>12,540</u>	<u>104,031</u>	<u>1,258,679</u>
Net cash provided by operating activities	<u><u>\$ 7,990,959</u></u>	<u><u>\$ 176,691</u></u>	<u><u>\$ 257,813</u></u>	<u><u>\$ 8,425,463</u></u>
Noncash capital and related financing activities:				
Increase in due from other governments through promissory notes from governments totaled \$394,270.				
Acquisition of capital assets through payables totaled \$1,703,720.				

CITY OF CANTON, GEORGIA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUND
September 30, 2016

	<u>Municipal Court</u>
ASSETS	
Cash	\$ 378,621
	<u> </u>
LIABILITIES	
Due to other agencies	\$ 378,621
	<u> </u>

CITY OF CANTON, GEORGIA
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
September 30, 2016

	<u>Canton Downtown Development Authority</u>	<u>Canton Main Street Program</u>	<u>Canton Tourism</u>	<u>Totals</u>
ASSETS				
Current assets				
Cash and cash equivalents	\$ 28,083	\$ 38,186	\$ 56,851	\$ 123,120
Accounts receivable (net)	-	333	-	333
Inventory	-	-	3,909	3,909
Total current assets	28,083	38,519	60,760	127,362
Noncurrent assets				
Capital assets				
Depreciable (net)	957,789	-	54,116	1,011,905
Total assets	<u>985,872</u>	<u>38,519</u>	<u>114,876</u>	<u>1,139,267</u>
LIABILITIES				
Current liabilities				
Accounts payable	-	5,509	-	5,509
NET POSITION				
Net investment in capital assets	957,789	-	54,116	1,011,905
Unrestricted	28,083	33,010	60,760	121,853
Total net position	<u>\$ 985,872</u>	<u>\$ 33,010</u>	<u>\$ 114,876</u>	<u>\$ 1,133,758</u>

CITY OF CANTON, GEORGIA
COMBINING STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the fiscal year ended September 30, 2016

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>				
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Downtown Development Authority</u>	<u>Canton Main Street Program</u>	<u>Canton Tourism</u>	<u>Total</u>
Component units								
Governmental activities								
Downtown Development Authority	\$ 63,514	\$ 12,984	\$ -	\$ -	\$ (50,530)	\$ -	\$ -	\$ (50,530)
Canton Main Street Program	103,348	25,759	5,000	-	-	(72,589)	-	(72,589)
Canton Tourism	90,430	-	-	-	-	-	(90,430)	(90,430)
Total component units	<u>\$ 257,292</u>	<u>\$ 38,743</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ (50,530)</u>	<u>\$ (72,589)</u>	<u>\$ (90,430)</u>	<u>\$ (213,549)</u>
General revenues								
Interest and investment earnings					\$ -	\$ -	\$ 65	\$ 65
Payments from City of Canton					10,000	103,036	108,750	221,786
Total general revenues					<u>10,000</u>	<u>103,036</u>	<u>108,815</u>	<u>221,851</u>
Change in net position					(40,530)	30,447	18,385	8,302
Net position - beginning					<u>1,026,402</u>	<u>2,563</u>	<u>96,491</u>	<u>1,125,456</u>
Net position - ending					<u>\$ 985,872</u>	<u>\$ 33,010</u>	<u>\$ 114,876</u>	<u>\$ 1,133,758</u>

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Discretely Presented Component Units

The Canton Downtown Development Authority (the "CDDA") is shown as a discretely presented component unit in the accompanying financial statements. The purpose of the CDDA is to promote business and commerce within the central business district of the City. The City appoints all members to the CDDA's board and the City has assumed the obligation of providing the necessary contributions to fund any deficits from the operation of 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.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity, continued

Discretely Presented Component Units, continued

The Canton Preservation Inc. (the "CP") is shown as a discretely presented component unit in the accompanying financial statements due to the nature and significance of its relationship with the City. The purpose of the CP is to promote the preservation of historic districts and homes within the City limits. The CP is fiscally dependent on the City as it is unable to levy taxes, set rates or charges, or issue bonded debt without approval by the City. The City provides the funding for Canton Preservation's financial operations. Financial information with regard to the CP can be obtained from Canton City Hall. Separate financial statements for 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 Position and Statement of Activities. Canton Preservation Inc. had no activity for the fiscal year ended September 30, 2016.

The Canton Tourism, Inc. (the "CT") is shown as a discretely presented component unit in the accompanying financial statements due to the nature and significance of its relationship with the City. The purpose of the CT is to promote tourism and visitation to the City. The CT is fiscally dependent on the City as it is unable to levy taxes, set rates or charges, or issue bonded debt without approval by the City. The City provides the funding for Canton Tourism's financial operations. Financial information with regard to the CT can be obtained from Canton City Hall. Separate financial statements for Canton Tourism Inc. are not prepared.

The Canton Main Street Program (the "CMSP") is shown as a discretely presented component unit in the accompanying financial statements due to its relationship with the City. The City has the ability to impose their will on the CMSP as they have the ability to hire, reassign or dismiss those persons for the day to day operations of the Main Street Program. 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. The CMSP is fiscally dependent on the City as it is unable to levy taxes, set rates or charges, or issue bonded debt without approval by the City. The City provides the funding for Canton Main Street Program's financial operations. Separate financial statements are not prepared.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

1. Summary of Significant Accounting Policies (continued)

A. Reporting Entity, continued

Blended Component Units

The Canton Building Authority (the "Authority") is shown as a blended component unit in the accompanying financial statements and reported as a special revenue fund. The purpose of the Authority is to finance the construction of new facilities for the City of Canton, within the City limits. The City appoints all members to the Authority's board and is financially responsible for the repayment of all debt for the Authority. Separate financial statements for the Canton Building Authority are not prepared.

The Urban Redevelopment Agency (the "URA") is shown as a blended component unit in the accompanying financial statements and reported as a special revenue fund. The purpose of the URA is to secure financing to revitalize City of Canton assets, specifically within the downtown areas of the City suffering from urban blight. The City appoints all members to the URA's board and is financially responsible for the repayment of all debt for the URA. Separate financial statements for the Urban Redevelopment Agency are not prepared.

The Canton Development Authority (the "CDA") is shown as a blended 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. As the CDA has issued revenue bonds which were used to finance construction costs of the City's Water and Sewer Fund, the activity of the CDA will be reported as part of the Water and Sewer Fund. 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.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

1. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. (For the most part, the effect of interfund activity has been removed from these statements). Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from discretely presented component units. The Statement of Net Position 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. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not considered program revenues are reported instead as general revenues.

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

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

1. Summary of Significant Accounting Policies (continued)

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

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

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

In accordance with GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," the corresponding assets (receivables) in nonexchange 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.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

1. Summary of Significant Accounting Policies (continued)

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

The **Stormwater Fund** accounts for the collection of fees for the maintenance of the City's stormwater infrastructure systems.

The City also reports the following fund types:

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

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

1. Summary of Significant Accounting Policies (continued)

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

The **Capital Project Funds** are used to account for the collection and expenditures of certain restricted revenues, such as sales tax receipts and impact fee.

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

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

In accounting and reporting for its proprietary operations, the City applies all GASB pronouncements. For the fiscal year ended September 30, 2013, the City implemented GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance issued on or before November 30, 1989 which does not conflict with or contradict GASB pronouncements.

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

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

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

1. Summary of Significant Accounting Policies (continued)

D. Budgets

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

E. Deposits and Investments

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

F. Receivables and Payables

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

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

1. Summary of Significant Accounting Policies (continued)

F. Receivables and Payables, continued

Advances between funds, as reported in the fund financial statements, represent long-term borrowing arrangements with established repayment schedules, and are offset by non-spendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

G. Inventories

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

H. Prepaid Items

Prepaid items are accounted for using the consumption method. Payments made to vendors for services that will benefit periods beyond September 30, 2016, 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, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Infrastructure (e.g., roads, bridges, sidewalks, and similar items) prior to October 1, 2003 have not been reported.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

1. Summary of Significant Accounting Policies (continued)

I. Capital Assets, continued

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

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

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

J. Deferred Outflows / Inflows of Resources

The City implemented GASB Statements No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and No. 65, *Items Previously Reported as Assets and Liabilities*, as of October 1, 2012. These new standards establish accounting and financial reporting for deferred outflows / inflows of resources and the concept of net position as the residual of all other elements presented in a statement of net position.

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City reports deferred outflows of resources related to their defined benefit pension plan.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

1. Summary of Significant Accounting Policies (continued)

J. Deferred Outflows / Inflows of Resources, continued

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City's unavailable revenues arise only under a modified accrual basis of accounting. Accordingly, they are reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, franchise taxes, fines and forfeitures, and intergovernmental revenues, which will be recognized as an inflow of resources in the period in which the amounts become available. The City also reports deferred inflows of resources related to their defined benefit pension plan.

K. 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.

L. 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 Position. Bond premiums and discounts 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 expenses when incurred.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

1. Summary of Significant Accounting Policies (continued)

L. Long-Term Obligations, continued

Proprietary fund type loans payable are reported as liabilities at their outstanding value. Loan issuance costs are reported as expenses when incurred. 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.

M. Fund Equity and Net Position

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

Fund Balance – Generally, fund balance represents the difference between the assets and liabilities and deferred inflows of resources 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 (resolution) of the City Council. Only the City Council may modify or rescind the commitment.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

1. Summary of Significant Accounting Policies (continued)

M. Fund Equity and Net Position, continued

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 retains the authority to assign amounts for specific purposes by a formal vote (resolution). Only the City Council may modify or rescind the assignment.

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

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

Net Position – Net position represents the difference between assets and liabilities in reporting which utilizes the economic resources measurement focus. Net investment in capital assets 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 position is reported as restricted using the same definition as used for restricted fund balance as described in the section above. All other net position is reported as unrestricted.

N. 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.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

1. Summary of Significant Accounting Policies (continued)

O. 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.

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. Other than an amendment for a bond refunding, the City did not significantly amend the budgets for any of its funds during the year ended September 30, 2016.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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.

Total deposits as of September 30, 2016 are summarized as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 20,577,444
Restricted cash and cash equivalents	422,040
Statement of Fiduciary Net Position:	
Cash - agency fund	271,636
	\$ 21,271,120
	\$ 21,271,120
Cash deposited with financial institutions	\$ 20,849,080
Money market mutual fund	422,040
	\$ 21,271,120
	\$ 21,271,120

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.

At September 30, 2016, the City had the following investments that are included in the custodial credit risk discussion above related to deposits:

Investment	Fair Value	Weighted Average Maturity
Money Market Mutual Fund - Goldman Sachs Financial Square Treasury Obligation/Select	\$ 422,040	52 days

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

3. Deposits (continued)

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.

4. Receivables

Property taxes are levied on property values assessed as of January 1. The tax bills are levied on October 1. The billings are considered due upon receipt by the taxpayer; however, the actual due date is December 20. After this date, the bill becomes delinquent and interest of 1% per month may be assessed by the City. A penalty of 10% is assessed on taxes not paid within 90 days of the due date. Property taxes are recorded as receivables and deferred inflows of resources when levied. Revenues are recognized when available.

