

**CITY OF CANTON, GEORGIA**

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FOR THE FISCAL YEAR ENDED**  
**SEPTEMBER 30, 2009**

Submitted By:  
Finance Department

Robert H. Logan, CPA  
Chief Financial Officer

**CITY OF CANTON, GEORGIA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**SEPTEMBER 30, 2009**

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# City of Canton

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Canton GA 30114  
Phone 770-704-1500  
Fax 770-704-1538  
[www.canton-georgia.com](http://www.canton-georgia.com)

Pat Tanner Ward I, *City Council*  
Jo Ellen Wilson Ward I, *City Council*  
Jack Goodwin Ward II, *City Council*  
Bill Bryan Ward II, *City Council*  
Lester Cantrell Ward III, *City Council*  
Amelia Rose III, *City Council*

February 24, 2010

## TRANSMITTAL

To the Citizens of the City of Canton:

The Comprehensive Annual Financial Report of the City of Canton, Georgia for the fiscal year ended September 30, 2009, is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City. We believe the data, as presented, is accurate in all material respects; that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and that disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

## PROFILE

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

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

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

## ECONOMIC CONDITION AND OUTLOOK

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

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

<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	6,959	5.5
2009	21,464	10.5

\*Information received from Atlanta Regional Commission

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

### Improved Transportation System

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

### Increased Job Opportunities

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

### Water and Sewer Availability

The City of Canton sewer system has approximately 2,000,000 gallons in excess sewer capacity per day, which is an asset in encouraging growth and development in the City. The City recently completed a project to upgrade the water treatment and distribution system of the City. The water capacity is currently 5.45 million gallons per day and sewer capacity is 4.00 million gallons per day.

The second phase of the City of Canton Water Pollution Control Plant expansion will increase the sewer treatment capacity to 8.0 million gallons daily. Phase two engineering and design began in 2009.

#### Availability of Large Tracts of Land

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

#### Recent Economic Development

Technology Park/Atlanta, Inc. plans to construct 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 ten-year build out, the park is projected to produce approximately 15,000 new jobs. The City of Canton completed the Bluffs Parkway which bisects the high-tech park during fiscal year 2004. Technology Park/Atlanta, Inc. has begun the marketing phase 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 east of I-575 at exit 19. The parcel will include numerous retail establishments, restaurants, single-family and multi-family residential units, hotels and medical office buildings. Construction of the parkway that will traverse the site began in the fall of 2008.

#### Internal Controls

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

#### Budgetary Controls

In addition, the government maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City's governing body. Activities of the General Fund, Canton Building Authority, Hotel/Motel Tax Fund, Tree City Commission, Urban Redevelopment Agency, Impact Fee Fund, SPLOST IV Fund, SPLOST V Fund, Road & Sidewalk Fund, Water and Sewer Fund, Storm Water Fund and Sanitation Fund are included in the annual appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is the department level.

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

### Debt Administration

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

### Long-Term Financial Planning

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

## MAJOR INITIATIVES

### Hickory Log Creek Raw Water Reservoir

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

### Fairways of Canton

The Fairways of Canton opened in November 2007. This project is a public-private partnership that includes an eighteen hole golf course for the enjoyment of all the residents of the City of Canton. The City of Canton will pay for \$3,000,000 of the construction costs with parks and recreation impact fees as available. The course is being operated by a private entity but is owned by the Canton Building Authority and operated as a public golf course.



### Reservoir Drive

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

### Downtown Streetscapes

The City of Canton continues to apply for grant funding for the rehabilitation of the historic downtown area. Plans are currently underway for the completion of streetscape improvements from Main Street down Church Street, Elizabeth Street and East Marietta Street. The plan calls for pedestrian improvements, lamp posts, landscaping and benches. The City has also applied for funding for streetscapes along Waleska Street and North Street on the northern edge of the central business district. This project should begin in the summer of 2010 after needed right-of-way is obtained.

### Public Safety Facilities and Equipment

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

## AWARDS AND ACKNOWLEDGEMENTS

### Independent Audit

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

### Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Canton for its comprehensive annual financial report for the fiscal years ended September 30, 2000 through 2008. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

The preparation of this report on a timely basis could not have been accomplished without the efficient and dedicated services of Melissa Forrester and Lorrie Waters and the entire City staff and the Certified Public Accounting firm of Mauldin and Jenkins. I 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 that reads "Robert H Logan". The signature is written in a cursive, flowing style.

Robert H. Logan, CPA  
Chief Financial Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Canton  
Georgia

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2008

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



President

Executive Director



City of Canton,  
Georgia

City Officials  
September 30, 2009

Mayor  
Gene Hobgood

City Council  
Bill Bryan  
Lester Cantrell  
Jack Goodwin  
Amelia Rose  
Patricia Tanner  
Jo Ellen Wilson

City Manager  
E. Scott Wood

Chief Financial Officer  
Robert H. Logan

City Clerk  
Diana Threewitt

Police Chief  
Jeff Lance

Fire Chief  
Dean Floyd

Director of Public Works  
David J. Cangemi

Community Development Director  
Ken Patton

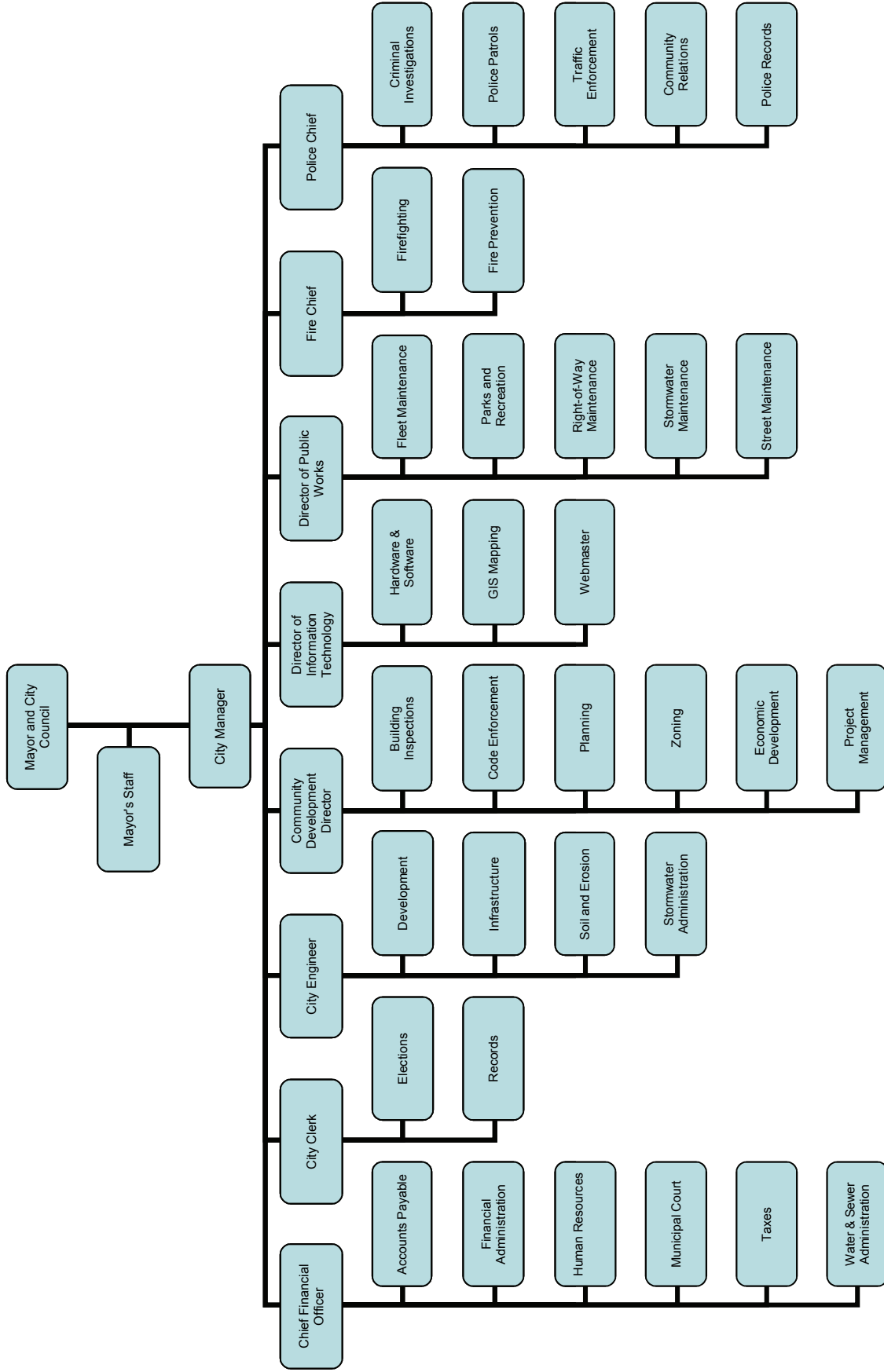
City Engineer  
Celia Klardie

Information Technology Director  
Camille Wehs

City Attorney  
William G. Hasty, Jr.

City Auditors  
Mauldin & Jenkins Certified Public Accountants, LLC

# City of Canton Organization Chart



## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **City of Canton, Georgia** as of and for the year ended September 30, 2009, which collectively comprise the City of Canton, Georgia's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Canton, Georgia's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canton, Georgia as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2010, on our consideration of the City of Canton, Georgia's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, Schedule of Funding Progress and budgetary comparison schedules for the General Fund and Building Authority on pages 3 through 11 and 54 through 57, respectively, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
February 23, 2010



**City of Canton, Georgia**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2009**

As the management of the City of Canton, we offer readers of the City of Canton's financial statements this narrative overview and analysis of the financial activities of the City of Canton for the fiscal year ended September 30, 2009. The audit is required by Georgia law. A Statement of Net Assets and the Statement of Activities provides a picture about the activities of the City. Financial Fund Statements provide a more detailed view of the City's services and the revenue dedicated to provide them.

#### FINANCIAL HIGHLIGHTS

Key financial highlights for 2009 are as follows:

- The City's combined net assets increased \$8,916,948 (12.41%) to \$80,790,293 from \$71,873,345 in 2008.
- Combined revenue increased \$2,275,680 (8.4%) to \$29,468,303 from \$27,192,623 in 2008, of which governmental activities totaled \$17,828,824 and business-type activities totaled \$11,639,479.
- Overall expenses decreased \$2,055,412 (9.09%) to \$20,551,355 from \$22,606,767 in 2008, of which governmental activities totaled \$13,027,230 and business-type activities totaled \$7,524,125.
- As of September 30, 2009, the City's governmental funds reported combined ending fund balances of \$4,143,018. At September 30, 2009 \$3,909,984 or 94.38% is available for use (unreserved fund balance).

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

#### The Statement of Net Assets

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

**City of Canton, Georgia**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2009**

The Statement of Activities

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (i.e. uncollected taxes and earned but unused accrued vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include the general government, judicial, public safety, public works, culture and recreation and housing and development. The business-type activities include the water and sanitary sewer system, storm water system and the sanitation service. Component units include legally separate entities that meet the criteria for inclusion in the City's financial statements discussed in the notes to the financial statements note 1A. The City includes two component units in its government-wide financial statements: the Canton Downtown Development Authority and Canton Development Authority.

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

**FUND FINANCIAL STATEMENTS**

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

Governmental Funds

Most of the basic services provided by the City are financed through governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on near-term flows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**City of Canton, Georgia**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2009**

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

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

Proprietary Funds

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

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

Agency Fund

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

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

Notes to Financial Statements

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

The notes to financial statements can be found on pages 22 through 53 of this report.

Required Supplementary Information

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

The required supplementary information can be found on page 54 through 57 of this report.

**City of Canton, Georgia**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2009**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of a government's financial position. The City's combined net assets (government and business-type activities) totaled \$80,790,293 at September 30, 2009.

The City has \$79,989,280 of its net assets invested in capital assets (e.g. land, infrastructure, buildings, equipment, and other), less any related debt outstanding that was needed to build or acquire the assets. The City uses these assets to provide services to the citizens and the businesses in the City; consequently, these net assets are not available for future spending. The city has \$3,415,322 of restricted net assets that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used. The City has a deficit balance of (\$1,614,309) in unrestricted funds. This means that there are no reserves to fund current operations and all operating expenses have to be met by current revenues.

Condensed Statement of Net Assets

The table below presents the City's condensed Statement of Net Assets as of September 30, 2009:

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Current and other assets	\$ 8,209,287	\$ 9,332,573	\$ 1,165,499	\$ 1,236,659	\$ 9,374,786	\$ 10,569,232
Capital assets	<u>64,636,600</u>	<u>62,396,696</u>	<u>66,704,525</u>	<u>64,163,453</u>	<u>131,341,125</u>	<u>126,560,149</u>
Total assets	<u>\$ 72,845,887</u>	<u>\$ 71,729,269</u>	<u>\$ 67,870,024</u>	<u>\$ 65,400,112</u>	<u>\$ 140,715,911</u>	<u>\$ 137,129,381</u>
Current liabilities	\$ 5,367,042	\$ 6,263,259	\$ 6,128,760	\$ 6,714,042	\$ 11,495,802	\$ 12,977,301
Non-current liabilities	<u>35,629,810</u>	<u>38,312,280</u>	<u>12,800,006</u>	<u>13,966,455</u>	<u>48,429,816</u>	<u>52,278,735</u>
Total liabilities	<u>40,996,852</u>	<u>44,575,539</u>	<u>18,928,766</u>	<u>20,680,497</u>	<u>59,925,618</u>	<u>65,256,036</u>
Net assets:						
Invested in capital assets, net of related debt	26,397,902	22,643,905	52,591,378	49,922,585	78,989,280	72,566,490
Restricted	3,415,322	3,800,560	-	-	3,415,322	3,800,560
Unrestricted	<u>2,035,811</u>	<u>709,265</u>	<u>(3,650,120)</u>	<u>(5,202,970)</u>	<u>(1,614,309)</u>	<u>(4,493,705)</u>
Total net assets	<u>31,849,035</u>	<u>27,153,730</u>	<u>48,941,258</u>	<u>44,719,615</u>	<u>80,790,293</u>	<u>71,873,345</u>
Total liabilities and net assets	<u>\$ 72,845,887</u>	<u>\$ 71,729,269</u>	<u>\$ 67,870,024</u>	<u>\$ 65,400,112</u>	<u>\$ 140,715,911</u>	<u>\$ 137,129,381</u>

As of September 30, 2009 the City of Canton is able to present positive balances in net assets for the governmental and business-type activities.

For the fiscal year ending September 30, 2009, the City's net assets increased \$8,916,948.

**City of Canton, Georgia**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2009**

Condensed Statement of Activities

The table below presents the City's Condensed Statement of Activities for the year ended September 30, 2009.

<b>Revenues</b>	Governmental Activities		Business-Type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Program Revenues:						
Charges for services	\$ 2,084,256	\$ 3,662,682	\$ 9,340,966	\$ 9,301,711	\$ 11,425,222	\$ 12,964,393
Operating grants and contributions	74,950	-	-	-	74,950	-
Capital grants and contributions	5,242,945	3,135,718	2,296,436	90,917	7,539,381	3,226,635
General Revenues:						
Property taxes	5,045,128	4,937,763	-	-	5,045,128	4,937,763
Other taxes	5,234,350	5,624,472	-	-	5,234,350	5,624,472
Gain on sale of capital assets	-	23,130	-	-	-	23,130
Investment earnings	92,967	300,721	2,077	5,632	95,044	306,353
Other revenues	<u>54,228</u>	<u>109,877</u>	<u>-</u>	<u>-</u>	<u>54,228</u>	<u>109,877</u>
Total Revenues	<u>17,828,824</u>	<u>17,794,363</u>	<u>11,639,479</u>	<u>9,398,260</u>	<u>29,468,303</u>	<u>27,192,623</u>
<b>Expenses</b>						
General government	2,205,371	1,999,815	-	-	2,205,371	1,999,815
Judicial	207,879	219,639	-	-	207,879	219,639
Public safety	5,189,142	5,750,262	-	-	5,189,142	5,750,262
Public works	1,888,445	2,804,416	-	-	1,888,445	2,804,416
Culture and recreation	1,151,561	880,616	-	-	1,151,561	880,616
Housing and development	744,870	2,053,150	-	-	744,870	2,053,150
Interest on long-term debt	1,639,962	1,633,240	-	-	1,639,962	1,633,240
Water and sewer	-	-	5,618,888	6,217,761	5,618,888	6,217,761
Stormwater	-	-	842,291	-	842,291	-
Sanitation	-	-	<u>1,062,946</u>	<u>1,047,868</u>	<u>1,062,946</u>	<u>1,047,868</u>
Total Expenses	<u>13,027,230</u>	<u>15,341,138</u>	<u>7,524,125</u>	<u>7,265,629</u>	<u>20,551,355</u>	<u>22,606,767</u>
Increase in net assets before transfers	4,801,594	2,453,225	4,115,354	2,132,631	8,916,948	4,585,856
Transfers in (out)	<u>(106,289)</u>	<u>(5,246,371)</u>	<u>106,289</u>	<u>5,246,371</u>	<u>-</u>	<u>-</u>
Change in net assets	4,695,305	(2,793,146)	4,221,643	7,379,002	8,916,948	4,585,856
Beginning net assets	<u>27,153,730</u>	<u>29,946,876</u>	<u>44,719,615</u>	<u>37,340,613</u>	<u>71,873,345</u>	<u>67,287,489</u>
Ending net assets	<u>\$ 31,849,035</u>	<u>\$ 27,153,730</u>	<u>\$ 48,941,258</u>	<u>\$ 44,719,615</u>	<u>\$ 80,790,293</u>	<u>\$ 71,873,345</u>

Governmental activities increased the City's net assets by \$4,695,305.

Property tax revenues increased by \$107,365 (2.07%) due to growth in the City. Charges for services decreased (\$1,578,426) (43.1%) due to the slow down in residential construction during the fiscal year. Capital grants and contributions increased \$2,107,227 (67.20%) due to the acceptance of land and infrastructure from the developers of Canton Marketplace. Other taxes decreased \$390,122 (6.94%) primarily due to a reduction in SPLOST revenues.

**City of Canton, Georgia**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2009**

Public safety expenses decreased \$561,120 (9.76%) primarily due the city-wide reduction in operating expenses in fiscal year 2009. Public works expenses decreased \$915,971 (32.66%) due to the city-wide reduction in operating expenses in fiscal year 2009 as well as a decrease in road and sidewalk projects due to limited funding from the Georgia Department of Transportation.

The City made transfers of \$106,289 from governmental activities to business type activities primarily to cover debt service requirements and expansion requirements.

#### FUND FINANCIAL ANALYSIS

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

##### Governmental Funds

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

As of September 30, 2009, the City's governmental funds reported combined ending fund balances of \$4,143,018. Of this amount \$114,242 is contained in special revenue funds.

##### Major Governmental Funds

The General Fund is the operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$1,104,520. In 2008 the General Fund had a fund balance of \$94,258. Included in General fund operations were \$453,636 of net transfers to other funds which was comprised of a \$200,000 transfer to the Canton Building Authority and a \$253,636 transfer to the Storm Water Fund.

The Canton Building Authority is a blended component unit classified as a special revenue fund of the City. The Canton Building Authority was formed by act of the Georgia General Assembly to construct and finance major capital projects within the City of Canton. At the end of the current fiscal year, the reserved fund balance of the Canton Building Authority was \$27,212. The net change in the Canton Building Authority's fund balance for the year ended September 30, 2009 was a decrease of \$1,113,170 due to the transfer of bond funds to the Water and Sewer Fund for the continued construction of the Hickory Log Creek Reservoir and ancillary structures.

The Road and Sidewalk Fund is a capital projects fund that accounts for the receipt of funds from the Georgia Department of Transportation and private sector contributions for the construction and improvement of existing city thoroughfares as well as the construction of new roadways in the city. At the end of the current fiscal year, the Road and Sidewalk Fund had a deficit balance of (\$633,756), which means that fiscal year 2010 operations will be funded entirely from 2010 revenues.

**City of Canton, Georgia**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2009**

The SPLOST V Fund is a capital projects fund of the City. The purpose of this fund is to account for the collection of special purpose local option sales tax (SPLOST) and the construction of approved capital projects and the associated retirement of debt. At the end of the current fiscal year, the unreserved fund balance of the SPLOST V Fund was \$1,630,546. The net change was a decrease of (\$81,266). The reason for the decrease was that collections of SPLOST decreased during fiscal year 2009 as a direct result of the economic recession.

Non-Major Governmental Funds

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

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

Non-major governmental funds revenues totaled \$1,227,647 for the fiscal year ending September 30, 2009. Non-major governmental fund expenditures totaled \$1,710,979. Fund balance for all non-major governmental funds was \$1,871,806. Non-major fund balances decreased (\$247,541). Significant changes in non-major fund balances came from the Impact Fee fund which increased only \$73,271 due to the downturn in the economy which resulted in a sharp decrease in residential construction, SPLOST IV which decreased (\$377,243) because SPLOST IV collections ceased in the fall of 2008 and the Urban Redevelopment Agency which increased \$63,132 due to a timing difference between transfers and debt service requirements.

Proprietary Funds

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

The Water and Sewer Fund has net assets of \$47,837,680. Net assets invested in capital assets, net of related debt is \$51,831,955 leaving a deficit balance in unrestricted net assets of (\$3,994,275). The Water and Sewer fund reported net transfers out to governmental funds of \$241,718 in order to meet debt service requirements.

The Sanitation Fund has net assets of \$29,517. The net assets decreased \$4,842 from 2008 due to increased costs associated with residential waste collection.

The Stormwater Fund has net assets of \$1,074,061. This is the first year of reporting the Stormwater Fund.

**City of Canton, Georgia**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2009**

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The City's comparison of actual revenues and expenditures to the adopted budget can be found on pages 55 and 56 of the annual report. Actual revenues were more than budgeted by \$164,273. Actual expenditures exceeded budget in the Mayor's office (\$1,275) because the expenditures for salaries and wages was greater than budgeted. Revenues in the General Fund were made available to cover the deficiency noted above.