Receivables at September 30, 2016, for the City's individual major funds and non-major funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>SPLOST VI</u>	<u>Nonmajor Governmental</u>
Receivables:			
Taxes	\$ 111,667	\$ -	\$ 57,690
Due from other governments	88,196	559,964	-
Other	1,587,649	-	-
Less allowance for uncollectible	(62,940)	-	-
Net Total Receivable	<u>\$ 1,724,572</u>	<u>\$ 559,964</u>	<u>\$ 57,690</u>

	<u>Water and Sewer</u>	<u>Sanitation</u>	<u>Stormwater</u>
Receivables:			
Accounts	\$ 1,875,248	\$ 218,840	\$ 91,357
Due from other governments	413,879	-	-
Less allowance for uncollectible	(459,385)	(21,884)	(9,136)
Net Total Receivable	<u>\$ 1,829,742</u>	<u>\$ 196,956</u>	<u>\$ 82,221</u>

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

5. Interfund Receivables, Payables, and Transfers

The composition of interfund balances as of September 30, 2016 is as follows:

Due to / from other funds:

	Payable Fund
	Major Funds
	General
Receivable Fund:	
Major Funds	
Road & Sidewalk	\$ 394,494
Nonmajor Funds	
Governmental	105,080
Total	\$ 499,574

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.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

5. Interfund Receivables, Payables, and Transfers (continued)

Interfund transfers:

	Transfers out:				
	Major Funds			Nonmajor Funds	
	General	SPLOST VI	Water and Sewer	Governmental	Total
Transfers in:					
Major Funds					
General	\$ -	\$ -	\$ -	\$ 429,972	\$ 429,972
Canton Building Authority	300,000	673,648	2,225,823	-	3,199,471
Water and Sewer	-	348,500	-	-	348,500
Nonmajor Funds					
Governmental	118,661	-	-	-	118,661
Total	\$ 418,661	\$ 1,022,148	\$ 2,225,823	\$ 429,972	\$ 4,096,604

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.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

6. Capital Assets

Primary Government

Capital asset activity for the fiscal year ended September 30, 2016, is as follows:

	Balance 9/30/2015	Increases	Decreases	Balance 9/30/2016
Governmental activities				
Non-depreciable assets				
Land	\$ 12,932,103	\$ -	\$ (269,925)	\$ 12,662,178
Construction in progress	5,530,488	570,389	(5,144,449)	956,428
Total non-depreciable assets	<u>18,462,591</u>	<u>570,389</u>	<u>(5,414,374)</u>	<u>13,618,606</u>
Depreciable assets				
Buildings and improvements	31,374,206	904,315	-	32,278,521
Infrastructure	43,111,833	6,610,654	-	49,722,487
Furniture and fixtures	146,506	-	-	146,506
Machinery and equipment	2,921,835	187,156	(63)	3,108,928
Vehicles	4,839,556	656,019	(248,534)	5,247,041
Total depreciable assets	<u>82,393,936</u>	<u>8,358,144</u>	<u>(248,597)</u>	<u>90,503,483</u>
Accumulated depreciation				
Buildings and improvements	(8,531,340)	(904,085)	-	(9,435,425)
Infrastructure	(13,397,390)	(2,058,826)	-	(15,456,216)
Furniture and fixtures	(109,787)	(6,224)	-	(116,011)
Machinery and equipment	(1,965,440)	(205,595)	63	(2,170,972)
Vehicles	(3,672,605)	(444,274)	237,825	(3,879,054)
Total accumulated depreciation	<u>(27,676,562)</u>	<u>(3,619,004)</u>	<u>237,888</u>	<u>(31,057,678)</u>
Total depreciable assets, net	<u>54,717,374</u>	<u>4,739,140</u>	<u>(10,709)</u>	<u>59,445,805</u>
Governmental activities capital assets, net	<u>\$ 73,179,965</u>	<u>\$ 5,309,529</u>	<u>\$ (5,425,083)</u>	<u>\$ 73,064,411</u>

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

6. Capital Assets (continued)

	<u>Balance 9/30/2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance 9/30/2016</u>
Business-type activities				
Non-depreciable assets				
Land	\$ 5,674,368	\$ 30,638	\$ -	\$ 5,705,006
Construction in progress	4,807,695	7,020,635	(792,538)	11,035,792
Total Non-depreciable assets	<u>10,482,063</u>	<u>7,051,273</u>	<u>(792,538)</u>	<u>16,740,798</u>
Depreciable assets				
Site improvements	9,600	-	-	9,600
Infrastructure	74,006,985	1,445,096	(1,619)	75,450,462
Buildings and improvements	4,635,227	204,427	(14,049)	4,825,605
Machinery, equipment, and vehicles	<u>2,234,349</u>	<u>29,453</u>	<u>(83,758)</u>	<u>2,180,044</u>
Total depreciable assets	<u>80,886,161</u>	<u>1,678,976</u>	<u>(99,426)</u>	<u>82,465,711</u>
Accumulated depreciation				
Site improvements	(6,932)	(640)	-	(7,572)
Infrastructure	(18,005,739)	(1,619,462)	1,619	(19,623,582)
Buildings and improvements	(2,940,956)	(86,302)	14,049	(3,013,209)
Machinery, equipment, and vehicles	<u>(1,313,463)</u>	<u>(107,657)</u>	<u>83,758</u>	<u>(1,337,362)</u>
Total accumulated depreciation	<u>(22,267,090)</u>	<u>(1,814,061)</u>	<u>99,426</u>	<u>(23,981,725)</u>
Total depreciable assets, net	<u>58,619,071</u>	<u>(135,085)</u>	<u>-</u>	<u>58,483,986</u>
Business-type activities capital assets, net	<u>\$ 69,101,134</u>	<u>\$ 6,916,188</u>	<u>\$ (792,538)</u>	<u>\$ 75,224,784</u>

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

Governmental activities	
General Government	\$ 204,580
Public Safety	541,928
Public Works	2,013,919
Culture and Recreation	<u>858,577</u>
Total depreciation expense for governmental activities	<u>\$ 3,619,004</u>
Business-type activities	
Water and Sewer	\$ 1,687,484
Stormwater	<u>126,577</u>
Total depreciation expense for business-type activities	<u>\$ 1,814,061</u>

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

6. Capital Assets (continued)

Canton Downtown Development Authority

	Balance 9/30/2015	Increases	Decreases	Balance 9/30/2016
Depreciable assets				
Buildings	\$ 1,366,304	\$ -	\$ -	\$ 1,366,304
Furniture and fixtures	114,319	-	-	114,319
Total depreciable assets	<u>1,480,623</u>	<u>-</u>	<u>-</u>	<u>1,480,623</u>
Accumulated depreciation				
Buildings	(418,999)	(27,326)	-	(446,325)
Furniture and fixtures	(74,066)	(2,443)	-	(76,509)
Total accumulated depreciation	<u>(493,065)</u>	<u>(29,769)</u>	<u>-</u>	<u>(522,834)</u>
Total depreciable assets, net	<u>987,558</u>	<u>(29,769)</u>	<u>-</u>	<u>957,789</u>
Total capital assets, net	<u>\$ 987,558</u>	<u>\$ (29,769)</u>	<u>\$ -</u>	<u>\$ 957,789</u>

Canton Tourism, Inc.

	Balance 9/30/2015	Increases	Decreases	Balance 9/30/2016
Depreciable assets				
Furniture and fixtures	\$ 41,335	\$ 28,350	\$ -	\$ 69,685
Accumulated depreciation				
Furniture and fixtures	(7,052)	(8,517)	-	(15,569)
Total capital assets, net	<u>\$ 34,283</u>	<u>\$ 19,833</u>	<u>\$ -</u>	<u>\$ 54,116</u>

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

7. Long-Term Debt

Primary Government

Long-term liability activity for the year ended September 30, 2016, was as follows:

	Balance 9/30/2015	Additions	Deductions	Balance 9/30/2016	Due Within One Year
Governmental activities					
Governmental bonds	\$ 27,956,146	\$ -	\$ (2,123,173)	\$ 25,832,973	\$ 2,136,408
Less discounts	(49,947)	-	5,563	(44,384)	-
Total bonds payable	27,906,199	-	(2,117,610)	25,788,589	2,136,408
Notes payable	900,000	-	(300,000)	600,000	300,000
Compensated absences	330,207	306,034	(272,014)	364,227	258,835
Total governmental activities	<u>\$ 29,136,406</u>	<u>\$ 306,034</u>	<u>\$ (2,689,624)</u>	<u>\$ 26,752,816</u>	<u>\$ 2,695,243</u>
Business-type activities					
Revenue bonds	\$ 2,989,573	\$ -	\$ (1,202,813)	\$ 1,786,760	\$ 644,937
Less discounts	(602)	-	602	-	-
Total bonds payable	2,988,971	-	(1,202,211)	1,786,760	644,937
Notes payable	6,444,124	3,693,849	(266,644)	9,871,329	277,168
Compensated absences	23,506	8,670	(11,244)	20,932	9,470
Total business-type activities	<u>\$ 9,456,601</u>	<u>\$ 3,702,519</u>	<u>\$ (1,480,099)</u>	<u>\$ 11,679,021</u>	<u>\$ 931,575</u>

Bond issue costs and discounts/premiums are amortized over the life of the related debt. 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. The total interest incurred and charged to expense for the fiscal year ended September 30, 2016 was \$846,167 and \$249,613 for the governmental activities and business-type activities, respectively.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

7. Long-Term Debt (continued)

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

Fiscal Year Ending September 30,	Principal
2017	\$ 300,000
2018	300,000
Totals	<u>\$ 600,000</u>

Governmental Bonds - CBA: 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 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.

The series 2014A bonds issued by the Canton Building Authority were originally issued for \$5,220,000, with an interest rate of 2.65%. The bonds are due annually, maturing on September 1, 2029. The proceeds were used to (a) refund the outstanding maturities of the Canton Building Authority's Revenue Bond (City of Canton Project), Series 2009, and (b) pay the costs of issuance associated with the Series 2014A Bond.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

7. Long-Term Debt (continued)

In October 2014, the Canton Building Authority issued \$14,651,000 in Revenue Refunding Bonds, Series 2014B, with an interest rate of 2.67%. The Series 2014B bonds were issued to advance refund \$13,960,000 of outstanding Series 2005 Bonds with interest rates ranging from 3.875% to 4.50%.

Governmental Bonds - URA: 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. The City paid the remaining balance on the bonds during the fiscal year ending September 30, 2016.

Governmental bonds currently outstanding mature as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2017	\$ 2,136,408	\$ 819,523	\$ 2,955,931
2018	2,216,205	743,189	2,959,394
2019	2,292,259	663,811	2,956,070
2020	1,766,226	589,339	2,355,565
2021	1,687,378	534,627	2,222,005
2022-2026	9,329,942	1,803,193	11,133,135
2027-2030	6,404,555	386,398	6,790,953
Totals	<u>\$ 25,832,973</u>	<u>\$ 5,540,080</u>	<u>\$ 31,373,053</u>

Revenue Bonds - Water and 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 City paid the remaining balance on the bonds during the fiscal year ending September 30, 2016.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

7. Long-Term Debt (continued)

The 1997A bonds were originally issued for \$721,000 with an interest rate of 6.12%. The bonds are interest only bonds through June 1, 2010 with monthly installments of \$3,929 through June 1, 2010 and installments of \$12,136 thereafter, until maturity on June 1, 2016. The proceeds from the bond were used for upgrades to the City's water lines. The City paid the remaining balance on the bonds during the fiscal year ending September 30, 2016.

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 - CDA: The Canton Development Authority ("CDA") issued a 2003 series bond to fund costs of the water and sewer lines at the 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 as taps are sold within the service area of the Bluffs Technology Park. The bond was issued to a sole purchaser and is set up to work through drawdowns from the purchaser rather than receiving the full face amount. The bond was originally issued for \$1,800,000 and as of September 30, 2016 only \$921,029 has been drawn down. The bond matures on January 1, 2052 and carries an interest rate of 3.00%. The repayment schedule is contingent on tap sales within the Park and, therefore, does not carry a maturity schedule. The maturity schedule below does not include these bonds.

Revenue bonds currently outstanding mature as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2017	\$ 644,937	\$ 24,406	\$ 669,343
2018	220,794	1,899	222,693
Totals	<u>\$ 865,731</u>	<u>\$ 26,305</u>	<u>\$ 892,036</u>

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

7. Long-Term Debt (continued)

Notes Payable - GEFA: The City has also incurred debt to the Georgia Environmental Facilities Authority for construction of various water and sewer system projects. These notes, including their original balances, are as follows at September 30, 2016

<u>Interest Rate</u>	<u>Term</u>	<u>Due Date</u>	<u>Original Balance</u>
4.45%	20 years	2023	\$ 2,480,833
3.82%	20 years	2026	455,306
3.98%	20 years	2029	1,677,440
0.50%	10 years	2023	300,000
			<u>\$ 4,913,579</u>

During fiscal year 2014, the City also entered into a note agreement with GEFA to borrow up to \$8,000,000 to fund improvements and upgrades to the City's existing waste-water treatment plant. As of September 30, 2016, the note has a balance of \$7,125,902 and is still in the draw down phase. Therefore, a future payment schedule has not been established. The note requires interest only payments until the earlier of July 1, 2016, the completion date, or the date that the loan is fully disbursed. The note bears an interest rate of 1.40%. The maturity schedule below does not include this note.