**CAPITAL ASSETS**

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 12,588,975	\$ 9,851,444	\$ 4,275,868	\$ 588,041	\$ 16,864,843	\$ 10,439,485
Construction in Progress	4,031,821	1,375,917	19,049,678	22,122,197	23,081,499	23,498,114
Site Improvements	-	-	6,506	7,146	6,506	7,146
Infrastructure	17,833,904	19,530,235	40,823,175	38,735,676	58,657,079	58,265,911
Buildings and Improvements	27,497,654	28,299,846	2,125,705	2,275,757	29,623,359	30,575,603
Furniture and Fixtures	87,199	86,146	-	-	87,199	86,146
Machinery and Equipment	835,111	986,134	423,593	434,636	1,258,704	1,420,770
Vehicles	1,761,936	2,266,974	-	-	1,761,936	2,266,974
Total:	<u>\$ 64,636,600</u>	<u>\$ 62,396,696</u>	<u>\$ 66,704,525</u>	<u>\$ 64,163,453</u>	<u>\$ 131,341,125</u>	<u>\$ 126,560,149</u>

The City's investment in capital assets for its governmental and business-type activities increased in 2009 primarily due to the continued construction of the Hickory Log Creek Raw Water Reservoir and ancillary structures. Refer to Note 6 in the notes to financial statements for more information.

**LONG-TERM DEBT**

The table below represents long-term debt outstanding:

	Governmental Activities		Business-Type Activities		Total	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Bonds Payable	\$ 35,227,006	\$ 37,477,343	\$ 9,102,673	\$ 10,127,834	\$ 44,329,679	\$ 47,605,177
Capital Leases	399,726	610,864	155,449	237,558	555,175	848,422
Notes Payable	2,700,000	2,900,000	4,917,659	4,877,454	7,617,659	7,777,454
Total:	<u>\$ 38,326,732</u>	<u>\$ 40,988,207</u>	<u>\$ 14,175,781</u>	<u>\$ 15,242,846</u>	<u>\$ 52,502,513</u>	<u>\$ 56,231,053</u>

At September 30, 2009, the City reported long-term debt of \$52,502,513 exclusive of interest expense. The City has no general obligation debt at fiscal year end. The City issued notes payable of \$198,495 through the Georgia Environmental Facilities Authority for the rehabilitation of water mains along Marietta Road. Refer to Note 8 in the notes to financial statements for more information.



**City of Canton, Georgia**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**For the Year Ended September 30, 2009**

**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 2010 is \$9,545,000. This is a decrease of \$365,295 from the prior year. The budget for fiscal year 2010 decreased from fiscal year 2009 due to the anticipated slow down of the economy and a reduction in budgeted interfund transfers.

The Water and Sewer Fund has a scheduled rate increase in 2010 which will be determined upon the completion of a proposed rate study that will be completed by the summer of 2010. The City typically increases retail water and sewer rates annually to coincide with changes in the consumer price index (cpi). The City has also made plans to increase its water and sewer tap fees during 2010.

The City does not anticipate significant growth in 2010 due to the slow down of the economy. However, the city does anticipate growth in the commercial sector due to the 2009 opening of Canton Marketplace on Exit 19 off I-575. Canton Marketplace features several national big box retailers along with various smaller retailers, restaurants and banks. The addition of this development will continue to increase the tax digest of the city as well as revenues from sales tax and water and sewer fees.

**FINANCIAL CONTACT**

This financial report is designed to provide a general overview of the City of Canton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to; Attention: Robert H. Logan, CPA at City of Canton, 151 Elizabeth Street, Canton, GA 30114. Please visit our website at [www.canton-georgia.com](http://www.canton-georgia.com) for additional information.

**CITY OF CANTON, GEORGIA**

**STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2009**

ASSETS	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Canton Downtown Development Authority	Canton Development Authority
Cash and cash equivalents	\$ 5,028,211	\$ 787,355	\$ 5,815,566	\$ 12,590	\$ -
Taxes receivable	718,211	-	718,211	-	-
Other receivables	1,134,489	-	1,134,489	-	-
Accounts receivable, net of allowances	-	866,810	866,810	-	-
Due from primary government	-	-	-	-	100,022
Due from other governments	25,114	73,151	98,265	-	-
Internal balances	732,812	(732,812)	-	-	-
Inventory	-	115,751	115,751	-	-
Prepaid items	152,452	34,283	186,735	-	-
Deferred charges, unamortized balance	417,998	20,961	438,959	-	-
Note receivable from primary government	-	-	-	-	921,029
Capital assets:					
Non-depreciable	16,620,796	23,325,546	39,946,342	-	-
Depreciable, net of accumulated depreciation	48,015,804	43,378,979	91,394,783	1,112,057	-
<b>Total assets</b>	<b>72,845,887</b>	<b>67,870,024</b>	<b>140,715,911</b>	<b>1,124,647</b>	<b>1,021,051</b>
<b>LIABILITIES</b>					
Accounts payable	2,339,019	606,259	2,945,278	1,907	-
Accrued liabilities	180,085	707,298	887,383	-	100,022
Unearned revenue	-	3,392,414	3,392,414	-	-
Due to component unit	-	100,022	100,022	-	-
Compensated absences due within one year	239,050	9,626	248,676	-	-
Note payable to component unit, long term	-	921,029	921,029	-	-
Capital leases due within one year	135,397	52,654	188,051	-	-
Capital leases due in more than one year	264,329	102,795	367,124	-	-
Notes payable due within one year	300,000	183,997	483,997	-	-
Notes payable due in more than one year	2,400,000	3,812,633	6,212,633	-	-
Bonds payable due within one year	2,173,491	1,076,490	3,249,981	89,222	-
Bonds payable due in more than one year	32,965,481	7,963,549	40,929,030	503,473	921,029
<b>Total liabilities</b>	<b>40,996,852</b>	<b>18,928,766</b>	<b>59,925,618</b>	<b>594,602</b>	<b>1,021,051</b>
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	26,397,902	52,591,378	78,989,280	519,362	-
Restricted for capital projects	3,415,322	-	3,415,322	-	-
Unrestricted	2,035,811	(3,650,120)	(1,614,309)	10,683	-
<b>Total net assets</b>	<b>\$ 31,849,035</b>	<b>\$ 48,941,258</b>	<b>\$ 80,790,293</b>	<b>\$ 530,045</b>	<b>\$ -</b>

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

**CITY OF CANTON, GEORGIA**

**STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 2,205,371	\$ 494,699	\$ 71,100	\$ -
Judicial	207,879	973,150	-	-
Public safety	5,189,142	86,379	-	-
Public works	1,888,445	365,695	-	5,242,945
Culture and recreation	1,151,561	95,947	3,850	-
Housing and development	744,870	68,386	-	-
Interest on long-term debt	1,639,962	-	-	-
Total governmental activities	<u>13,027,230</u>	<u>2,084,256</u>	<u>74,950</u>	<u>5,242,945</u>
Business-type activities:				
Water and sewer	5,618,888	7,335,262	-	1,677,124
Sanitation	1,062,946	1,058,068	-	-
Stormwater	842,291	947,636	-	619,312
Total business-type activities	<u>7,524,125</u>	<u>9,340,966</u>	<u>-</u>	<u>2,296,436</u>
Total primary government	<u>\$ 20,551,355</u>	<u>\$ 11,425,222</u>	<u>\$ 74,950</u>	<u>\$ 7,539,381</u>
<b>Component units:</b>				
Downtown Development Authority	\$ 99,201	\$ 30,665	\$ -	\$ 115,714
Canton Development Authority	31,698	-	-	-
Total component units	<u>\$ 130,899</u>	<u>\$ 30,665</u>	<u>\$ -</u>	<u>\$ 115,714</u>
General revenues:				
Property taxes				
Franchise taxes				
Alcoholic beverage taxes				
Insurance premium taxes				
Business occupation taxes				
Sales and use taxes				
Unrestricted investment earnings				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning of year, as restated				
Net assets, end of year				

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

**Net (Expenses) Revenues and  
Changes in Net Assets**

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Downtown Development Authority	Canton Development Authority
\$ (1,639,572)	\$ -	\$ (1,639,572)	\$ -	\$ -
765,271	-	765,271	-	-
(5,102,763)	-	(5,102,763)	-	-
3,720,195	-	3,720,195	-	-
(1,051,764)	-	(1,051,764)	-	-
(676,484)	-	(676,484)	-	-
(1,639,962)	-	(1,639,962)	-	-
<u>(5,625,079)</u>	<u>-</u>	<u>(5,625,079)</u>	<u>-</u>	<u>-</u>
-	3,393,498	3,393,498	-	-
-	(4,878)	(4,878)	-	-
-	724,657	724,657	-	-
<u>-</u>	<u>4,113,277</u>	<u>4,113,277</u>	<u>-</u>	<u>-</u>
<u>(5,625,079)</u>	<u>4,113,277</u>	<u>(1,511,802)</u>	<u>-</u>	<u>-</u>
-	-	-	47,178	-
-	-	-	-	(31,698)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,178</u>	<u>\$ (31,698)</u>
\$ 5,045,128	\$ -	\$ 5,045,128	\$ -	\$ -
1,489,987	-	1,489,987	-	-
476,441	-	476,441	-	-
431,459	-	431,459	-	-
853,942	-	853,942	-	-
1,982,521	-	1,982,521	-	-
92,967	2,077	95,044	16	31,698
54,228	-	54,228	-	-
(106,289)	106,289	-	-	-
<u>10,320,384</u>	<u>108,366</u>	<u>10,428,750</u>	<u>16</u>	<u>31,698</u>
4,695,305	4,221,643	8,916,948	47,194	-
27,153,730	44,719,615	71,873,345	482,851	-
<u>\$ 31,849,035</u>	<u>\$ 48,941,258</u>	<u>\$ 80,790,293</u>	<u>\$ 530,045</u>	<u>\$ -</u>

**CITY OF CANTON, GEORGIA**

**BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

<b>ASSETS</b>	<b>General Fund</b>	<b>Building Authority</b>	<b>Road &amp; Sidewalk</b>	<b>SPLOST V</b>	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
Cash and cash equivalents	\$ 531,254	\$ -	\$ 1,315,399	\$ 1,275,942	\$ 1,905,616	\$ 5,028,211
Taxes receivable	281,486	-	-	422,258	14,467	718,211
Other receivables	1,134,489	-	-	-	-	1,134,489
Due from other governments	25,114	-	-	-	-	25,114
Due from other funds	843,711	-	-	-	-	843,711
Prepaid expenditures	142,690	27,212	-	-	63,132	233,034
<b>Total assets</b>	<b>\$ 2,958,744</b>	<b>\$ 27,212</b>	<b>\$ 1,315,399</b>	<b>\$ 1,698,200</b>	<b>\$ 1,983,215</b>	<b>\$ 7,982,770</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>LIABILITIES</b>						
Accounts payable	\$ 350,251	\$ -	\$ 1,949,155	\$ -	\$ 39,613	\$ 2,339,019
Accrued liabilities	77,919	-	-	-	-	77,919
Deferred revenues	1,243,560	-	-	67,654	701	1,311,915
Due to other funds	39,804	-	-	-	71,095	110,899
<b>Total liabilities</b>	<b>1,711,534</b>	<b>-</b>	<b>1,949,155</b>	<b>67,654</b>	<b>111,409</b>	<b>3,839,752</b>
<b>FUND BALANCES</b>						
Fund balances:						
Reserved for:						
Prepaid expenditures	142,690	27,212	-	-	63,132	233,034
Unreserved, reported in:						
General fund	1,104,520	-	-	-	-	1,104,520
Special revenue funds	-	-	-	-	23,898	23,898
Capital projects funds	-	-	(633,756)	1,630,546	1,784,776	2,781,566
<b>Total fund balances</b>	<b>1,247,210</b>	<b>27,212</b>	<b>(633,756)</b>	<b>1,630,546</b>	<b>1,871,806</b>	<b>4,143,018</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,958,744</b>	<b>\$ 27,212</b>	<b>\$ 1,315,399</b>	<b>\$ 1,698,200</b>	<b>\$ 1,983,215</b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	64,636,600
Some outlays of financial resources are recorded as prepaid assets in the funds, as the liabilities are not due and payable in the current period.	(80,582)
Some receivables are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	1,311,915
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(38,161,916)
<b>Net assets of governmental activities</b>	<b>\$ 31,849,035</b>

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

**CITY OF CANTON, GEORGIA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	General Fund	Building Authority	Road & Sidewalk	SPLOST V	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
Taxes	\$ 7,980,073	\$ -	\$ -	\$ 2,123,771	\$ 167,644	\$ 10,271,488
Licenses and permits	485,694	-	-	-	-	485,694
Intergovernmental	-	-	-	-	472,990	472,990
Fines and forfeitures	984,754	-	-	-	-	984,754
Charges for services	73,373	-	-	-	552,039	625,412
Interest income	459	805	31,345	29,234	31,124	92,967
Contributions and donations	71,100	-	67,563	-	-	138,663
Miscellaneous	75,875	-	-	-	3,850	79,725
Total revenues	<u>9,671,328</u>	<u>805</u>	<u>98,908</u>	<u>2,153,005</u>	<u>1,227,647</u>	<u>13,151,693</u>
<b>Expenditures</b>						
Current:						
General government	1,325,694	40	-	10	22,470	1,348,214
Judicial	206,466	-	-	-	-	206,466
Public safety	4,747,256	-	-	-	-	4,747,256
Public works	821,866	-	-	-	-	821,866
Culture and recreation	295,530	-	-	297	121,781	417,608
Housing and development	658,490	-	-	-	61,863	720,353
Capital outlay	-	-	192,410	38,965	556,225	787,600
Debt service:						
Principal retirements	38,122	1,736,446	-	-	806,325	2,580,893
Interest and fiscal charges	10,231	1,441,889	-	-	142,315	1,594,435
Total expenditures	<u>8,103,655</u>	<u>3,178,375</u>	<u>192,410</u>	<u>39,272</u>	<u>1,710,979</u>	<u>13,224,691</u>
Excess (deficiency) of revenues over expenditures	<u>1,567,673</u>	<u>(3,177,570)</u>	<u>(93,502)</u>	<u>2,113,733</u>	<u>(483,332)</u>	<u>(72,998)</u>
<b>Other financing sources (uses):</b>						
Proceeds from sale of capital assets	38,915	-	-	-	-	38,915
Transfers in	-	3,205,547	242,155	62,103	1,055,705	4,565,510
Transfers out	(453,636)	(1,141,147)	-	(2,257,102)	(819,914)	(4,671,799)
Total other financing sources (uses)	<u>(414,721)</u>	<u>2,064,400</u>	<u>242,155</u>	<u>(2,194,999)</u>	<u>235,791</u>	<u>(67,374)</u>
Net change in fund balances	1,152,952	(1,113,170)	148,653	(81,266)	(247,541)	(140,372)
<b>Fund balances, beginning of year</b>	<u>94,258</u>	<u>1,140,382</u>	<u>(782,409)</u>	<u>1,711,812</u>	<u>2,119,347</u>	<u>4,283,390</u>
<b>Fund balances, end of year</b>	<u>\$ 1,247,210</u>	<u>\$ 27,212</u>	<u>\$ (633,756)</u>	<u>\$ 1,630,546</u>	<u>\$ 1,871,806</u>	<u>\$ 4,143,018</u>

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

**CITY OF CANTON, GEORGIA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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

Net change in fund balances - total governmental funds	\$	(140,372)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		(1,742,149)
The net effect of various miscellaneous transactions involved capital assets (i.e., sales, trade-ins, and donations) is to increase net assets.		3,982,053
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(25,261)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		2,530,659
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		<u>90,375</u>
Change in net assets - governmental activities	\$	<u><u>4,695,305</u></u>

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

**CITY OF CANTON, GEORGIA**

**STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2009**

ASSETS	Business-type Activities - Enterprise Funds			
	Water and Sewer Fund	Sanitation Fund	Stormwater Fund	Totals
<b>CURRENT ASSETS</b>				
Cash	\$ 652,323	\$ 21,097	\$ 113,935	\$ 787,355
Accounts receivable, net of allowanc	651,891	109,033	105,886	866,810
Intergovernmental receivabl	73,151	-	-	73,151
Prepaid items	25,467	2,847	5,969	34,283
Inventory	115,751	-	-	115,751
Due from other funds	-	84,188	128,243	212,431
Total current assets	1,518,583	217,165	354,033	2,089,781
<b>CAPITAL ASSETS</b>				
Nondepreciable	23,325,546	-	-	23,325,546
Depreciable assets	55,907,378	1,460	974,124	56,882,962
	79,232,924	1,460	974,124	80,208,508
Accumulated depreciation	(13,443,271)	(1,460)	(59,252)	(13,503,983)
	65,789,653	-	914,872	66,704,525
<b>OTHER NONCURRENT ASSETS</b>	20,961	-	-	20,961
Total noncurrent assets	65,810,614	-	914,872	66,725,486
Total assets	67,329,197	217,165	1,268,905	68,815,267
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	490,452	86,018	29,789	606,259
Accrued liabilities	124,537	3,311	4,838	132,686
Compensated absences payable	5,156	1,452	3,018	9,626
Due to other funds	943,647	-	1,596	945,243
Due to component unit	100,022	-	-	100,022
Unearned revenue	3,392,414	-	-	3,392,414
Customer deposits payable	477,591	96,867	154	574,612
Capital lease, current	-	-	52,654	52,654
Note payable, current	183,997	-	-	183,997
Bonds payable, current	1,076,490	-	-	1,076,490
Total current liabilities	6,794,306	187,648	92,049	7,074,003
<b>NONCURRENT LIABILITIES</b>				
Capital lease	-	-	102,795	102,795
Note payable due to component unit	921,029	-	-	921,029
Note payable	3,812,633	-	-	3,812,633
Bonds payable	7,963,549	-	-	7,963,549
Total noncurrent liabilities	12,697,211	-	102,795	12,800,006
Total liabilities	19,491,517	187,648	194,844	19,874,009
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	51,831,955	-	759,423	52,591,378
Unrestricted	(3,994,275)	29,517	314,638	(3,650,120)
Total net assets	\$ 47,837,680	\$ 29,517	\$ 1,074,061	\$ 48,941,258

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



**CITY OF CANTON, GEORGIA**

**STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Stormwater Fund</b>	<b>Totals</b>
<b>OPERATING REVENUE</b>				
Water fees	\$ 3,070,157	\$ -	\$ -	\$ 3,070,157
Sewer fees	4,125,933	-	-	4,125,933
Stormwater fees	-	-	947,385	947,385
Sanitation fees	-	1,045,531	-	1,045,531
Miscellaneous	139,172	12,537	251	151,960
Total operating revenues	<u>7,335,262</u>	<u>1,058,068</u>	<u>947,636</u>	<u>9,340,966</u>
<b>OPERATING EXPENSES</b>				
Cost of sales and services	3,628,709	1,062,946	774,472	5,466,127
Depreciation and amortization	1,282,204	-	59,252	1,341,456
Total operating expenses	<u>4,910,913</u>	<u>1,062,946</u>	<u>833,724</u>	<u>6,807,583</u>
Operating income (loss)	<u>2,424,349</u>	<u>(4,878)</u>	<u>113,912</u>	<u>2,533,383</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest income	644	36	1,397	2,077
Interest expense	(707,975)	-	(8,567)	(716,542)
Total non-operating expenses	<u>(707,331)</u>	<u>36</u>	<u>(7,170)</u>	<u>(714,465)</u>
Income (loss) before capital contributions and transfers	<u>1,717,018</u>	<u>(4,842)</u>	<u>106,742</u>	<u>1,818,918</u>
Capital contributions	1,677,124	-	619,312	2,296,436
Transfers in	1,141,147	-	348,007	1,489,154
Transfers out	(1,382,865)	-	-	(1,382,865)
	<u>1,435,406</u>	<u>-</u>	<u>967,319</u>	<u>2,402,725</u>
Change in net assets	3,152,424	(4,842)	1,074,061	4,221,643
<b>Total net assets, beginning (as restated)</b>	<u>44,685,256</u>	<u>34,359</u>	<u>-</u>	<u>44,719,615</u>
<b>Total net assets, ending</b>	<u>\$ 47,837,680</u>	<u>\$ 29,517</u>	<u>\$ 1,074,061</u>	<u>\$ 48,941,258</u>

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

**CITY OF CANTON, GEORGIA**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Stormwater Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 7,419,054	\$ 1,117,470	\$ 841,750	\$ 9,378,274
Payments to suppliers	(3,169,623)	(1,043,476)	(564,909)	(4,778,008)
Payments to employees	(309,013)	(52,933)	(304,380)	(666,326)
Net cash provided by (used in) operating activities	3,940,418	21,061	(27,539)	3,933,940
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>				
Transfers in from other funds	1,141,147	-	281,010	1,422,157
Transfers out to other funds	(1,315,868)	-	-	(1,315,868)
Net cash provided by (used in) non-capital financing activities	(174,721)	-	281,010	106,289
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from notes payable	198,495	-	-	198,495
Principal payments on capital lease	-	-	(82,109)	(82,109)
Principal payments on notes payable	(158,290)	-	-	(158,290)
Principal payments on bonds payable	(1,025,161)	-	-	(1,025,161)
Interest paid	(676,310)	-	(8,567)	(684,877)
Purchases of capital assets	(3,189,617)	-	(50,257)	(3,239,874)
Receipt of intergovernmental grants	1,677,124	-	-	1,677,124
Net cash used in capital and related financing activities	(3,173,759)	-	(140,933)	(3,314,692)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received	644	36	1,397	2,077
Net cash provided by investing activities	644	36	1,397	2,077
Net increase in cash	592,582	21,097	113,935	727,614
Cash, beginning of year	59,741	-	-	59,741
Cash, end of year	<u>\$ 652,323</u>	<u>\$ 21,097</u>	<u>\$ 113,935</u>	<u>\$ 787,355</u>

**Continued**

**CITY OF CANTON, GEORGIA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	<b>Business-type Activities - Enterprise Funds</b>			
	<b>Water and Sewer Fund</b>	<b>Sanitation Fund</b>	<b>Stormwater Fund</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Operating income (loss)	\$ 2,424,349	\$ (4,878)	\$ 113,912	\$ 2,533,383
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	1,282,204	-	59,252	1,341,456
Change in assets and liabilities:				
Decrease (increase) in accounts receivable	45,668	59,402	(105,886)	(816)
Increase in due from other funds	-	(29,992)	(128,243)	(158,235)
Decrease in due from other governments	77,874	-	-	77,874
Decrease (increase) in prepaids	9,202	(2,847)	(5,969)	386
Decrease in inventory	31,290	-	-	31,290
Increase (decrease) in accounts payable	(632,515)	12,316	29,789	(590,410)
Increase (decrease) in accrued liabilities	(94,016)	(14,412)	4,838	(103,590)
Increase in due to other funds	841,686	-	1,596	843,282
Increase (decrease) in compensated absences payable	(5,547)	437	3,018	(2,092)
Increase (decrease) in customer deposits payable	(27)	1,035	154	1,162
Decrease in unearned revenue	(39,750)	-	-	(39,750)
Net cash provided by (used in) operating activities	<u>\$ 3,940,418</u>	<u>\$ 21,061</u>	<u>\$ (27,539)</u>	<u>\$ 3,933,940</u>
<b>NONCASH CAPITAL AND FINANCING ACTIVITIES</b>				
Developer capital asset donations	<u>\$ 1,589,327</u>	<u>\$ -</u>	<u>\$ 619,312</u>	<u>\$ 2,208,639</u>

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

**CITY OF CANTON, GEORGIA**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2009**

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	<b>ASSETS</b>	<b>Municipal Court Fund</b>
Cash		<u>\$ 86,961</u>
Total assets		<u>\$ 86,961</u>
	<b>LIABILITIES</b>	
Due to others		<u>\$ 86,961</u>
Total liabilities		<u>\$ 86,961</u>

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

**CITY OF CANTON, GEORGIA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2009**

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**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Reporting Entity**

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

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Units

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### A. Reporting Entity (Continued)

##### Blended Component Units

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

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

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

#### B. Government-wide and Fund Financial Statements

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

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **B. Government-wide and Fund Financial Statements (Continued)**

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.