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

<u>Fiscal Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 277,168	\$ 102,093	\$ 379,261
2018	287,940	91,321	379,261
2019	299,238	80,024	379,262
2020	310,986	68,276	379,262
2021	323,337	55,925	379,262
2022-2026	975,952	129,250	1,105,202
2027-2029	270,806	13,212	284,018
Totals	<u>\$ 2,745,427</u>	<u>\$ 540,101</u>	<u>\$ 3,285,528</u>

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

8. Pension Plans

Defined Benefit Pension Plan

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.

At January 1, 2016, the date of the most recent actuarial valuation, there were participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	63
Terminated vested participants entitled to but not yet receiving benefits	71
Active participants - vested	68
Active participants - not vested	41
Total number of participants	<hr style="border: 1px solid black;"/> <u>243</u>

Benefits Provided. 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. For employees hired after May 2, 2013 the benefit formula is calculated as follows (1) if the employee retires at age 65 with ten years of service the employee is entitled to benefits of 2% for all years of qualified employment with the City, or (2) if the employee retires at age 65 with less than ten years of service the employee is entitled to benefits of 1.25% for all years of qualified employment with the City.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

8. Pension Plans (continued)

Defined Benefit Pension Plan, continued

An employee may elect early retirement at age 55 provided he has a minimum of 15 years total credited service to receive full benefits, otherwise early retirement may be elected after only 10 years of service for reduced benefits. Elected officials are entitled to \$64 for each year of service after reaching normal retirement age. Elected officials who take office on or after May 3, 2013 will not participate in the plan.

Contributions. Employees make no contributions to the plan. The City is required to contribute the remaining amounts necessary to fund the plan in compliance with the minimum funding standards of the Public Retirement Systems Standards Law. This funding policy, as specified by ordinance, has been the same since the inception of the plan. The City's actuarially determined contribution rate for the fiscal year ended September 30, 2016 was \$638,885, or 13.09% of covered-employee payroll.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions. At September 30, 2016, the City reported a net pension liability of \$4,030,236. The net pension liability was measured as of September 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2016. For the fiscal year ended September 30, 2016, the City recognized pension expense of \$611,744.

At September 30, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 394,560	\$ (97,606)
Changes of assumptions	-	(63,430)
Net difference between projected and actual earnings on pension plan investments	319,501	-
City contributions subsequent to the measurement date	638,885	-
Totals	<u>\$ 1,352,946</u>	<u>\$ (161,036)</u>

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

8. Pension Plans (continued)

Defined Benefit Pension Plan, continued

The \$638,885 of deferred outflows of resources resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net position liability in the fiscal year ending September 30, 2017. Other amounts reported as deferred outflows and deferred inflows of resources will be recognized in pension expense as follows:

Year Ending September 30	
2017	\$ 83,440
2018	83,440
2019	163,958
2020	222,187
Totals	<u>\$ 553,025</u>

Actuarial Assumptions. The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25%
Projected salary increases	3.25% plus service based merit increases
Cost of living adjustments	0.00%
Net investment rate of return	7.75%

Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and one year for females. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

The mortality and economic actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period of January 1, 2010 through June 30, 2014.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

8. Pension Plans (continued)

Defined Benefit Pension Plan, continued

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2015 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Nominal Real Rate of Return</u>
Domestic equity	50%	5.95%	9.20%
International equity	15%	6.45%	9.70%
Fixed income	25%	1.55%	4.80%
Real estate	10%	3.75%	7.00%
Cash	0%		
Total	<u>100%</u>		

Discount Rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that contributions from employer will be made at contractually required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

8. Pension Plans (continued)

Defined Benefit Pension Plan, continued

Changes in Net Pension Liability (Asset)

	<u>Total Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability (Asset)</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances at September 30, 2014	\$ 12,306,534	\$ 9,120,574	\$ 3,185,960
Changes for the year:			
Service cost	291,260	-	291,260
Interest	930,489	-	930,489
Differences between expected and actual experience	493,199	-	493,199
Contributions—employer	-	794,967	(794,967)
Net investment income	-	95,863	(95,863)
Benefit payments, including refunds of employee contributions	(600,440)	(600,440)	-
Administrative expense	-	(20,158)	20,158
Net changes	<u>1,114,508</u>	<u>270,232</u>	<u>844,276</u>
Balances at September 30, 2015	<u>\$ 13,421,042</u>	<u>\$ 9,390,806</u>	<u>\$ 4,030,236</u>

Sensitivity of the Net Pension Asset/Liability to Changes in the Discount Rate. The following presents what the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.75 percent) or one percentage-point higher (8.75 percent) than the current rate:

	<u>Discount Rate</u>	<u>Net Pension Liability (Asset)</u>
1% decrease	6.75%	\$ 6,016,168
Current discount rate	7.75%	4,030,236
1% increase	8.75%	2,399,801

Plan Fiduciary Net Position. Detailed information about the Plan's fiduciary net position is available in the separately issued Georgia Municipal Employees Benefit System financial report.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

8. Pension Plans (continued)

Other Plans

In addition to the plan above, various City employees are also covered under the Peace Officers' Annuity and Benefit Fund of Georgia and the Georgia Firefighters' Pension Fund. Further information regarding these plans can be obtained from the plans' annual reports.

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 pension plans. The Plans are administered by Newport Group, 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, 2016, there were 5, 1 and 6 plan members, in the respective plans.

Employees are not required to contribute to the Plans. Employees may contribute a portion of their gross salary, not to exceed the IRS guidelines, into the Plans. The Plans allow employees to increase, decrease, stop, and restart deferrals as often as they wish without penalties or fees. Total employee contributions for the fiscal year ended September 30, 2016 were \$5,395, \$100, and \$8,816, respectively.

10. Defined Contribution Plan

Effective May 1, 2013, the City of Canton created a 457(b) Plan (the "Plan") which is a defined contribution pension plan. The Plan is administered by Edward Jones for all full time employees hired after May 1, 2013. Plan provisions and contribution requirements are established and may be amended by the City's Council. At September 30, 2016, there were 26 members in the plan. Employees are vested immediately upon entrance into the plan and are not required to contribute to the Plans. Employees may contribute a portion of their gross salary, not to exceed the IRS guidelines, into the Plan. The City will match up to 2% of the employee contributions. Total employee contributions for the fiscal year ended September 30, 2016 were \$31,502. Total employer match contributions for the fiscal year ended September 30, 2016 were \$17,229.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

11. Joint Venture

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

12. Related Organizations

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

13. Risk Management

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

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.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

13. Risk Management (continued)

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

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

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

14. Commitments and Contingencies

Litigation

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

Contractual Commitments

For the fiscal year ended September 30, 2016, contractual commitments on uncompleted contracts were \$3,074,717.

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.

CITY OF CANTON, GEORGIA
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

15. Hotel/Motel Lodging Tax

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 8%. Revenues were \$561,935 for the year ended September 30, 2016. Of this amount, 81%, or \$456,058, was expended. Expenditures of the tax were used to promote tourism, conventions, and trade shows and for tourism product development projects as required by O.C.G.A. 48-13-51.

16. Deficit Equity Balances

At September 30, 2016, the Road and Sidewalk Fund has a deficit fund balance of \$137,677. This is due to the payment of services in advance of grant receipts. The City plans to liquidate this deficit fund balance through future revenue recognition.

17. Net Investment in Capital Assets

The net investment in capital assets reported on the government-wide statement of net position is calculated as follows for the year ended September 30, 2016:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Cost of capital assets	\$ 104,122,089	\$ 99,206,509
Accumulated depreciation	(31,057,678)	(23,981,725)
Book value	73,064,411	75,224,784
Capital-related accounts payable	(114,074)	(1,135,164)
Retainages payable	-	(568,556)
Notes payable	(600,000)	(9,871,329)
Bonds payable	(25,788,589)	(1,786,760)
Net investment in capital assets	<u>\$ 46,561,748</u>	<u>\$ 61,862,975</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANTON, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended September 30, 2016

	Budget		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,843,100	\$ 9,843,100	\$ 9,826,254	\$ (16,846)
Licenses and permits	1,063,500	1,063,500	1,463,623	400,123
Fines and forfeitures	840,000	840,000	652,546	(187,454)
Charges for services	103,470	103,470	255,711	152,241
Intergovernmental	116,900	116,900	666,532	549,632
Interest	600	600	250	(350)
Contributions	28,100	28,100	30,284	2,184
Other	65,600	65,600	61,536	(4,064)
Total revenues	12,061,270	12,061,270	12,956,736	895,466
EXPENDITURES				
Current				
General government				
City council	103,189	103,189	100,291	2,898
City clerk	95,620	95,970	88,921	7,049
Mayor	17,541	17,541	13,229	4,312
City manager	157,884	167,584	172,524	(4,940)
Elections	15,500	15,500	9,714	5,786
General administration	216,637	216,637	195,087	21,550
Financial administration	159,095	160,395	163,512	(3,117)
Tax collections	89,492	89,492	80,696	8,796
Human resources	116,245	120,273	121,313	(1,040)
General government buildings	307,067	307,067	236,748	70,319
Communications and outreach	-	75,000	21,196	53,804
Technology	302,855	306,555	296,570	9,985
Judicial				
Municipal court	312,455	312,455	301,967	10,488
Public safety				
Police	4,645,325	4,702,325	4,586,965	115,360
Fire	2,637,480	2,637,480	2,625,434	12,046
Public works				
Engineering	132,888	132,888	122,709	10,179
Streets	1,533,704	1,533,704	1,476,052	57,652
Culture and recreation				
Theater	-	60,000	57,509	2,491
Recreation	804,360	804,360	635,518	168,842
Library	30,000	30,000	30,000	-
Housing and development				
Building inspection	471,490	471,490	458,280	13,210
Planning and zoning	375,946	376,946	361,596	15,350
Code enforcement	144,855	144,855	120,471	24,384
Economic development	90,035	90,035	83,388	6,647
Special events	89,127	90,227	85,348	4,879
Total expenditures	12,848,790	13,061,968	12,445,038	616,930
Excess (deficiency) of revenues over (under) expenditures	(787,520)	(1,000,698)	511,698	1,512,396

CITY OF CANTON, GEORGIA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended September 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Other financing sources (uses)				
Transfers in	\$ 325,000	\$ 460,000	\$ 429,972	\$ (30,028)
Transfers out	(420,140)	(420,140)	(418,661)	1,479
Proceeds from sales of capital assets	27,500	27,500	11,966	(15,534)
Contingency	(320,000)	(241,822)	-	241,822
Total other financing sources (uses)	<u>(387,640)</u>	<u>(174,462)</u>	<u>23,277</u>	<u>197,739</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,175,160)	(1,175,160)	534,975	1,710,135
Fund balances, October 1	<u>1,175,160</u>	<u>1,175,160</u>	<u>5,773,090</u>	<u>4,597,930</u>
Fund balances, September 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 6,308,065</u></u>	<u><u>\$ 6,308,065</u></u>

CITY OF CANTON, GEORGIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY (ASSET) AND RELATED RATIOS
LAST TEN FISCAL YEARS
September 30, 2016
(Unaudited)

	<u>Fiscal Year End</u>	
	<u>2016</u>	<u>2015</u>
Total pension liability		
Service cost	\$ 291,260	\$ 391,616
Interest	930,489	899,199
Differences between expected and actual experience	493,199	(195,212)
Changes of assumptions	-	(126,858)
Benefit payments, including refunds of employee contributions	<u>(600,440)</u>	<u>(529,559)</u>
Net change in total pension liability	1,114,508	439,186
Total pension liability - beginning	<u>12,306,534</u>	<u>11,867,348</u>
Total pension liability - ending (a)	<u><u>\$ 13,421,042</u></u>	<u><u>\$ 12,306,534</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 794,967	\$ 785,899
Net investment income	95,863	917,551
Benefit payments, including refunds of employee contributions	(600,440)	(529,559)
Administrative expense	<u>(20,158)</u>	<u>(15,482)</u>
Net change in total pension liability	270,232	1,158,409
Plan fiduciary net position - beginning	<u>9,120,574</u>	<u>7,962,165</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 9,390,806</u></u>	<u><u>\$ 9,120,574</u></u>
Net pension liability (asset) - ending : (a) - (b)	<u><u>\$ 4,030,236</u></u>	<u><u>\$ 3,185,960</u></u>
Plan's fiduciary net position as a percentage of the total pension liability	69.97%	74.11%
Covered-employee payroll	\$ 4,882,258	\$ 4,523,675
Net pension liability as a percentage of covered-employee payroll	82.55%	70.43%

Note: Fiscal year 2015 was the first year of implementation. Therefore, only two years are reported.