#### **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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary funds:

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

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

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



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City also reports the following fund types:

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

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

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

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

#### D. Budgets

Annual appropriated budgets are adopted for all funds, except capital project funds, which have project length budgets. 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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### E. Deposits and Investments

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

#### F. Receivables and Payables

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

#### G. Inventories

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

#### H. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2009, are recorded as prepaid items in both government-wide and fund financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### I. Capital Assets

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

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

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

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

#### J. Compensated Absences

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

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

#### **K. Long-Term Obligations**

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

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

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

#### **L. Fund Equity**

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

#### **M. Management Estimates**

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

## NOTES TO FINANCIAL STATEMENTS

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

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$38,161,916 difference are as follows:

Notes payable	\$ (2,700,000)
Capital leases payable	(399,726)
Bonds payable	(35,227,006)
Bond issuance costs	417,998
Unamortized discount	88,034
Accrued interest payable	(102,166)
Compensated absences	<u>(239,050)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net assets - governmental activities</i>	<u><u>\$ (38,161,916)</u></u>

#### B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense.” The details of this \$1,742,149 difference are as follows:

Capital outlay	\$ 829,658
Depreciation expense	<u>(2,571,807)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u><u>\$ (1,742,149)</u></u>

## NOTES TO FINANCIAL STATEMENTS

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

#### B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net asset.” The details of this \$3,982,053 difference are as follows:

In the statement of activities, only the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the net book value of the capital assets sold.	\$ (720,339)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>4,702,392</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 3,982,053</u>

Another element of that reconciliation explains that “The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.” The details of this \$2,530,659 difference are as follows:

Amortization of discount, issuance costs and deferred charges	\$ (50,234)
Principal payment on bonds payable	2,169,755
Principal payment on notes payable	200,000
Principal payment on capital leases	<u>211,138</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 2,530,659</u>

## NOTES TO FINANCIAL STATEMENTS

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

#### B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-wide Statement of Activities (Continued)

Another element of that reconciliation explains that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$90,375 difference are as follows:

Compensated absences	\$ 85,668
Accrued interest	4,707
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 90,375</u>

### NOTE 3. LEGAL COMPLIANCE - BUDGETS

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

1. The Chief Financial Officer of the City submits a proposed operating budget to the City Finance Committee, who in turn present to the full City Council. The operating budget includes proposed expenditures and the means for financing them.
2. Prior to any action by the Council, the City publishes the proposed budget in the official legal organ, other community newspapers and makes copies available to the residents of the City.
3. Public meetings are held to obtain taxpayer comments.
4. The budget is then legally enacted through passage of a resolution by the City Council.
5. Budgetary control is exercised at the department level. The Chief Financial Officer is authorized to transfer budget amounts within a department; however, any revisions that alter the total expenditures of a department require a budget amendment by the City Council. The City did not significantly amend the budgets for any of its funds during the year ended September 30, 2009.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3. LEGAL COMPLIANCE - BUDGETS (Continued)

The following funds and General Fund departments had excesses of actual expenditures over appropriations for the fiscal year ended September 30, 2009:

Tree City Commission	\$	342
Hotel/Motel Tax Fund		5,782
General Fund departments:		
Mayor		1,275

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

### NOTE 4. DEPOSITS

Total deposits as of September 30, 2009 are summarized as follows:

Statement of Net Assets:		
Cash and cash equivalents	\$	5,815,566
Statement of Fiduciary Net Assets:		
Cash - Agency fund		86,961
		<u>5,902,527</u>
		<u><u>\$ 5,902,527</u></u>
Cash deposited with financial institutions	\$	5,902,527
		<u><u>\$ 5,902,527</u></u>



## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. DEPOSITS (Continued)

**Custodial Credit Risk – Deposits:** Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. State statutes, and City policy, require all deposits and investments (other than federal or state government instruments) to be collateralized by depository insurance, obligations of the U.S. government, or bonds of public authorities, counties, or municipalities. As of September 30, 2009, the City's bank balances were collateralized and secured in accordance with State law.

### NOTE 5. RECEIVABLES

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

Receivables at September 30, 2009, for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

	<u>General</u>	<u>SPLOST V</u>	<u>Water &amp; Sewer</u>	<u>Sanitation</u>	<u>Stormwater</u>	<u>Other Nonmajor Funds</u>
Receivables:						
Taxes	\$ 281,486	\$ 422,258	\$ -	\$ -	\$ -	\$ 14,467
Accounts	-	-	974,568	158,344	128,069	-
Due from other governments	25,114	-	73,151	-	-	-
Other	1,339,659	-	-	-	-	-
Less allowance for uncollectible	(205,170)	-	(322,677)	(49,311)	(22,183)	-
Net total receivable	<u>\$ 1,441,089</u>	<u>\$ 422,258</u>	<u>\$ 725,042</u>	<u>\$ 109,033</u>	<u>\$ 105,886</u>	<u>\$ 14,467</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS

#### Primary Government

Capital asset activity for the fiscal year ended September 30, 2009, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 9,851,444	\$ 2,737,531	\$ -	\$ -	\$ 12,588,975
Construction in progress	1,375,917	2,713,496	-	(57,592)	4,031,821
Total	<u>11,227,361</u>	<u>5,451,027</u>	<u>-</u>	<u>(57,592)</u>	<u>16,620,796</u>
Capital assets, being depreciated:					
Buildings and improvements	30,635,103	73,965	-	-	30,709,068
Infrastructure	23,261,232	-	(755,385)	57,592	22,563,439
Furniture and fixtures	250,653	-	(101,210)	-	149,443
Machinery and equipment	3,796,766	7,058	(1,833,299)	-	1,970,525
Vehicles	5,201,108	-	(1,038,100)	-	4,163,008
Total	<u>63,144,862</u>	<u>81,023</u>	<u>(3,727,994)</u>	<u>57,592</u>	<u>59,555,483</u>
Less accumulated depreciation for:					
Buildings and improvements	(2,335,257)	(876,157)	-	-	(3,211,414)
Infrastructure	(3,730,997)	(1,134,611)	136,073	-	(4,729,535)
Furniture and fixtures	(164,507)	-	102,263	-	(62,244)
Machinery and equipment	(2,810,632)	(158,081)	1,833,299	-	(1,135,414)
Vehicles	(2,934,134)	(402,958)	936,020	-	(2,401,072)
Total	<u>(11,975,527)</u>	<u>(2,571,807)</u>	<u>3,007,655</u>	<u>-</u>	<u>(11,539,679)</u>
Total capital assets, being depreciated, net	<u>51,169,335</u>	<u>(2,490,784)</u>	<u>(720,339)</u>	<u>57,592</u>	<u>48,015,804</u>
Governmental activities capital assets, net	<u>\$ 62,396,696</u>	<u>\$ 2,960,243</u>	<u>\$ (720,339)</u>	<u>\$ -</u>	<u>\$ 64,636,600</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers</u>	<u>Ending Balance</u>
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Construction in progress	\$ 22,122,197	\$ 2,971,166	\$ -	\$ (6,043,685)	\$ 19,049,678
Land	588,041	205,754	-	3,482,073	4,275,868
Total	<u>22,710,238</u>	<u>3,176,920</u>	<u>-</u>	<u>(2,561,612)</u>	<u>23,325,546</u>
Capital assets, being depreciated:					
Site improvements	9,600	-	-	-	9,600
Infrastructure	47,886,831	632,009	-	2,561,612	51,080,452
Buildings and improvements	4,285,492	-	-	-	4,285,492
Machinery, equipment and vehicles	1,658,806	354,812	(506,200)	-	1,507,418
Total	<u>53,840,729</u>	<u>986,821</u>	<u>(506,200)</u>	<u>2,561,612</u>	<u>56,882,962</u>
Less accumulated depreciation for:					
Site improvements	(2,454)	(640)	-	-	(3,094)
Infrastructure	(9,151,155)	(1,106,122)	-	-	(10,257,277)
Buildings and improvements	(2,009,735)	(150,052)	-	-	(2,159,787)
Machinery, equipment and vehicles	(1,224,170)	(61,300)	201,645	-	(1,083,825)
Total	<u>(12,387,514)</u>	<u>(1,318,114)</u>	<u>201,645</u>	<u>-</u>	<u>(13,503,983)</u>
Total capital assets, being depreciated, net	<u>41,453,215</u>	<u>(331,293)</u>	<u>(304,555)</u>	<u>2,561,612</u>	<u>43,378,979</u>
Business-type activities capital assets, net	<u>\$ 64,163,453</u>	<u>\$ 2,845,627</u>	<u>\$ (304,555)</u>	<u>\$ -</u>	<u>\$ 66,704,525</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6. CAPITAL ASSETS (Continued)

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

Governmental activities:		
General government	\$	189,372
Public safety		496,247
Public works		1,087,044
Culture and recreation		772,478
Housing and development		<u>26,666</u>
Total depreciation expense - governmental activities	\$	<u>2,571,807</u>
Business-type activities:		
Water and sewer	\$	1,258,862
Stormwater		<u>59,252</u>
Total depreciation expense - business-type activities	\$	<u>1,318,114</u>

#### Canton Downtown Development Authority

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings	\$ 1,366,304	\$ -	\$ -	\$ 1,366,304
Furniture and fixtures	68,839	-	-	68,839
Total	<u>1,435,143</u>	<u>-</u>	<u>-</u>	<u>1,435,143</u>
Less accumulated depreciation for:				
Buildings	(227,717)	(27,326)	-	(255,043)
Furniture and fixtures	(66,838)	(1,205)	-	(68,043)
Total	<u>(294,555)</u>	<u>(28,531)</u>	<u>-</u>	<u>(323,086)</u>
Total capital assets, being depreciated, net	<u>1,140,588</u>	<u>(28,531)</u>	<u>-</u>	<u>1,112,057</u>
Total capital assets, net	<u>\$ 1,140,588</u>	<u>\$ (28,531)</u>	<u>\$ -</u>	<u>\$ 1,112,057</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 7. SHORT-TERM BORROWINGS

The City paid off a tax anticipation note for operating purposes of \$1,000,000 at a local financial institution. The borrowing, with an interest rate of 4.00%, matured on December 31, 2008. As of September 30, 2009, the principal was paid in full.