CITY OF CANTON, GEORGIA
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS
September 30, 2016
(Unaudited)

	<u>Fiscal Year End</u>	
	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 638,885	\$ 794,967
Contributions in relation to the actuarially determined contribution	<u>(638,885)</u>	<u>(794,967)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 4,882,258	\$ 4,523,675
Contributions as a percentage of covered-employee payroll	13.09%	17.57%

Note: Fiscal year 2015 was the first year of implementation. Therefore, only two years are reported.

CITY OF CANTON, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2016

1. Valuation Date

The actuarially determined contribution rate was determined as of January 1, 2016, with an interest adjustment to the fiscal year. Contributions in relation to this actuarially determined contribution rate will be reported for the fiscal year ending September 30, 2017.

2. Methods and Assumptions Used to Determine Contribution Rates

Actuarial cost method = Projected unit credit

Amortization method = Closed level dollar for remaining unfunded liability

Remaining amortization period = Remaining amortization period varies for the bases, with a net effective amortization period of 10 years

Asset valuation method = Sum of actuarial value at beginning of year and the cash flow during the year plus the assumed investment return, adjusted by 10% of the amount that the value exceeds or is less than the market value at end of year. The actuarial value is adjusted, if necessary, to be within 20% of market value.

Net investment rate of return = 7.75%

Projected salary increases = 3.25% plus service based merit increases

Cost of living adjustments = 0.00%

Retirement age for inactive vested participants = 65

Mortality = Healthy mortality rates were based on the RP-2000 Combined Healthy Mortality Table with sex-distinct rates, set forward two years for males and on year for females. Disabled mortality rates were based on the RP-2000 Disabled Retiree Mortality Table with sex-distinct rates.

CITY OF CANTON, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2016

3. Changes in Benefits

Effective January 1, 2015, the Plan was amended to provide for immediate participation for Employees. This change has no impact on service credited under the Plan and has no impact on benefits.

4. Changes of Assumptions

As a result of the new administrative fee structure approved by the Board, the administrative expense assumption was updated for fiscal years beginning in 2016.

As a result of the plan change to provide immediate participation for Employees, for the fiscal year ending in 2015, the eligibility assumption has been changed from one year to immediate. The increase in the plan's net pension liability is minimal and has been included in the differences between expected and actuarial experience.

Amounts reported for the fiscal year ending in 2015 and later reflect the following assumption changes approved by the Board in December 2014 based on the results of an actuarial experience study covering the period of January 1, 2010 to June 30, 2014:

The mortality table for disabled participants was changed to remove the two-year set-forward for males and the one-year set-forward for females.

The turnover rates were updated to introduce select rates for service less than five years and to reduce the ultimate rate by 15% and to assume no turnover on and after age 55. The select period rates were further constrained to not be less than the ultimate rates.

The retirement rates where normal retirement is only available on or after age 65 were changed from the prior assumption of 100% at age 65 to the new assumption of 60% at ages 65 to 69 and 100% at age 70. Where normal retirement is available prior to age 65, the rates were changed from the prior assumption of 100% at earliest unreduced age, but not below age 60, to the new assumption of 10% at ages 55 to 59, 20% at age 60, 25% at age 61, 35% at age 62, 40% at age 63, 45% at age 64, 50% at ages 65 to 69, and 100% at age 70.

CITY OF CANTON, GEORGIA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
September 30, 2016

4. Changes of Assumptions (continued)

The inflation assumption was decreased from 3.50% to 3.25%.

The salary increase assumption was changed from select period rates during the first five years of service, followed by age-related rates to an assumption based on new service-related rates. Under the prior assumption, the salary increases range from 4.00% to 11.00% and include an inflation assumption of 3.50%. Under the new assumption, the salary increases range from 3.75% to 8.00% and include an inflation assumption of 3.25%.

NONMAJOR GOVERNMENTAL FUNDS

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

Rental Car Tax Fund – To account for the rental car tax levied in the City, as restricted by state law.

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

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

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

**CITY OF CANTON, GEORGIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2016**

	Special Revenue			Debt Service	Capital Projects	Total Nonmajor Governmental Funds
	Hotel/Motel Tax	Rental Car Tax	Confiscated Assets	Urban Redevelopment Agency	Impact Fees	
ASSETS						
Cash and cash equivalents	\$ 320,942	\$ 28,685	\$ 27,117	\$ -	\$ 2,131,717	\$ 2,508,461
Taxes receivable	50,714	6,976	-	-	-	57,690
Due from other funds	-	49,954	-	-	55,126	105,080
Total assets	<u>\$ 371,656</u>	<u>\$ 85,615</u>	<u>\$ 27,117</u>	<u>\$ -</u>	<u>\$ 2,186,843</u>	<u>\$ 2,671,231</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 33,715	\$ 33,715
Total liabilities	-	-	-	-	33,715	33,715
Fund balances						
Restricted for:						
Police equipment	-	-	27,117	-	-	27,117
Capital outlay	-	85,615	-	-	2,153,128	2,238,743
Assigned to:						
Tourism	270,206	-	-	-	-	270,206
Subsequent year's budget	101,450	-	-	-	-	101,450
Total fund balances	<u>371,656</u>	<u>85,615</u>	<u>27,117</u>	<u>-</u>	<u>2,153,128</u>	<u>2,637,516</u>
Total liabilities and fund balances	<u>\$ 371,656</u>	<u>\$ 85,615</u>	<u>\$ 27,117</u>	<u>\$ -</u>	<u>\$ 2,186,843</u>	<u>\$ 2,671,231</u>

CITY OF CANTON, GEORGIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the fiscal year ended September 30, 2016

	<u>Special Revenue</u>			<u>Debt Service</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Hotel/Motel Tax</u>	<u>Rental Car Tax</u>	<u>Confiscated Assets</u>	<u>Urban Redevelopment Agency</u>	<u>Impact Fees</u>	
REVENUES						
Taxes	\$ 561,935	\$ 81,599	\$ -	\$ -	\$ -	\$ 643,534
Fines and forfeitures	-	-	19,503	-	-	19,503
Charges for services	-	-	-	-	1,509,444	1,509,444
Interest	55	6	220	-	399	680
Total revenues	<u>561,990</u>	<u>81,605</u>	<u>19,723</u>	<u>-</u>	<u>1,509,843</u>	<u>2,173,161</u>
EXPENDITURES						
Current						
Public safety	-	-	18,808	-	-	18,808
Culture and recreation	10,000	-	-	-	-	10,000
Housing and development	241,086	20,000	-	-	-	261,086
Capital outlay	-	-	-	-	639,085	639,085
Debt service						
Principal	-	-	-	116,511	-	116,511
Interest	-	-	-	2,150	-	2,150
Total expenditures	<u>251,086</u>	<u>20,000</u>	<u>18,808</u>	<u>118,661</u>	<u>639,085</u>	<u>1,047,640</u>
Excess (deficiency) of revenues over (under) expenditures	<u>310,904</u>	<u>61,605</u>	<u>915</u>	<u>(118,661)</u>	<u>870,758</u>	<u>1,125,521</u>
Other financing sources (uses)						
Transfers in	-	-	-	118,661	-	118,661
Transfers out	(204,972)	(25,000)	-	-	(200,000)	(429,972)
Total other financing sources (uses)	<u>(204,972)</u>	<u>(25,000)</u>	<u>-</u>	<u>118,661</u>	<u>(200,000)</u>	<u>(311,311)</u>
Net change in fund balance	105,932	36,605	915	-	670,758	814,210
Fund balances, October 1	<u>265,724</u>	<u>49,010</u>	<u>26,202</u>	<u>-</u>	<u>1,482,370</u>	<u>1,823,306</u>
Fund balances, September 30	<u><u>\$ 371,656</u></u>	<u><u>\$ 85,615</u></u>	<u><u>\$ 27,117</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,153,128</u></u>	<u><u>\$ 2,637,516</u></u>

CITY OF CANTON, GEORGIA
HOTEL/MOTEL TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended September 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 405,000	\$ 480,000	\$ 561,935	\$ 81,935
Interest	100	100	55	(45)
Total revenues	<u>405,100</u>	<u>480,100</u>	<u>561,990</u>	<u>81,890</u>
EXPENDITURES				
Current				
Culture and recreation	30,000	25,000	10,000	15,000
Housing and development	-	308,750	241,086	67,664
Total expenditures	<u>30,000</u>	<u>333,750</u>	<u>251,086</u>	<u>82,664</u>
Excess (deficiency) of revenues over (under) expenditures	<u>375,100</u>	<u>146,350</u>	<u>310,904</u>	<u>164,554</u>
Other financing sources (uses)				
Transfers out	(120,000)	(255,000)	(204,972)	50,028
Contingency	(278,500)	-	-	-
Total other financing sources (uses)	<u>(398,500)</u>	<u>(255,000)</u>	<u>(204,972)</u>	<u>50,028</u>
Net change in fund balance	(23,400)	(108,650)	105,932	214,582
Fund balances, October 1	<u>23,400</u>	<u>108,650</u>	<u>265,724</u>	<u>157,074</u>
Fund balances, September 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 371,656</u></u>	<u><u>\$ 371,656</u></u>

CITY OF CANTON, GEORGIA
RENTAL CAR TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended September 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 50,000	\$ 50,000	\$ 81,599	\$ 31,599
Interest	-	-	6	6
Total revenues	<u>50,000</u>	<u>50,000</u>	<u>81,605</u>	<u>31,605</u>
EXPENDITURES				
Current				
Housing and development	60,000	60,000	20,000	40,000
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>20,000</u>	<u>40,000</u>
Excess (deficiency) of revenues over (under) expenditures	(10,000)	(10,000)	61,605	71,605
Other financing sources (uses)				
Transfers out	(25,000)	(25,000)	(25,000)	-
Net change in fund balance	(35,000)	(35,000)	36,605	71,605
Fund balances, October 1	35,000	35,000	49,010	14,010
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,615</u>	<u>\$ 85,615</u>

**CITY OF CANTON, GEORGIA
CONFISCATED ASSETS FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended September 30, 2016**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Fines and forfeitures	\$ 25,000	\$ 25,000	\$ 19,503	\$ (5,497)
Fines and forfeitures	-	-	220	220
Total revenues	<u>25,000</u>	<u>25,000</u>	<u>19,723</u>	<u>(5,277)</u>
EXPENDITURES				
Current				
Public safety	25,000	25,000	18,808	6,192
Total expenditures	<u>25,000</u>	<u>25,000</u>	<u>18,808</u>	<u>6,192</u>
Net change in fund balance	-	-	915	915
Fund balances, October 1	-	-	26,202	26,202
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,117</u>	<u>\$ 27,117</u>

**CITY OF CANTON, GEORGIA
 URBAN REDEVELOPMENT AGENCY
 SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET (GAAP) AND ACTUAL
 For the fiscal year ended September 30, 2016**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Debt service				
Principal	\$ 116,187	\$ 116,187	\$ 116,511	\$ (324)
Interest	951	951	2,150	(1,199)
Total expenditures	<u>117,138</u>	<u>117,138</u>	<u>118,661</u>	<u>(1,523)</u>
Excess (deficiency) of revenues over (under) expenditures	(117,138)	(117,138)	(118,661)	1,523
Other financing sources (uses)				
Transfers in	<u>117,138</u>	<u>117,138</u>	<u>118,661</u>	<u>1,523</u>
Net change in fund balance	-	-	-	-
Fund balances, October 1	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF CANTON, GEORGIA
CANTON BUILDING AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended September 30, 2016**

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Interest	\$ -	\$ -	\$ 546	\$ 546
Total revenues	<u>-</u>	<u>-</u>	<u>546</u>	<u>546</u>
EXPENDITURES				
Current				
General government	-	-	150	(150)
Debt service				
Principal	2,360,768	2,360,768	2,306,661	54,107
Interest	892,958	892,958	892,660	298
Total expenditures	<u>3,253,726</u>	<u>3,253,726</u>	<u>3,199,471</u>	<u>54,255</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,253,726)</u>	<u>(3,253,726)</u>	<u>(3,198,925)</u>	<u>54,801</u>
Other financing sources (uses)				
Transfers in	3,253,726	3,253,726	3,199,471	(54,255)
Transfers out	(371,825)	(371,825)	-	371,825
Total other financing sources (uses)	<u>2,881,901</u>	<u>2,881,901</u>	<u>3,199,471</u>	<u>317,570</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financig uses	<u>(371,825)</u>	<u>(371,825)</u>	<u>546</u>	<u>372,371</u>
Fund balances, October 1	<u>371,825</u>	<u>371,825</u>	<u>421,494</u>	<u>49,669</u>
Fund balances, September 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 422,040</u></u>	<u><u>\$ 422,040</u></u>

CITY OF CANTON, GEORGIA
ROAD & SIDEWALK FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended September 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 318,174	\$ 318,174
Interest	-	-	470	470
Total revenues	<u>-</u>	<u>-</u>	<u>318,644</u>	<u>318,644</u>
EXPENDITURES				
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	318,644	318,644
Other financing sources (uses)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	-	318,644	318,644
Fund balances, October 1	<u>-</u>	<u>-</u>	<u>(456,321)</u>	<u>(456,321)</u>
Fund balances, September 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (137,677)</u></u>	<u><u>\$ (137,677)</u></u>

CITY OF CANTON, GEORGIA
IMPACT FEES FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended September 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Charges for services	\$ 686,000	\$ 686,000	\$ 1,509,444	\$ 823,444
Interest	100	100	399	299
Total revenues	<u>686,100</u>	<u>686,100</u>	<u>1,509,843</u>	<u>823,743</u>
EXPENDITURES				
Current				
General government	20,000	20,000	-	20,000
Capital outlay	765,000	765,000	639,085	125,915
Total expenditures	<u>785,000</u>	<u>785,000</u>	<u>639,085</u>	<u>145,915</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(98,900)</u>	<u>(98,900)</u>	<u>870,758</u>	<u>969,658</u>
Other financing sources (uses)				
Transfers out	(180,000)	(180,000)	(200,000)	(20,000)
Contingency	(116,100)	(116,100)	-	116,100
Total other financing sources (uses)	<u>(296,100)</u>	<u>(296,100)</u>	<u>(200,000)</u>	<u>96,100</u>
Net change in fund balance	(395,000)	(395,000)	670,758	1,065,758
Fund balances, October 1	<u>395,000</u>	<u>395,000</u>	<u>1,482,370</u>	<u>1,087,370</u>
Fund balances, September 30	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,153,128</u></u>	<u><u>\$ 2,153,128</u></u>

CITY OF CANTON, GEORGIA
SPLOST VI FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
BUDGET (GAAP) AND ACTUAL
For the fiscal year ended September 30, 2016

	<u>Budget</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 3,439,000	\$ 3,439,000	\$ 3,542,361	\$ 103,361
Interest	500	500	619	119
Total revenues	<u>3,439,500</u>	<u>3,439,500</u>	<u>3,542,980</u>	<u>103,480</u>
EXPENDITURES				
Capital outlay	<u>2,553,000</u>	<u>2,553,000</u>	<u>2,248,989</u>	<u>304,011</u>
Total expenditures	<u>2,553,000</u>	<u>2,553,000</u>	<u>2,248,989</u>	<u>304,011</u>
Excess (deficiency) of revenues over (under) expenditures	<u>886,500</u>	<u>886,500</u>	<u>1,293,991</u>	<u>407,491</u>
Other financing sources (uses)				
Transfers out	(1,076,552)	(1,076,552)	(1,022,148)	54,404
Contingency	<u>(809,948)</u>	<u>(809,948)</u>	<u>-</u>	<u>809,948</u>
Total other financing sources (uses)	<u>(1,886,500)</u>	<u>(1,886,500)</u>	<u>(1,022,148)</u>	<u>864,352</u>
Net change in fund balance	(1,000,000)	(1,000,000)	271,843	1,271,843
Fund balances, October 1	<u>1,000,000</u>	<u>1,000,000</u>	<u>3,078,282</u>	<u>2,078,282</u>
Fund balances, September 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,350,125</u>	<u>\$ 3,350,125</u>

CITY OF CANTON, GEORGIA
SCHEDULE OF PROJECTS FINANCED WITH
SPECIAL PURPOSE LOCAL OPTION SALES TAX
For the fiscal year ended September 30, 2016

<u>Project</u>	<u>Estimated Cost *</u>		<u>Expenditures</u>		
	<u>Original</u>	<u>Current</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>
Special Purpose Local Option Sales Tax VI					
Transportation facilities and improvements	\$ 6,000,000	\$ 6,000,000	\$ 284,262	\$ 1,816,838	\$ 2,101,100
Parks and recreation facilities	4,800,000	4,800,000	2,401,140	812,943	3,214,083
General government buildings	2,300,000	2,300,000	1,867,251	39,500	1,906,751
Fire facilities and equipment	504,000	504,000	105,603	64,345	169,948
Water and wastewater facilities, equipment, and debt service	<u>3,700,000</u>	<u>3,700,000</u>	<u>2,275,898</u>	<u>348,500</u>	<u>2,624,398</u>
Total	<u>\$ 17,304,000</u>	<u>\$ 17,304,000</u>	<u>\$ 6,934,154</u>	3,082,126	<u>\$ 10,016,280</u>
				<u>189,011</u>	
					<u>\$ 3,271,137</u>

* Estimated cost represents the portion of these projects to be financed with Special Purpose Local Option Sales Tax. Actual costs that are in excess of these amounts have been financed through alternative funds.

FIDUCIARY FUNDS

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

CITY OF CANTON, GEORGIA
AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
For the fiscal year ended September 30, 2016

	<u>Balance October 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance September 30</u>
MUNICIPAL COURT				
ASSETS				
Cash	<u>\$ 279,694</u>	<u>\$ 1,092,167</u>	<u>\$ 993,240</u>	<u>\$ 378,621</u>
LIABILITIES				
Due to other agencies	<u>\$ 279,694</u>	<u>\$ 1,092,167</u>	<u>\$ 993,240</u>	<u>\$ 378,621</u>

STATISTICAL SECTION

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

Page

Financial Trends.....79

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

Revenue Capacity.....85

These schedules contain information to help the reader assess the City’s most significant local revenue sources.

Debt Capacity.....91

These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.

Demographic and Economic Information.....95

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

Operating Information.....97

These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial report for the relevant year.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental Activities										
Net investment in capital assets	\$ 46,561,748	\$ 44,299,505	\$ 38,812,866	\$ 36,831,450	\$ 26,232,067	\$ 24,508,669	\$ 23,904,711	\$ 26,397,902	\$ 22,643,905	\$ 25,233,848
Restricted	6,038,025	5,068,707	3,086,789	3,156,363	2,938,506	5,964,108	2,810,921	3,415,322	3,800,560	3,742,276
Unrestricted	5,089,659	4,277,567	6,590,833	4,735,840	4,920,568	156,447	2,563,739	2,035,811	709,265	970,752
Total Governmental Activities Net Position	\$ 57,689,432	\$ 53,645,779	\$ 48,490,488	\$ 44,723,653	\$ 34,091,141	\$ 30,629,224	\$ 29,279,371	\$ 31,849,035	\$ 27,153,730	\$ 29,946,876
Business-Type Activities										
Net investment in capital assets	\$ 61,862,975	\$ 58,518,430	\$ 57,544,016	\$ 56,846,436	\$ 55,535,009	\$ 54,825,600	\$ 53,870,920	\$ 52,591,378	\$ 49,922,585 ⁽¹⁾	\$ 28,272,392
Restricted	-	-	-	-	-	-	-	-	-	-
Unrestricted	6,274,126	4,576,064	2,300,567	(650,199)	(1,045,088)	(1,883,124)	(756,600)	(3,650,120)	(5,860,097) ⁽¹⁾	9,068,221
Total Business-Type Activities Net Position	\$ 68,137,101	\$ 63,094,494	\$ 59,844,583	\$ 56,196,237	\$ 54,489,921	\$ 52,942,476	\$ 53,114,320	\$ 48,941,258	\$ 44,062,488	\$ 37,340,613
Primary Government										
Net investment in capital assets	\$ 108,424,723	\$ 102,817,935	\$ 96,356,882	\$ 93,677,886	\$ 81,767,076	\$ 79,334,269	\$ 77,775,631	\$ 78,989,280	\$ 72,566,490	\$ 53,506,240
Restricted	6,038,025	5,068,707	3,086,789	3,156,363	2,938,506	5,964,108	2,810,921	3,415,322	3,800,560	3,742,276
Unrestricted	11,363,785	8,853,631	8,891,400	4,085,641	3,875,480	(1,726,677)	1,807,139	(1,614,309)	(5,150,832)	10,038,973
Total Primary Government Net Position	\$ 125,826,533	\$ 116,740,273	\$ 108,335,071	\$ 100,919,890	\$ 88,581,062	\$ 83,571,700	\$ 82,393,691	\$ 80,790,293	\$ 71,216,218	\$ 67,287,489

(1) In 2008, an asset was reclassified to capital assets resulting in an increase to net investment in capital assets and decrease to unrestricted net position.

CITY OF CANTON, GEORGIA
CHANGES IN NET POSITION
LAST TEN YEARS
(accrual basis of accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Expenses										
Governmental Activities:										
General Government	\$ 1,804,419	\$ 1,709,490	\$ 1,748,420	\$ 1,507,238	\$ 1,504,904	\$ 2,184,613	\$ 1,770,433	\$ 2,205,371	\$ 1,999,815	\$ 2,012,028
Judicial	296,899	269,211	242,114	208,200	209,558	214,862	224,185	207,879	219,639	255,742
Public Safety	7,155,912	6,063,933	6,014,650	5,468,895	5,612,547	5,097,691	5,347,017	5,189,142	5,750,262	5,039,785
Public Works	3,412,599	3,245,434	3,164,268	2,807,966	2,721,301	2,582,581	2,659,564	1,888,445	2,804,416	2,124,031
Culture and Recreation	1,701,152	1,459,587	1,306,108	1,244,573	1,225,648	1,190,642	1,270,290	1,151,561	880,616	918,519
Housing and Development	1,365,748	1,018,223	789,790	639,458	631,829	684,792	633,366	744,870 ⁽⁴⁾	2,053,150	1,483,555
Interest on Long-Term Debt	846,167	1,647,694	1,597,922	1,615,587	1,789,606	1,763,412	1,925,023	1,639,962	1,633,240	1,465,394
Total Governmental Activities Expenses	16,582,896	15,413,572	14,863,272	13,491,917	13,695,393	13,718,593	13,829,878	13,027,230	15,341,138	13,299,054
Business-Type Activities:										
Water and Sewer	6,418,716	6,028,552	5,967,045	5,711,115	6,176,379	6,406,500	5,941,837	5,618,888	6,217,761	5,589,256
Sanitation	1,105,557	1,074,321	1,057,845	977,147	968,295	1,022,298	1,068,407	1,062,946	1,047,868	991,360
Storm Water	510,696	512,440	457,493	929,564	544,969	610,232	389,054	842,291	-	-
Total Business-Type Activities Expenses	8,034,969	7,615,313	7,482,383	7,617,826	7,689,643	8,039,030	7,399,298	7,524,125	7,265,629	6,580,616
Total Primary Government Expenses	\$ 24,617,865	\$ 23,028,885	\$ 22,345,655	\$ 21,109,743	\$ 21,385,036	\$ 21,757,623	\$ 21,229,176	\$ 20,551,355	\$ 22,606,767	\$ 19,879,670
Program Revenues										
Governmental Activities:										
Charges for Services										
General government	\$ 346,199	\$ 308,953	\$ 295,201	\$ 659,647	\$ 202,179	\$ 489,700	\$ 433,567	\$ 494,699 ⁽⁵⁾	\$ 1,023,985 ⁽²⁾	\$ 345,985
Judicial	-	-	-	614,119	637,484	763,048	817,571	973,150	904,255 ⁽¹⁾	-
Public safety	742,301	884,435	774,880	74,301	38,940	42,267	37,424	86,379 ⁽⁵⁾	375,810 ⁽¹⁾	1,157,071
Public works	17,385	14,227	15,833	164,396	82,450	116,062	185,236	365,695 ⁽⁵⁾	823,787	1,364,589
Culture and recreation	60,004	4,750	-	160,531	80,266	38,053	103,524	95,947 ⁽⁵⁾	335,778	627,781
Housing and development	2,728,681	2,013,779	1,164,994	126,303	288,999	15,949	32,082	68,386 ⁽⁵⁾	199,067 ⁽²⁾	1,418,524
Operating Grants and Contributions	677,777	20,222	19,649	47,260	44,421	-	-	74,950	-	141,389
Capital Grants and Contributions	3,562,018	8,026,123	5,036,395	11,675,083	4,020,981	2,626,636	3,005,827	5,242,945 ⁽⁶⁾	3,135,718 ⁽³⁾	6,689,806
Total Government Activities Program Revenues	8,134,365	11,272,489	7,306,952	13,521,640	5,395,720	4,091,715	4,615,231	7,402,151	6,798,400	11,745,145
Business-Type Activities										
Charges for Services										
Water and Sewer	13,017,954	11,044,871	10,254,307	8,816,367	7,902,624	7,497,194	6,677,034	7,335,262	7,623,918	7,911,799
Sanitation	1,269,708	1,237,807	1,325,481	1,202,164	1,224,488	1,202,775	1,127,149	1,058,068	1,020,666	938,036
Storm Water	664,478	661,456	832,572	1,020,924	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	14,952,140	12,944,134	12,412,360	11,039,455	10,190,703	9,778,916	9,272,998	11,637,402	8,735,501	8,909,835
Total Primary Government Program Revenues	\$ 23,086,505	\$ 24,216,623	\$ 19,719,312	\$ 24,561,095	\$ 15,586,423	\$ 13,870,631	\$ 13,888,229	\$ 19,039,553	\$ 15,533,901	\$ 20,654,980