Total short-term borrowings interest incurred and expensed for the period ended September 30, 2009, was \$6,254.

The following is a summary of the tax anticipation note payable for the period ended September 30, 2009:

	Beginning Balance	Additions	Reductions	Ending Balance
Tax anticipation note	\$ -	\$ 1,000,000	\$ (1,000,000)	\$ -

### NOTE 8. LONG-TERM DEBT

#### Primary Government

Long-term liability activity for the year ended September 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Governmental bonds	\$ 37,477,343	\$ -	\$ (2,250,337)	\$ 35,227,006	\$ 2,173,491
Less discounts	(95,034)	-	7,000	(88,034)	
Total bonds payable	37,382,309	-	(2,243,337)	35,138,972	
Capital leases	610,864	-	(211,138)	399,726	135,397
Notes payable	2,900,000	-	(200,000)	2,700,000	300,000
Compensated absences	324,718	232,503	(318,171)	239,050	239,050
<b>Governmental activities:</b>					
Long-term liabilities	\$ 41,217,891	\$ 232,503	\$ (2,972,646)	\$ 38,477,748	\$ 2,847,938

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Business-type activities:</b>					
Revenue bonds	\$ 10,127,834	\$ -	\$ (1,025,161)	\$ 9,102,673	\$ 1,076,490
Less discounts	(80,949)	-	18,315	(62,634)	
	<u>10,046,885</u>	<u>-</u>	<u>(1,006,846)</u>	<u>9,040,039</u>	
Capital lease	237,558	-	(82,109)	155,449	52,654
Notes payable	3,956,425	198,495	(158,290)	3,996,630	183,997
Note payable - component unit	921,029	-	-	921,029	-
Compensated absences	<u>11,718</u>	<u>13,243</u>	<u>(15,335)</u>	<u>9,626</u>	<u>9,626</u>
Business-type activities:					
Long-term liabilities	<u>\$ 15,173,615</u>	<u>\$ 211,738</u>	<u>\$ (1,262,580)</u>	<u>\$ 14,122,773</u>	<u>\$ 1,322,767</u>

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

**Capital Leases - Vehicles.** The City has entered into lease agreements as lessee for financing the acquisition of a fire truck, a street sweeper, a vacuum truck and various police vehicles. The lease agreements qualify as capital leases for accounting purposes (titles transfer at the end of the lease terms) and, therefore, have been recorded at the present values of the future minimum lease payments as of the date of their inception. As of September 30, 2009, the City had \$910,703 of machinery and equipment under capital leases.

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

	Governmental Activities	Business-type Activities
Fiscal Year Ending September 30,		
2010	\$ 148,136	\$ 57,609
2011	80,968	31,487
2012	81,004	31,502
2013	81,043	31,517
2014	<u>40,537</u>	<u>15,764</u>
Total minimum lease payments	431,688	167,879
Less amount representing interest	<u>31,962</u>	<u>12,430</u>
Present value of future minimum lease payments	<u>\$ 399,726</u>	<u>\$ 155,449</u>

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. 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:

	<b>Principal</b>
Fiscal Year Ending September 30,	
2010	\$ 300,000
2011	300,000
2012	300,000
2013	300,000
2014	300,000
2015-2018	1,200,000
Total payments	\$ 2,700,000

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

The series 2004 bonds issued by the Canton Building Authority were originally issued for \$8,000,000, with an interest rate of 4.27%. The bonds were due in monthly installments of \$59,700, maturing on December 15, 2019. This proceeds were used to construct a new community center facility.

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. LONG-TERM DEBT (Continued)

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.

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

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

Governmental bonds currently outstanding mature as follows:

	Principal	Interest	Total
Fiscal Year Ending September 30,			
2010	\$ 2,173,491	\$ 1,468,636	\$ 3,642,127
2011	2,343,284	1,394,485	3,737,769
2012	2,237,405	1,300,543	3,537,948
2013	2,122,790	1,213,561	3,336,351
2014	1,921,651	1,130,659	3,052,310
2015-2019	9,137,038	4,493,098	13,630,136
2020-2024	6,850,690	2,787,248	9,637,938
2025-2029	7,212,250	1,171,654	8,383,904
2030-2033	1,228,407	56,943	1,285,350
Total	\$ 35,227,006	\$ 15,016,827	\$ 50,243,833

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

The 1996A bonds were originally issued for \$5,607,000 with an interest rate of 4.875%. The bonds are due in monthly installments of \$46,053, maturing on June 1, 2010. The proceeds from the bond were used for upgrades to the City's water lines.



## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT (Continued)

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

The 1997A bonds were originally issued for \$721,000 with an interest rate of 6.45%. The bonds are interest only bonds through June 1, 2010 with monthly installments of \$3,929 through June 1, 2010 and installments of \$12,136 thereafter, until maturity on June 1, 2016. The proceeds from the bond were used for upgrades to the City's water lines.

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

Revenue bonds currently outstanding mature as follows:

Fiscal Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,076,490	\$ 425,555	\$ 1,502,045
2011	1,097,468	369,225	1,466,693
2012	1,154,009	312,681	1,466,690
2013	1,214,535	252,988	1,467,523
2014	1,277,559	190,418	1,467,977
2015-2018	3,282,612	199,407	3,482,019
Total	<u>\$ 9,102,673</u>	<u>\$ 1,750,274</u>	<u>\$ 10,852,947</u>

**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, 2009:

<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
			<u>\$ 4,613,579</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT (Continued)

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

Fiscal Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 183,997	\$ 137,610	\$ 321,607
2011	191,935	156,565	348,500
2012	200,161	148,339	348,500
2013	208,914	139,586	348,500
2014	217,879	130,621	348,500
2015-2019	1,238,938	503,561	1,742,499
2020-2024	1,231,330	219,960	1,451,290
2025-2029	523,476	703,318	1,226,794
Total	<u>\$ 3,996,630</u>	<u>\$ 2,139,560</u>	<u>\$ 6,136,190</u>

**Note Payable – due to component unit.** The City has entered into an agreement with the Canton Development Authority (“CDA”) by which the City has agreed to pay the debt service payments related to the CDA’s series 2003 bond. The Authority has issued the bond to fund costs of the water and sewer lines at the new Bluffs Technology Park. The bond was issued to a sole purchaser and is set up to work through draw downs from the purchaser rather than receiving the full face amount. The bond was originally issued for \$1,800,000, and as of September 30, 2009, \$921,029 has been drawn down. The bond matures on January 1, 2052 and carries an interest rate of 3.00%. The repayment schedule will be determined when the construction is complete and all draws have been made.

#### Canton Downtown Development Authority

Long-term liability activity for the year ended September 30, 2009, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds payable	\$ 657,948	\$ -	\$ (65,253)	\$ 592,695	\$ 89,222
Total long-term liabilities	<u>\$ 657,948</u>	<u>\$ -</u>	<u>\$ (65,253)</u>	<u>\$ 592,695</u>	<u>\$ 89,222</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 8. LONG-TERM DEBT (Continued)

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

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

Fiscal Year Ending September 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 89,222	\$ 28,931	\$ 118,153
2011	86,438	24,524	110,962
2012	91,086	19,876	110,962
2013	95,987	14,975	110,962
2014	101,155	9,807	110,962
2015-2016	128,807	4,461	133,268
Total	<u>\$ 592,695</u>	<u>\$ 102,574</u>	<u>\$ 695,269</u>

#### Canton Development Authority

Long-term liability activity for the year ended September 30, 2009, is as follows:

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

**Governmental Bonds.** The Canton Development Authority (“CDA”) has issued a 2003 series bond to fund costs of the water and sewer lines at the new Bluffs Technology Park. The CDA has entered into an agreement with the City, by which the City has agreed to pay the debt service payments related to the CDA’s series 2003 bond. The bond was issued to a sole purchaser and is set up to work through draw downs from the purchaser rather than receiving the full face amount. The bond was originally issued for \$1,800,000 and as of September 30, 2009 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 will be determined when the construction is complete and all draws have been made.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The composition of interfund balances as of September 30, 2009, is as follows:

Due to / from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor governmental funds	\$ 71,095
General Fund	Water and Sewer Fund	771,020
General Fund	Stormwater Fund	1,596
Stormwater Fund	General Fund	39,804
Stormwater Fund	Water and Sewer Fund	88,439
Sanitation Fund	Water and Sewer Fund	84,188
		<u>\$ 1,056,142</u>

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

Due to/from primary government and component units:

<u>Receivable Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Component unit - Canton Development Authority	Primary government - Water and Sewer Fund	\$ 100,022
		<u>\$ 100,022</u>

**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 9. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**

Interfund transfers:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Road & Sidewalk Fund	Nonmajor governmental funds	\$ 242,155
		<u>\$ 242,155</u>
Canton Building Authority	SPLOST V Fund	\$ 1,717,053
Canton Building Authority	Water & Sewer Fund	1,288,494
Canton Building Authority	Nonmajor governmental funds	200,000
		<u>\$ 3,205,547</u>
Nonmajor governmental funds	General Fund	\$ 200,000
Nonmajor governmental funds	SPLOST V Fund	540,049
Nonmajor governmental funds	Nonmajor governmental funds	315,656
		<u>\$ 1,055,705</u>
SPLOST V	Nonmajor governmental funds	\$ 62,103
		<u>\$ 62,103</u>
Water & Sewer Fund	Canton Building Authority	\$ 1,141,147
		<u>\$ 1,141,147</u>
Stormwater Fund	General Fund	\$ 253,636
Stormwater Fund	Water & Sewer Fund	94,371
		<u>\$ 348,007</u>

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.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. PENSION PLANS

#### Plan Description

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

As provided by state law, benefit provisions for participants in GMEBS are established by the respective employers. As authorized by City Council, the plan provides pension benefits and death and disability benefits for plan members and beneficiaries. All employees, excluding elected officials, who work thirty hours or more per week, are eligible to participate after one year. Benefits vest after five years of service. A City employee who retires at age 65 with five years of service is entitled to benefits of 2.5% of final average earnings in excess of covered compensation. An employee may elect early retirement at age 55 provided he has a minimum of 25 years total credited service to receive full benefits, otherwise early retirement may be elected after only 10 years of service for reduced benefits. Elected officials are entitled to \$64 for each year of service after reaching normal retirement age.

At March 1, 2009, the date of the most recent actuarial valuation, there were 192 participants consisting of the following:

Retirees and beneficiaries currently receiving benefits	36
Terminated vested participants not yet receiving benefits	44
Active employees - vested	67
Active employees - nonvested	45
Total	<u>192</u>

## NOTES TO FINANCIAL STATEMENTS

### NOTE 10. PENSION PLANS (Continued)

#### Funding Policy

The Plan is subject to minimum funding standards of the Georgia Public Retirement Systems Standards law. The board of Trustees of GMEBS has adopted a recommended actuarial funding policy for the plan which meets state minimum requirements and will accumulate sufficient funds to provide the benefits under the plan. The funding policy for the plan is to contribute an amount equal to or greater than the recommended contribution described below. For 2009, the actuarially determined contribution rate was 15.95% of covered payroll.