CITY OF CANTON, GEORGIA
CHANGES IN NET POSITION
LAST TEN YEARS
(accrual basis of accounting)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Net (Expense)/Revenues										
Governmental Activities	\$ (8,448,531)	\$ (4,141,083)	\$ (7,556,320)	\$ 29,723	\$ (8,299,673)	\$ (9,626,878)	\$ (9,214,647)	\$ (5,625,079)	\$ (8,542,738)	\$ (1,553,909)
Business-Type Activities	6,917,171	5,328,821	4,929,977	3,421,629	2,501,060	1,739,886	1,873,700	4,113,277	1,469,872	2,329,219
Total Primary Government Net Expense	<u>\$ (1,531,360)</u>	<u>\$ 1,187,738</u>	<u>\$ (2,626,343)</u>	<u>\$ 3,451,352</u>	<u>\$ (5,798,613)</u>	<u>\$ (7,886,992)</u>	<u>\$ (7,340,947)</u>	<u>\$ (1,511,802)</u>	<u>\$ (7,072,866)</u>	<u>\$ 775,310</u>
General Revenues and Other Changes to Net Assets										
Governmental Activities:										
Taxes										
Property taxes	\$ 5,118,477	\$ 5,094,580	\$ 5,275,824	\$ 5,117,545	\$ 5,117,028	\$ 5,283,793	\$ 5,663,145	\$ 5,045,129	\$ 4,937,763	\$ 4,028,723
Franchise taxes	1,924,471	1,934,924	1,725,865	1,453,402	2,096,968	1,658,358	1,463,563	1,489,987	1,566,062	1,314,142
Alcoholic beverage taxes	606,681	535,134	529,417	503,283	481,902	476,962	467,132	476,441	456,247	476,331
Insurance premium taxes	1,322,908	1,238,289	1,184,265	1,143,770	1,076,827 ⁽⁶⁾	414,989	427,411	431,459	421,365	405,196
Business occupation & other taxes	1,577,585	1,401,497	1,218,181	1,018,162	797,590	980,545	844,224	853,942	871,176	290,005
Sales and use taxes	-	-	-	-	-	-	- ⁽⁷⁾	1,982,521 ⁽⁵⁾	2,309,622 ⁽³⁾	690,314
Unrestricted investment earnings	1,946	9,689	2,677	6,047	10,005	28,473	45,880	92,966	300,721	515,217
Gain (loss) on sale of capital assets	1,257	20,475	14,474	23,378	10,324	-	-	-	23,130	-
Miscellaneous	61,536	99,051	83,419	87,035	152,365	118,883	127,507	54,228	109,877	-
Transfers in (out)	1,877,323	1,869,417	1,289,033	1,723,644	1,836,021	1,917,284	(2,296,435)	(106,289)	(5,246,371)	(12,287,329)
Total Governmental Activities	<u>12,492,184</u>	<u>12,203,056</u>	<u>11,323,155</u>	<u>11,076,266</u>	<u>11,579,030</u>	<u>10,879,287</u>	<u>6,742,427</u>	<u>10,320,384</u>	<u>5,749,592</u>	<u>(4,567,401)</u>
Business-Type Activities:										
Unrestricted investment earnings	2,759	3,109	7,402	17,268	11,665	5,554	2,927	2,077	5,632	108,845
Gain (loss) on sale of capital assets	-	-	-	-	-	-	-	-	-	-
Transfers in (out)	(1,877,323)	(1,869,417)	(1,289,033)	(1,723,644)	(1,836,021)	(1,917,284)	2,296,435	106,289	5,246,371	12,287,329
Total Business-Type Activities	<u>(1,874,564)</u>	<u>(1,866,308)</u>	<u>(1,281,631)</u>	<u>(1,706,376)</u>	<u>(1,824,356)</u>	<u>(1,911,730)</u>	<u>2,299,362</u>	<u>108,366</u>	<u>5,252,003</u>	<u>12,396,174</u>
Total Primary Government	<u>\$ 10,617,620</u>	<u>\$ 10,336,748</u>	<u>\$ 10,041,524</u>	<u>\$ 9,369,890</u>	<u>\$ 9,754,674</u>	<u>\$ 8,967,557</u>	<u>\$ 9,041,789</u>	<u>\$ 10,428,750</u>	<u>\$ 11,001,595</u>	<u>\$ 7,828,773</u>
Change in Net Position										
Governmental Activities	\$ 4,043,653	\$ 8,061,973	\$ 3,766,835	\$ 11,105,989	\$ 3,279,357	\$ 1,252,409	\$ (2,472,220)	\$ 4,695,305	\$ (2,793,146)	\$ (6,121,310)
Business-Type Activities	5,042,607	3,462,513	3,648,346	1,715,253	676,704	(171,844)	4,173,062	4,221,643	6,721,875	14,725,393
Total Primary Government	<u>\$ 9,086,260</u>	<u>\$ 11,524,486</u>	<u>\$ 7,415,181</u>	<u>\$ 12,821,242</u>	<u>\$ 3,956,061</u>	<u>\$ 1,080,565</u>	<u>\$ 1,700,842</u>	<u>\$ 8,916,948</u>	<u>\$ 3,928,729</u>	<u>\$ 8,604,083</u>

(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.

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

	2015	2014	2013	2012	2011 ⁽¹⁾	2010	2009	2008	2007	2006
General fund										
Nonspendable	\$ 19,861	\$ 518,595	\$ 796,107	\$ 796,474	\$ 1,157,606	\$ 1,272,079	\$ -	\$ -	\$ -	\$ -
Assigned	1,800,000	1,175,160	1,122,000	1,120,000	594,295	-	-	-	-	-
Unassigned	4,488,204	4,079,335	3,136,247	1,929,573	1,487,266	898,768	-	-	-	-
Reserved	-	-	-	-	-	-	159,641	142,690	148,252	130,191
Unreserved (deficit)	-	-	-	-	-	-	1,739,259	1,104,520	(53,994)	268,734
Total general fund	\$ 6,308,065	\$ 5,773,090	\$ 5,054,354	\$ 3,846,047	\$ 3,239,167	\$ 2,170,847	\$ 1,898,900	\$ 1,247,210	\$ 94,258	\$ 398,925
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 850	\$ -	\$ -	\$ -	\$ -	\$ -
Reserved	-	-	-	-	-	-	81,950	90,344	-	-
Restricted:										
Public safety	27,117	26,202	14,482	8,818	8,813	2,052	-	-	-	-
Culture and recreation	-	-	-	-	-	169,376	-	-	-	-
Capital projects	5,588,868	4,609,662	2,636,821	2,794,119	2,744,096	1,481,789	-	-	-	-
Tourism & Economic development	-	11,349	11,094	262,793	185,597	-	-	-	-	-
Debt service	422,040	421,494	424,392	3,038,078	3,101,377	3,427,914	-	-	-	-
Impact fee projects	-	-	-	-	-	882,977	-	-	-	-
Assigned	371,656	254,375	260,092	-	-	-	-	-	-	-
Unassigned	(137,677)	(456,321)	(288,849)	-	-	-	-	-	-	-
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	3,912,701	23,898	1,170,981	60,161
Capital projects funds	-	-	-	-	-	-	2,058,168	2,781,566	3,018,151	3,601,071
Total all other governmental funds	\$ 6,272,004	\$ 4,866,761	\$ 3,058,032	\$ 6,103,808	\$ 6,040,733	\$ 5,964,108	\$ 6,052,819	\$ 2,895,808	\$ 4,189,132	\$ 3,661,232

(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)

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Revenues										
Taxes	\$ 10,469,788	\$ 10,131,106	\$ 9,919,815	\$ 9,424,861	\$ 9,224,728	\$ 8,828,522	\$ 8,811,792	\$ 10,271,488	\$ 10,398,102 ⁽²⁾	\$ 7,277,384
Licenses and permits	1,463,623	1,596,034	814,087	655,506	440,336	380,463	424,019	485,694 ⁽⁴⁾	1,018,243	1,565,725
Intergovernmental	4,527,067	3,981,720	4,810,592	3,512,011	3,672,162	2,687,309	2,402,939	472,990 ⁽¹⁾	2,231,796 ⁽¹⁾	2,879,125
Fines and Forfeitures	672,049	876,128	864,813	612,828	646,314	766,347	806,541	984,754	888,543	812,693
Charges for Services	1,765,155	752,804	661,940	529,672	252,497	221,181	364,072	625,412 ⁽⁴⁾	1,740,184	2,404,294
Investment Income	2,565	10,140	3,869	7,904	13,227	34,028	45,880	92,966	300,721	515,217
Contributions and donations	30,284	20,222	19,649	47,260	69,421	-	-	138,663	557,347	3,952,380
Miscellaneous Revenues	61,536	99,051	83,419	87,035	152,365	219,270	131,249	79,725	131,524	100,374
Total Revenues	18,992,067	17,467,205	17,178,184	14,877,077	14,471,050	13,137,120	12,986,492	13,151,692	17,266,460	19,507,192
Expenditures										
Current:										
General government	1,499,951	1,543,959	1,501,750	1,380,095	1,541,226	1,953,515	1,598,827	1,348,214	1,700,648	1,904,713
Judicial	301,967	271,492	241,893	205,825	209,235	214,064	221,600	206,466	220,126	250,581
Public safety	7,231,207	6,256,936	5,783,330	5,320,347	5,093,861	5,055,717	5,040,076	4,747,256	5,468,985	5,510,749
Public works	1,598,761	1,752,543	1,584,472	1,476,734	1,365,223	2,117,668	1,424,508	821,866	1,535,290	1,262,309
Culture and recreation	733,027	676,815	598,564	561,607	535,770	449,578	496,988	417,608	591,834	605,316
Housing and development	1,370,169	1,228,388	791,371	635,678	631,154	683,522	617,920	720,353 ⁽⁵⁾	1,691,476	1,423,424
Capital Outlay	2,888,074	1,490,576	3,444,674	1,955,961	1,694,003	11,076	753,660	787,600 ⁽³⁾	3,654,500 ⁽³⁾	8,163,714
Debt Service:										
Principal	2,423,172	16,644,736	9,973,273	2,815,555	2,535,141	2,710,491	2,691,214	2,580,893	2,502,819	2,186,925
Interest	894,810	1,615,187	1,619,833	1,613,651	1,789,605	1,788,486	1,847,638	1,594,435	1,536,399	1,402,921
Issuance costs	-	-	-	-	-	-	214,250	-	55,000	-
Total Expenditures	\$ 18,941,138	\$ 31,480,632	\$ 25,539,160	\$ 15,965,453	\$ 15,395,218	\$ 14,984,117	\$ 14,906,681	\$ 13,224,691	\$ 18,957,077	\$ 22,710,652

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Excess of revenues over (under) expenditures	\$ 50,929	\$ (14,013,427)	\$ (8,360,976)	\$ (1,088,376)	\$ (924,168)	\$ (1,846,997)	\$ (1,920,189)	\$ (72,999)	\$ (1,690,617)	\$ (3,203,460)
Other financing sources (uses)										
Proceeds from capital leases	-	-	-	-	30,778	-	-	-	-	1,213,723
Issuance of long-term debt	-	14,651,000	5,220,000	-	-	-	8,000,000	-	7,860,000	-
Proceeds from sale of capital asse	11,966	20,475	14,474	34,687	19,754	17,291	23,539	38,915	37,067	30,554
Transfers to other funds	(1,870,781)	(2,303,943)	(2,822,720)	(2,904,896)	(3,301,373)	(3,799,479)	(5,543,769)	(4,671,799)	(17,575,261)	(38,453,337)
Transfers from other funds	3,748,104	4,173,360	4,111,753	4,628,540	5,137,394	5,716,763	3,247,334	4,565,510	12,328,890	26,166,008
Total other financing sources (uses)	<u>1,889,289</u>	<u>16,540,892</u>	<u>6,523,507</u>	<u>1,758,331</u>	<u>1,886,553</u>	<u>1,934,575</u>	<u>5,727,104</u>	<u>(67,374)</u>	<u>2,650,696</u>	<u>(11,043,052)</u>
Net change in fund balances	<u>\$ 1,940,218</u>	<u>\$ 2,527,465</u>	<u>\$ (1,837,469)</u>	<u>\$ 669,955</u>	<u>\$ 962,385</u>	<u>\$ 87,578</u>	<u>\$ 3,806,915</u>	<u>\$ (140,373)</u>	<u>\$ 960,079</u>	<u>\$ (14,246,512)</u>
Debt Service as a percentage of noncapital expenditures	21.89%	63.09%	53.13%	31.62%	31.56%	32.48%	32.07%	45.43%	26.40%	24.68%

(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

<u>Fiscal Year</u>	<u>Real Property Assessed Value</u>	<u>Personal Property Assessed Value</u>	<u>Total Assessed Value</u>	<u>Total District Tax Rate</u>	<u>Estimated Actual Value</u>	<u>Ratio of Total Assessed to Total Estimated Actual Value</u>
2007 (1)	583,154,134	46,877,412	630,031,546	6.256	1,575,078,865	40%
2008 (1)	708,537,395	69,362,697	777,900,092	5.970	1,944,750,230	40%
2009 (1)	738,218,959	68,149,455	806,368,414	5.950	2,015,921,035	40%
2010 (1)	717,924,959	68,817,871	786,742,830	6.800	1,966,857,075	40%
2011 (1)	649,873,414	74,033,636	723,907,050	6.800	1,809,767,625	40%
2012 (1)	597,204,100	69,446,843	666,650,943	6.800	1,666,627,358	40%
2013	549,429,951	61,056,347	610,486,298	6.800	1,526,215,745	40%
2014	554,351,771	61,834,724	616,186,495	6.800	1,540,466,238	40%
2015	612,939,501	66,550,855	679,490,356	6.196	1,698,725,890	40%
2016	675,865,104	66,698,082	742,563,186	5.850	1,856,407,965	40%

(1) Reassessments have resulted in the adjustment to assessed values after initial reporting.

Source: City of Canton Property Tax Billing Department

CITY OF CANTON, GEORGIA
PROPERTY TAX RATES - ALL OVERLAPPING GOVERNMENTS
(Per \$1,000 of Assessed Value)
LAST TEN YEARS

<u>Fiscal Year</u>	<u>City of Canton</u>	<u>Cherokee County BOC(1)</u>	<u>Cherokee County BOE(1)</u>	<u>State</u>	<u>Total Direct & Overlapping Rates</u>
2007	6.256	4.547	18.950	0.25	30.00
2008	5.970	4.400	18.850	0.25	29.47
2009	5.950	4.381	18.850	0.25	29.43
2010	6.800	4.961	18.850	0.25	30.86
2011	6.800	5.348	19.850	0.25	32.25
2012	6.800	6.006	19.850	0.25	32.91
2013	6.800	6.605	19.850	0.20	33.46
2014	6.800	6.574	19.850	0.15	33.37
2015	6.196	6.472	19.450	0.10	32.22
2016	5.850	6.464	19.450	0.05	31.81

(1) Source: Cherokee County Tax Commissioner's Office

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

<u>Taxpayer Name</u>	<u>2016</u>			<u>2007</u>		
	<u>Assessed Value</u>	<u>Rank</u>	<u>% Assessed</u>	<u>Assessed Value</u>	<u>Rank</u>	<u>% Assessed</u>
Cole Mt Canton Marketplace	\$ 23,057,520	1	3.11%	\$ -	-	-
DDRM Riverstone Plaza, LLC	11,997,040	2	1.62%	-	-	-
Universal Alloy Corporation	11,380,219	3	1.53%	-	-	-
Northside Hospital INC	10,720,200	4	1.44%	-	-	-
Wal-Mart	8,416,939	5	1.13%	9,705,543	3	1.91%
Target	8,111,594	6	1.09%	-	-	-
Walden Crossing, LLC	7,920,737	7	1.07%	6,871,925	5	1.35%
Canton Leased Housing	7,463,440	8	1.01%	-	-	-
Georgia Power Company	6,961,634	9	0.94%	4,331,313	10	0.85%
East Inwood- Heritage at Riverstone	6,104,000	10	0.82%	4,502,978	9	0.89%
Inland Southeast Riverstone, LLC	-	-	-	10,763,803	1	2.12%
Siemens Energy and Automation	-	-	-	9,809,067	2	1.93%
River Ridge of Canton, LP	-	-	-	7,618,921	4	1.50%
Piloax Corporation	-	-	-	5,108,933	6	1.01%
Inland Western Canton Paradise, LLC	-	-	-	4,920,290	7	0.97%
Home Depot	-	-	-	4,770,049	8	0.94%
Total	\$ 102,133,323		13.75%	\$ 68,402,822		13.47%

Source: City of Canton Property Tax Department.

**CITY OF CANTON, GEORGIA
TOP TEN WATER AND SEWER CUSTOMERS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

<u>Customer Name</u>	<u>Rank</u>	<u>Water Consumption</u>	<u>Water Revenue</u>	<u>Sewer Consumption</u>	<u>Sewer Revenue</u>	<u>Total Revenue</u>	<u>% of System</u>
Waleska Water*	1	73,027,260	\$ 171,614	-	-	\$ 171,614	1.67%
Northside Hospital - Cherokee	2	18,120,830	\$ 110,484	17,181,150	\$ 157,198	\$ 267,682	2.60%
River Ridge Apartments	3	16,477,000	\$ 100,559	15,530,000	\$ 142,724	\$ 243,283	2.37%
Cherokee Co. Board of Education	4	11,021,630	\$ 68,076	7,288,050	\$ 66,279	\$ 134,355	1.31%
Canterbury Ridge Apartments	5	10,725,650	\$ 65,533	10,631,150	\$ 97,704	\$ 163,236	1.59%
Alexander Ridge Apartments	6	10,351,900	\$ 63,449	10,351,900	\$ 95,137	\$ 158,586	1.54%
Canton Mill Lofts	7	10,063,000	\$ 61,522	10,057,500	\$ 92,432	\$ 153,954	1.50%
Walden Crossing Apartments	8	9,960,700	\$ 60,833	9,582,700	\$ 91,312	\$ 152,146	1.48%
Universal Alloy Corporation	9	9,202,600	\$ 56,491	8,956,850	\$ 82,317	\$ 138,808	1.35%
Laurels of Greenwood Apartments	10	8,331,400	\$ 50,974	8,331,400	\$ 76,569	\$ 127,543	1.24%

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, 2016**

Water Rates - Residential	<u>Rates</u>
First 2,000 gallons (minimum rate)	\$ 12.44
2,001 gallons to 10,000 gallons	\$ 6.10 per thousand gallons
10,001 gallons to 15,000 gallons	\$ 7.30 per thousand gallons
15,001 gallons and above	\$ 7.93 per thousand gallons
Water Rates - Irrigation	
First 2,000 gallons (minimum rate)	\$ 16.08
2,001 gallons and above	\$ 6.10 per thousand gallons
Water Rates - Commercial/Industrial	
First 2,000 gallons (minimum rate)	\$ 12.44
2,001 gallons and above	\$ 6.10 per thousand gallons
Sewer Rates	
First 2,000 gallons (minimum rate)	\$ 18.66
2,001 gallons and above	\$ 9.19 per thousand gallons

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

City of Waleska	Water	\$ 2.35 per thousand gallons
Hembree Water System	Water	\$ 2.35 per thousand gallons
Laurel Canyon Golf Club	Water	\$ 2.35 per thousand gallons
Cherokee County Water & Sewerage Authority	Sewer	\$ 4.11 per thousand gallons
City of Ball Ground	Sewer	\$ 4.11 per thousand gallons
Laurel Canyon Golf Club	Sewer	\$ 4.11 per thousand gallons

Source: City of Canton Utility Billing Department
Wholesale Water and Sewer rates were revised May 1, 2015.
Retail Water and Sewer rates were revised October 1, 2015.

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
2006	3,949,863	3,631,547	91.9%	318,316	3,949,863	100.00%
2007 (1)	4,439,469	4,365,324	98.3%	64,697	4,430,021	99.79%
2008 (1)	4,549,360	4,378,812	96.3%	156,489	4,535,301	99.69%
2009 (1)	5,213,667	4,809,024	92.2%	392,488	5,201,512	99.77%
2010 (1)	4,823,240	4,668,442	96.8%	147,943	4,816,385	99.86%
2011 (1)	4,534,547	4,454,464	98.2%	70,331	4,524,795	99.78%
2012 (1)	4,147,573	4,093,616	98.7%	50,922	4,144,538	99.93%
2013	4,187,281	4,088,417	97.6%	93,963	4,182,380	99.88%
2014	4,205,523	4,179,655	99.4%	13,829	4,193,485	99.71%
2015	4,341,432	4,303,258	99.1%	-	4,303,258	99.12%

(1) Significant reassessments 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

Fiscal Year	Governmental Activities(1)			Business-Type Activities(1)			Total Primary Government	Percentage	
	Bonds Payable	Notes Payable	Capital Leases	Revenue Bonds	GEFA Notes	Capital Leases		of Personal Income (2)	Per Capita (2)
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%	\$ 2,576.87
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	\$ 4,733,675	\$ 102,795	\$ 56,539,575	6.25%	\$ 2,450.46
2011	\$ 38,625,051	\$ 2,100,000	\$ 198,648	\$ 7,023,315	\$ 4,541,267	\$ 77,252	\$ 52,565,533	10.47%	\$ 2,289.64
2012	\$ 36,398,194	\$ 1,800,000	\$ 153,078	\$ 5,858,952	\$ 3,420,109	\$ 48,297	\$ 47,678,630	9.36%	\$ 2,039.29
2013	\$ 33,969,575	\$ 1,500,000	\$ 72,385	\$ 5,584,569	\$ 3,211,144	\$ 18,151	\$ 44,355,824	8.35%	\$ 1,864.40
2014	\$ 29,594,107	\$ 1,200,000	\$ -	\$ 4,323,403	\$ 3,667,757	\$ -	\$ 38,785,267	7.21%	\$ 1,608.35
2015	\$ 27,906,199	\$ 900,000	\$ -	\$ 2,988,971	\$ 6,444,124	\$ -	\$ 38,239,294	6.92%	\$ 1,541.84
2016	\$ 25,788,589	\$ 600,000	\$ -	\$ 1,786,760	\$ 9,871,329	\$ -	\$ 38,046,678	6.72%	\$ 1,493.84

(1) Details regarding the City's outstanding debt can be found in Note 7 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, 2016

	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of Canton*</u>	<u>Amount Aplicable to City of Canton</u>
City of Canton Direct Debt			
Governmental Bonds	\$ 25,788,589	100.00%	\$ 25,788,589
Notes Payable	600,000	100.00%	600,000
Total Direct Debt	<u>26,388,589</u>		<u>26,388,589</u>
Overlapping General Obligation Debt:			
Cherokee County 2009	33,548,319	8.71%	2,922,497
Cherokee County 2010	9,967,000	8.71%	868,256
Cherokee County 2011	6,380,000	8.71%	555,781
Cherokee County 2014	21,763,000	8.71%	1,895,842
Cherokee County Board of Education	407,665,000	8.71%	35,512,953
Other Overlapping Debt:			
Cherokee County Resource Recovery Development Authority	<u>15,955,901</u>	8.71%	<u>1,389,968</u>
Total Overlapping Debt	<u>495,279,220</u>		<u>43,145,297</u>
Total Direct and Overlapping Debt	<u>\$ 521,667,809</u>		<u>\$ 69,533,886</u>