For 2009, the City's recommended contribution was \$712,974. Actual contributions totaled \$712,974. The recommended contribution was determined as part of the March 1, 2009 actuarial valuation using the projected unit credit actuarial cost method. Actuarial assumptions include an 8.0% rate of return on investments and projected salary increases of 5.5% (5.0% due to inflation and .5% due to merit or seniority increases). The period, and related method, for amortizing the initial unfunded actuarial accrued liability is 30 years from 1981 and current changes in the unfunded actuarial accrued liability over 15 years for actuarial gains and losses, 20 years for plan provisions and 30 years for actuarial assumptions and cost methods as a level dollar amount. These amortization periods are closed for this plan year. The actuarial value of the plan assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten year period.

The following is a schedule of funding progress:

Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded Actuarial Accrued Liability (UAAL)	(a/b) Funded Ratio	(c) Covered Payroll	[(b-a)/c] UAAL as a Percentage of Covered Payroll
3/1/2009	\$ 3,953,640	\$ 7,131,090	\$ 3,177,450	55.44 %	\$ 4,648,660	68.35 %

See required supplementary information for a history of funding progress.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of March 1, 2009.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 10. PENSION PLANS (Continued)

<u>Fiscal Year Ended September 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Actual Pension Contribution</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2009	\$ 712,974	\$ 712,974	100.0 %	\$ -
2008	650,666	650,666	100.0	-
2007	536,558	536,558	100.0	-

### NOTE 11. DEFERRED COMPENSATION PLAN

The City of Canton offers three Internal Revenue Code Section 457 Plans (the "Plans") which are deferred compensation plans that qualify as defined contribution pension plans. The Plans are administered by MetLife, AIG Valic, and Nationwide Retirement Solution for all full time employees. Plan provisions and contribution requirements are established and may be amended by the City's Council. At September 30, 2009, there were 9, 6 and 9 plan members, in the respective plans.

Employees are not required to contribute to the Plans. Employees may contribute a portion of their gross salary, not to exceed the IRS guidelines, into the Plans. The Plans allow employees to increase, decrease, stop and restart deferrals as often as they wish without penalties or fees. Total employee contributions for the year ended September 30, 2009, were \$15,140, \$15,838, and \$12,989, respectively.

### NOTE 12. 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.



## NOTES TO FINANCIAL STATEMENTS

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### NOTE 13. RELATED ORGANIZATIONS

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

### NOTE 14. RISK MANAGEMENT

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

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

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

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

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

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 15. COMMITMENTS AND CONTINGENCIES

#### **Litigation:**

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

#### **Contractual Commitments:**

For the fiscal year ended September 30, 2009, contractual commitments on uncompleted contracts were \$3,057,899.

#### **Grant Contingencies:**

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

### NOTE 16. HOTEL/MOTEL LODGING TAX

The City imposes a hotel/motel tax on lodging facilities within the City. The tax was assessed at 7%. Revenues were \$167,644 for the year ended September 30, 2009. Of this amount 100%, or \$177,577, was expended, including excess expenditures representing the City's use of the fund's equity. Expenditures of the tax were used to promote tourism, conventions, and trade shows to operate, maintain, and market a community auditorium or theater as required by O.C.G.A. 48-13-51.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 17. PRIOR PERIOD ADJUSTMENTS

The City has determined that a restatement of beginning net assets of the Water & Sewer Fund, a major proprietary fund, and business-type activities is necessary to properly report revenues earned as of September 30, 2008 but improperly reported as deferred revenue. This adjustment resulted in changes to the beginning net assets of the Water & Sewer Fund and business-type activities, respectively, as follows:

	Water & Sewer Fund
Net assets, as previously reported	\$ 44,028,129
Adjustments to recognize sewer tap revenues	657,127
Net assets, as restated	\$ 44,685,256
	Business-type Activities
Net assets, as previously reported	\$ 44,062,488
Adjustments to recognize sewer tap revenues	657,127
Net assets, as restated	\$ 44,719,615

### NOTE 18. FUND DEFICITS AND MANAGEMENT PLANS

The City had a deficit in total unrestricted net assets, as reported in its government-wide financial statements, of \$1,614,309 as of September 30, 2009. The majority of this deficit was made up by business-type activities, including the Water & Sewer Fund's deficit in unrestricted net assets of \$3,994,275 at September 30, 2009. The City also reported a total fund balance deficit in the Road & Sidewalk Fund of \$633,756 at September 30, 2009.

The Water & Sewer Fund has positive cash flows from operations of \$3,940,418 for the year ended September 30, 2009. These positive cash flows have allowed the Water & Sewer Fund to cover its current debt service requirements and the cash flows from the year ended September 30, 2009 would be sufficient to cover the requirements for the Water & Sewer Fund's current debt service for the year ended September 30, 2010, if similar cash flows are achieved. The City has deferred many major capital projects until further grant or capital contributions can be obtained to supplement those costs. Additionally, the Water & Sewer Fund established a rate increase of approximately six percent during the year ended September 30, 2009.

## NOTES TO FINANCIAL STATEMENTS

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### **NOTE 18. FUND DEFICITS AND MANAGEMENT PLANS (Continued)**

The City has lowered its property tax rate each of the last eight years, but has approved to increase the rate for fiscal year 2010. The City as a whole has made several significant personnel reductions to lower salary and benefit expenditures, which are the most significant costs of the City. These reductions will affect both the General Fund and the Water & Sewer Fund. The City believes that these reductions in personnel costs, along with the increased millage rate, will help the equity positions of the City.

The Road & Sidewalk Fund has a deficit fund balance as of September 30, 2009 of \$633,756. This fund primarily accounts for the receipt of capital grants used in the construction of road and sidewalk infrastructure of the City. The City anticipates using Impact Fee Fund revenues to repay the existing obligations of the fund and continue to reduce this fund balance deficit.

The City instituted a cost reduction program which included a reduction in labor and fringe costs during the year ended September 30, 2009. In addition, the City raised Water & Sewer rates during the year ended September 30, 2009 in an attempt to increase cash flows from operations. Management believes these factors will contribute towards achieving profitability. The above represents management's plans that may be impacted by other economic factors that are not currently known.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF CANTON, GEORGIA**

**REQUIRED SUPPLEMENTARY INFORMATION  
RETIREMENT PLAN  
SCHEDULE OF FUNDING PROGRESS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b-a/c)
3/1/2009	3,953,640	7,131,090	3,177,450	55.4%	4,648,660	68.4%
3/1/2008	4,196,209	6,705,639	2,509,430	62.6%	4,506,084	55.7%
3/1/2007	3,698,273	5,355,218	1,656,945	69.1%	4,442,684	37.3%
3/1/2006	3,171,107	4,788,539	1,617,432	66.2%	4,028,783	40.1%
3/1/2005	2,692,055	3,970,567	1,278,512	67.8%	3,733,484	34.2%
3/1/2004	2,281,550	3,589,355	1,307,805	63.6%	3,449,881	37.9%

See assumptions used and disclosed in Note 10 to the financial statements.

**CITY OF CANTON, GEORGIA  
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 7,848,350	\$ 7,822,900	\$ 7,980,073	\$ 157,173
Licenses and permits	962,295	468,665	485,694	17,029
Fines and forfeitures	848,150	995,000	984,754	(10,246)
Charges for services	149,000	69,790	73,373	3,583
Interest	2,500	500	459	(41)
Contributions	-	70,100	71,100	1,000
Miscellaneous	75,000	80,100	75,875	(4,225)
Total revenues	<u>9,885,295</u>	<u>9,507,055</u>	<u>9,671,328</u>	<u>164,273</u>
<b>Expenditures</b>				
Current:				
General government:				
City council	83,365	64,000	62,903	1,097
City clerk	150,705	137,002	132,800	4,202
Mayor	77,380	72,000	73,275	(1,275)
City manager	202,590	170,000	157,903	12,097
Elections	900	1,000	328	672
General administration	414,150	397,000	220,236	176,764
Financial administration	152,098	135,500	135,486	14
Tax collections	61,890	75,000	72,060	2,940
Human resources	63,605	62,000	60,828	1,172
General government buildings	299,900	244,635	212,136	32,499
Technology	233,010	200,000	197,739	2,261
Total general government	<u>1,739,593</u>	<u>1,558,137</u>	<u>1,325,694</u>	<u>232,443</u>
Judicial	<u>190,510</u>	<u>211,000</u>	<u>206,466</u>	<u>4,534</u>
Public safety:				
Fire	1,752,952	1,660,000	1,633,536	26,464
Police	3,203,985	3,128,449	3,113,720	14,729
Total public safety	<u>4,956,937</u>	<u>4,788,449</u>	<u>4,747,256</u>	<u>41,193</u>
Public works:				
Engineering	159,445	155,000	134,511	20,489
Streets	977,620	755,500	687,355	68,145
Total public works	<u>1,137,065</u>	<u>910,500</u>	<u>821,866</u>	<u>88,634</u>
Recreation	<u>411,865</u>	<u>313,000</u>	<u>295,530</u>	<u>17,470</u>
Housing and development:				
Building inspection	340,820	288,000	269,302	18,698
Planning and zoning	394,795	327,500	285,770	41,730
Code enforcement	50,635	43,000	25,703	17,297
Economic development	70,970	55,000	33,141	21,859
Downtown development	85,120	60,000	44,574	15,426
Total housing and development	<u>942,340</u>	<u>773,500</u>	<u>658,490</u>	<u>115,010</u>

Continued

**CITY OF CANTON, GEORGIA  
GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>Expenditures</b>				
Debt service:				
Principal	55,475	40,000	38,122	1,878
Interest	2,335	11,500	10,231	1,269
Total debt service	<u>57,810</u>	<u>51,500</u>	<u>48,353</u>	<u>3,147</u>
Total expenditures	<u>9,436,120</u>	<u>8,606,086</u>	<u>8,103,655</u>	<u>502,431</u>
Excess of revenues over expenditures	<u>449,175</u>	<u>900,969</u>	<u>1,567,673</u>	<u>666,704</u>
<b>Other financing sources (uses)</b>				
Proceeds from sale of capital assets	25,000	37,945	38,915	970
Transfers out	(474,175)	(956,915)	(453,636)	503,279
Total other financing sources (uses)	<u>(449,175)</u>	<u>(918,970)</u>	<u>(414,721)</u>	<u>504,249</u>
Net change in fund balances	-	(18,001)	1,152,952	1,170,953
<b>Fund balances, beginning of year</b>	<u>94,258</u>	<u>94,258</u>	<u>94,258</u>	<u>-</u>
<b>Fund balances, end of year</b>	<u>\$ 94,258</u>	<u>\$ 76,257</u>	<u>\$ 1,247,210</u>	<u>\$ 1,170,953</u>



**CITY OF CANTON, GEORGIA**

**BUILDING AUTHORITY**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Interest	\$ -	\$ -	\$ 805	\$ 805
Total revenues	-	-	805	805
<b>EXPENDITURES</b>				
Current				
General government	-	-	40	(40)
Debt service				
Principal	1,763,660	1,763,660	1,736,446	27,214
Interest	1,441,887	1,441,887	1,441,889	(2)
Total expenditures	3,205,547	3,205,547	3,178,375	27,172
Deficiency of revenues over expenditures	(3,205,547)	(3,205,547)	(3,177,570)	27,977
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,205,547	3,205,547	3,205,547	-
Transfers out	-	-	(1,141,147)	(1,141,147)
Total other financing sources (uses)	3,205,547	3,205,547	2,064,400	(1,141,147)
Net change in fund balances	-	-	(1,113,170)	(1,113,170)
<b>FUND BALANCES, beginning of year</b>	1,140,382	1,140,382	1,140,382	-
<b>FUND BALANCES, end of year</b>	\$ 1,140,382	\$ 1,140,382	\$ 27,212	\$ (1,113,170)

## CITY OF CANTON, GEORGIA

### NONMAJOR GOVERNMENTAL FUNDS

---

**Hotel/Motel Tax Fund** – To account for the 7% lodging tax levied in the City.

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

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

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

**SPLOST IV Fund** – To account for interest earnings and expenditures using the prior special purpose local option sales tax.