Source: The overlapping debt numbers were obtained from Cherokee County's 2015 Comprehensive Annual Financial Report.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Canton, Georgia. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

*The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

**CITY OF CANTON, GEORGIA
LEGAL DEBT MARGIN
LAST TEN YEARS**

<u>Tax Year</u>	<u>Assessed Value of Tax Digest</u>	<u>General Bonded Debt Limit (10%)</u>	<u>Total Debt Applicable to Limit*</u>	<u>Legal Debt Margin</u>	<u>Total Net Applicable Debt as a % of Debt Limit</u>
2006	\$ 630,031,546	\$ 63,003,155	\$ -	\$ 63,003,155	0.00%
2007	\$ 864,909,941	\$ 86,490,994	\$ -	\$ 86,490,994	0.00%
2008	\$ 921,939,708	\$ 92,193,971	\$ -	\$ 92,193,971	0.00%
2009	\$ 916,115,246	\$ 91,611,525	\$ -	\$ 91,611,525	0.00%
2010	\$ 848,598,765	\$ 84,859,877	\$ -	\$ 84,859,877	0.00%
2011	\$ 811,489,994	\$ 81,148,999	\$ -	\$ 81,148,999	0.00%
2012	\$ 742,705,539	\$ 74,270,554	\$ -	\$ 74,270,554	0.00%
2013	\$ 763,972,995	\$ 76,397,300	\$ -	\$ 76,397,300	0.00%
2014	\$ 839,064,799	\$ 83,906,480	\$ -	\$ 83,906,480	0.00%
2015	\$ 914,480,172	\$ 91,448,017	\$ -	\$ 91,448,017	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.

*The City of Canton does not have debt applicable to the limit.

**CITY OF CANTON, GEORGIA
UTILITY REVENUE BOND COVERAGE
LAST TEN YEARS**

Fiscal Year	Water & Sewer Revenue	Operating Expenses*	Net Revenue Available for Debt Service	Debt Service Requirements			Bond Coverage
				Principal	Interest	Total	
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
2013	\$ 8,816,367	\$ 3,835,263	\$ 4,981,104	\$ 1,204,587	\$ 259,347	\$ 1,463,934	3.40
2014	\$ 10,254,307	\$ 3,965,811	\$ 6,288,496	\$ 1,267,764	\$ 195,458	\$ 1,463,222	4.30
2015	\$ 11,044,871	\$ 4,058,934	\$ 6,985,937	\$ 1,338,991	\$ 125,475	\$ 1,464,466	4.77
2016	\$ 13,017,954	\$ 4,481,619	\$ 8,536,335	\$ 1,202,813	\$ 66,326	\$ 1,269,139	6.73

*Operating expenses do not include depreciation or interest.

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

<u>Fiscal Year</u>	<u>Population ⁽¹⁾</u>	<u>Personal Income</u>	<u>Per Capita Personal Income ⁽¹⁾</u>	<u>Median Age ⁽¹⁾</u>	<u>School Enrollment ⁽³⁾</u>	<u>Unemployment Rate ⁽²⁾ %</u>
2007	19,553	\$ 632,695,974	\$ 32,358	36.80	4,616	4.4
2008	21,464	\$ 704,834,832	\$ 32,838	36.80	5,091	8.5
2009	22,724	\$ 791,204,232	\$ 34,818	28.00	5,199	10.3
2010	23,073	\$ 904,553,892	\$ 39,204	34.00	5,269	9.1
2011	22,958	\$ 501,999,628 ⁽⁴⁾	\$ 21,866	30.60	4,487	8.9
2012	23,380	\$ 509,613,860	\$ 21,797	32.00	5,414	6.4
2013	23,791	\$ 531,253,030	\$ 22,330	36.01	5,663	5.6
2014	24,115	\$ 537,571,580	\$ 22,292	32.90	6,247	5.2
2015	24,801	\$ 552,442,275	\$ 22,275	34.50	6,448	5.1
2016	25,469	\$ 565,921,180	\$ 22,220	33.70	6,860	4.1

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**

<u>Employer</u>	<u>2016</u>			<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Employees ⁽¹⁾</u>	<u>Rank</u>	<u>% of Total City Employment</u>
Northside Hospital - Cherokee	1,682	1	14.83%	500	2	12.28%
Cherokee County Board of Education	899	2	7.93%	720	1	17.68%
Cherokee County Board of Commissioners	423	3	3.73%	349	4	8.57%
Publix Super Markets (3 Locations)	315	4	2.78%	197	7	4.84%
Wal-Mart Associates, Inc.	288	5	2.54%	368	3	9.04%
Universal Alloy Corporation	269	6	2.37%	280	5	6.88%
Piolax Corporation	226	7	1.99%	250	6	6.14%
Target	172	8	1.52%			
City of Canton	144	9	1.27%	150	8	3.93%
Lowe's	129	10	1.14%			
Home Depot				149	9	3.68%
Morrison Products				100	10	2.46%
	4,547		40.09%	3,063		75.50%

(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.

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

<u>Function/Program</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
General government										
Management	10	9	9	9	9	5	5	5	6	4
Finance	4	4	4	4	5	4	4	3	3	4
Technology	2	2	2	2	2	2	2	2	1	1
Judicial										
Municipal court	3	2	2	2	2	2	2	2	2	2
Public safety										
Police officers	43	41	41	33	37	39	39	42	41	38
Police administration	8	8	9	9	6	9	9	9	10	10
Firefighters	30	24	21	21	21	22	22	23	25	30
Fire administration	3	3	5	5	5	5	5	5	3	3
Public works										
Engineering	3	4	4	4	4	3	3	3	3	-
Streets	19	16	16	15	15	18	15	14	18	20
Culture and recreation										
Parks	4	4	4	5	5	4	4	4	4	6
Housing and development										
Building	5	5	3	3	3	3	3	3	7	11
Planning and zoning	2	2	2	2	2	1	2	2	2	7
Economic development	2	2	2	1	1	1	1	1	1	1
Transit	-	-	-	-	-	-	-	-	-	7
Utilities										
Sanitation roll-off site	1	1	1	1	1	1	1	1	1	2
Water administration	5	5	5	3	5	4	4	4	4	4
Total	144	132	130	119	123	123	121	123	131	150

Source: Various City Departments

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

<u>Function/Program</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Police:										
Physical Arrests	1,205	1,086	1,103	909	796	1,094	1,160	1,291	1,291	1,479
Parking Violations	138	1,239	1,718	233	1,213	1,639	1,635	1,722	2,521	3,077
Traffic Violations	4,162	5,107	7,616	6,508	4,377	6,792	8,898	9,338	8,057	11,472
Fire										
Emergency Responses	2,945	3,847	2,815	2,914	2,954	2,848	1,869	2,686	2,706	2,737
Fires Extinguished	52	93	73	94	88	33	115	93	108	87
Public Works										
Streets/Sidewalks Repaired	147	85	135	100	108	125	139	132	125	223
Signs Installed/Replaced	112	106	320	70	44	94	90	93	196	194
Trees Cut/Miscellaneous	724	684	340	324	304	191	294	262	225	366
Water										
New Connections*	377	374	221	75	113	19	63	57	127	561
Average Daily Consumption (Million Gallons Daily)	3.03	2.91	2.72	2.52	2.65	2.85	2.986	2.47	2.330	2.710
Transit										
Total Route Miles	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	100,512
Passengers	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	60,258

N/A - Information not available for this operating indicator

*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).

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

<u>Function/Program</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	42	39	36	35	34	34	34	34	27	33
Fire										
Fire Stations	2	2	2	2	2	2	2	2	2	2
Pumper Trucks	4	4	4	4	4	4	4	5	5	5
Ladder Truck	1	1	1	1	1	1	1	1	1	1
Platform Truck	1	1	1	1	1	1	1	1	1	1
Public Works										
Streets (miles)	127	123	123	123	122	92	144	143	143	142
Sidewalks (miles)	19	19	19	19	19	21	21	21	21	20
Parks & Recreation										
Acreage of Parks	246	173	173	173	173	173	171	171	170	170
Playgrounds	5	5	5	5	4	4	4	4	4	4
Baseball Fields	5	5	5	5	5	5	5	5	5	5
Soccer Fields	5	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	1	1	1
Water										
Water Mains (miles)	145	140	140	140	137	137	137	137	137	137
Water Plant Capacity (million gallons daily)	5.45	5.45	5.45	5.45	5.45	5.45	5.45	5.45	5.45	5.45
Sewer										
Sanitary Sewer Mains (miles)	110	103	92	85	79	79	79	79	79	79
Sewer Plant Capacity (million gallons daily)	4	4	4	4	4	4	4	4	4	4
Transit										
Buses	0	0	0	0	0	0	0	0	0	5
Trolley	0	0	0	0	0	0	0	0	0	1

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

COMPLIANCE SECTION

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**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***

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

We have audited, 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, 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, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Canton, Georgia's basic financial statements and have issued our report thereon dated March 20, 2017.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Canton, Georgia's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 of Canton's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Canton's internal control.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described as 2016-001 in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Canton, Georgia's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

City of Canton, Georgia's Response to Findings

The City of Canton, Georgia's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Canton, Georgia's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Canton, Georgia's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rushton & Company, LLC

Certified Public Accountants
Gainesville, Georgia
March 20, 2017

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited City of Canton, Georgia's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Canton, Georgia's major federal programs for the year ended September 30, 2016. City of Canton, Georgia's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Canton, Georgia's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 City of Canton, Georgia'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 on compliance for each major federal program. However, our audit does not provide a legal determination on City of Canton, Georgia's compliance.

Opinion on Each Major Federal Program

In our opinion, City of Canton, Georgia complied, in all material respects, with the types of 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, 2016.

Report on Internal Control over Compliance

Management of City of Canton, Georgia is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Canton, Georgia's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 City of Canton, Georgia'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. A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rushton & Company, LLC

Certified Public Accountants
Gainesville, Georgia
March 20, 2017

CITY OF CANTON, GEORGIA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended September 30, 2016

<u>Federal Grant/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Justice</u>			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 5,621
<u>U.S. Department of Transportation</u>			
Passed through the Atlanta Regional Commission Highway Planning and Construction	20.205	1518	82,931
<u>U.S. Environmental Protection Agency</u>			
Passed through the Georgia Environmental Finance Authority Capitalization Grants for Clean Water State Revolving Funds	66.458	CWSRF 12-012	<u>3,693,850</u>
Total Federal Awards			<u><u>\$ 3,782,402</u></u>

See accompanying notes to the schedule of expenditures of federal awards and the schedule of findings and questioned costs.

CITY OF CANTON, GEORGIA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
September 30, 2016

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the City of Canton, Georgia, under programs for the federal government for the fiscal year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because this schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. De Minimis Indirect Cost Rate

The City of Canton, Georgia has elected not to use the 10-percent *de minimis* indirect cost rate allowed under the Uniform Guidance.

CITY OF CANTON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year ended September 30, 2016

1. Summary of the Auditor's Results

A. Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

B. Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	None noted
Significant deficiency(ies) identified not considered material weaknesses?	None noted
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	None noted
Identification of major programs:	
66.458 Capitalization Grants for Clean Water State Revolving Funds	
Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

CITY OF CANTON, GEORGIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year ended September 30, 2016

2. Financial Statement Findings

A. Current Year Audit Findings

2016-001

Condition: The City lacks adequate segregation of duties due to the limited number of staff in the various offices.

Criteria: Segregation of employees' 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 and cash disbursements) are separated among different individuals to significantly reduce the risk that any one individual could intentionally or unintentionally misappropriate assets.

Effect: Failure to maintain adequate segregation of duties exposes the assets of the City to greater risk of misappropriation.

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

Management Response: Management concurs with this finding. The Chief Financial Officer will review the policies and procedures to determine the most efficient and effective solution to properly segregate duties.

B. Prior Year Audit Findings Follow-Ups

2015-1

Condition: The City lacks adequate segregation of duties due to the limited number of staff in the various offices.

Not Corrected

3. Federal Award Findings and Questioned Costs

None reported