**CITY OF CANTON, GEORGIA**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2009**

	<u>Special Revenue Funds</u>		
	<u>Hotel/Motel Tax Fund</u>	<u>Tree City Commission Fund</u>	<u>Urban Redevelopment Agency</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 33,535	\$ 9,710	\$ -
Taxes receivable	14,467	-	-
Prepaid expenditures	-	-	63,132
<b>Total assets</b>	<b><u>\$ 48,002</u></b>	<b><u>\$ 9,710</u></b>	<b><u>\$ 63,132</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 33,113	\$ -	\$ -
Due to other funds	-	-	-
Deferred revenue	701	-	-
<b>Total liabilities</b>	<b><u>33,814</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>FUND BALANCES</b>			
Reserved for prepaids	-	-	63,132
Unreserved	14,188	9,710	-
	<u>14,188</u>	<u>9,710</u>	<u>63,132</u>
<b>Total liabilities and fund balances</b>	<b><u>\$ 48,002</u></b>	<b><u>\$ 9,710</u></b>	<b><u>\$ 63,132</u></b>

<b>Capital Projects Funds</b>		
<b>Impact Fees Fund</b>	<b>SPLOST IV Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 1,862,371	\$ -	\$ 1,905,616
-	-	14,467
-	-	63,132
<b>\$ 1,862,371</b>	<b>\$ -</b>	<b>\$ 1,983,215</b>
\$ 6,500	\$ -	\$ 39,613
71,095	-	71,095
-	-	701
<b>77,595</b>	<b>-</b>	<b>111,409</b>
-	-	63,132
1,784,776	-	1,808,674
<b>1,784,776</b>	<b>-</b>	<b>1,871,806</b>
<b>\$ 1,862,371</b>	<b>\$ -</b>	<b>\$ 1,983,215</b>

**CITY OF CANTON, GEORGIA**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	<b>Special Revenue Funds</b>		
	<b>Hotel/Motel Tax Fund</b>	<b>Tree City Commission Fund</b>	<b>Urban Redevelopment Agency</b>
<b>REVENUES</b>			
Taxes	\$ 167,644	\$ -	\$ -
Charges for services	-	4,018	-
Intergovernmental	-	-	-
Interest	1,403	28	-
Miscellaneous	-	3,850	-
Total revenues	<u>169,047</u>	<u>7,896</u>	<u>-</u>
<b>EXPENDITURES</b>			
Current			
General government	-	-	-
Culture and recreation	115,714	6,067	-
Housing and development	61,863	-	-
Capital outlay	-	-	-
Debt service			
Principal retirements	-	-	633,309
Interest expenditures	-	-	124,264
Total expenditures	<u>177,577</u>	<u>6,067</u>	<u>757,573</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,530)</u>	<u>1,829</u>	<u>(757,573)</u>
Other financing sources (uses)			
Transfers in	-	-	820,705
Transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>820,705</u>
Net change in fund balances	<u>(8,530)</u>	<u>1,829</u>	<u>63,132</u>
<b>FUND BALANCES, beginning of year</b>	<u>22,718</u>	<u>7,881</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u><u>\$ 14,188</u></u>	<u><u>\$ 9,710</u></u>	<u><u>\$ 63,132</u></u>

<b>Capital Projects Funds</b>		
<b>Impact Fees Fund</b>	<b>SPLOST IV Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ 167,644
548,021	-	552,039
472,990	-	472,990
29,177	516	31,124
-	-	3,850
<u>1,050,188</u>	<u>516</u>	<u>1,227,647</u>
22,470	-	22,470
-	-	121,781
-	-	61,863
556,225	-	556,225
173,016	-	806,325
<u>18,051</u>	<u>-</u>	<u>142,315</u>
<u>769,762</u>	<u>-</u>	<u>1,710,979</u>
<u>280,426</u>	<u>516</u>	<u>(483,332)</u>
235,000	-	1,055,705
<u>(442,155)</u>	<u>(377,759)</u>	<u>(819,914)</u>
<u>(207,155)</u>	<u>(377,759)</u>	<u>235,791</u>
<u>73,271</u>	<u>(377,243)</u>	<u>(247,541)</u>
<u>1,711,505</u>	<u>377,243</u>	<u>2,119,347</u>
<u>\$ 1,784,776</u>	<u>\$ -</u>	<u>\$ 1,871,806</u>

**CITY OF CANTON, GEORGIA**  
**HOTEL/MOTEL TAX FUND**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	Budget		Actual	Variance With Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 201,000	\$ 146,610	\$ 167,644	\$ 21,034
Interest	200	900	1,403	503
Miscellaneous	-	24,285	-	(24,285)
Total revenue	<u>201,200</u>	<u>171,795</u>	<u>169,047</u>	<u>(2,748)</u>
<b>EXPENDITURES</b>				
Culture and recreation	130,000	116,145	115,714	431
Housing and development	<u>71,200</u>	<u>55,650</u>	<u>61,863</u>	<u>(6,213)</u>
Total expenditures	<u>201,200</u>	<u>171,795</u>	<u>177,577</u>	<u>(5,782)</u>
Net change in fund balances	-	-	(8,530)	(8,530)
<b>FUND BALANCES, beginning of year</b>	<u>22,718</u>	<u>22,718</u>	<u>22,718</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 22,718</u>	<u>\$ 22,718</u>	<u>\$ 14,188</u>	<u>\$ (8,530)</u>

**CITY OF CANTON, GEORGIA  
TREE CITY COMMISSION**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Intergovernmental	\$ 4,000	\$ 4,000	\$ 4,018	\$ 18
Interest	100	100	28	(72)
Miscellaneous	1,625	1,625	3,850	2,225
	<u>5,725</u>	<u>5,725</u>	<u>7,896</u>	<u>2,171</u>
<b>EXPENDITURES</b>				
Culture and recreation	<u>5,725</u>	<u>5,725</u>	<u>6,067</u>	<u>(342)</u>
	<u>5,725</u>	<u>5,725</u>	<u>6,067</u>	<u>(342)</u>
Net change in fund balances	-	-	1,829	1,829
<b>FUND BALANCES, beginning of year</b>	<u>7,881</u>	<u>7,881</u>	<u>7,881</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u>\$ 7,881</u>	<u>\$ 7,881</u>	<u>\$ 9,710</u>	<u>\$ 1,829</u>



**CITY OF CANTON, GEORGIA  
URBAN REDEVELOPMENT AGENCY**

**SCHEDULE OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

	<u>Budget</u>		<u>Actual</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
Debt service				
Principal	\$ 686,656	\$ 686,656	\$ 633,309	\$ 53,347
Interest	134,049	134,049	124,264	9,785
	<u>820,705</u>	<u>820,705</u>	<u>757,573</u>	<u>63,132</u>
Total expenditures				
	<u>820,705</u>	<u>820,705</u>	<u>757,573</u>	<u>63,132</u>
Deficiency of revenues over expenditures	(820,705)	(820,705)	(757,573)	63,132
<b>OTHER FINANCING SOURCES</b>				
Transfers in	820,705	820,705	820,705	-
	<u>820,705</u>	<u>820,705</u>	<u>820,705</u>	<u>-</u>
Net change in fund balances	-	-	63,132	63,132
<b>FUND BALANCES, beginning of year</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES, end of year</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,132</u>	<u>\$ 63,132</u>

**CITY OF CANTON, GEORGIA**

**SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

<b>Special Purpose Local Option Sales Tax IV</b>	<b>Estimated Cost</b>		<b>Expenditures</b>		
	<b>Original</b>	<b>Current</b>	<b>Prior Years</b>	<b>Current Year</b>	<b>Total</b>
<b>Project</b>					
South Canton fire department building	\$ 799,068	\$ 799,068	\$ 799,068	\$ -	\$ 799,068
Administraton building debt retirement	1,060,576	1,929,596	1,613,940	315,656	1,929,596
Administration building renovation project	-	4,743,950	4,743,950	-	4,743,950
Downtown fire station renovation	-	41,322	41,322	-	41,322
Police department building debt retirement	318,829	382,056	319,953	62,103	382,056
Public safety vehicles/equipment	173,000	739,832	739,832	-	739,832
Fire trucks and equipment debt retirement	774,076	771,057	771,057	-	771,057
	<u>\$ 3,125,549</u>	<u>\$ 9,406,881</u>	<u>\$ 9,029,122</u>	<u>\$ 377,759</u>	<u>\$ 9,406,881</u>

## CITY OF CANTON, GEORGIA

### SCHEDULE OF EXPENDITURES OF SPECIAL PURPOSE LOCAL OPTION SALES TAX FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

Special Purpose Local Option Sales Tax V	Estimated Cost		Expenditures		
	Original	Current	Prior Years	Current Year	Total
<u>Project</u>					
Streets and sidewalks	\$ 2,500,565	\$ 2,500,565	\$ 982,296	\$ 35,000	\$ 1,017,296
Parks and recreation facilities	2,428,000	2,428,000	14,028	297	14,325
Administration building debt retirement	1,942,000	1,942,000	-	505,059	505,059
Public safety building	1,942,000	1,942,000	100,085	38,965	139,050
Water and wastewater facilities	2,913,000	2,913,000	1,801,910	-	1,801,910
Community center debt retirement	1,942,000	2,134,050	416,997	1,717,053	2,134,050
Downtown parking deck	1,942,000	1,942,000	-	-	-
Hickory Flat highway improvements	909,375	909,375	-	-	-
Brown Industrial Drive improvements	909,375	909,375	294,042	-	294,042
Sunset Drive improvements	303,125	303,125	57,173	-	57,173
Highway 20/140 Access Road	303,125	303,125	-	-	-
	<u>\$ 18,034,565</u>	<u>\$ 18,226,615</u>	<u>\$ 3,666,531</u>	<u>\$ 2,296,374</u>	<u>\$ 5,962,905</u>

**CITY OF CANTON, GEORGIA**

**FIDUCIARY FUNDS**

---

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

**CITY OF CANTON, GEORGIA**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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	<b>Balance October 1, 2008</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance September 30, 2009</b>
<b><u>MUNICIPAL COURT</u></b>				
Assets - cash	<u>\$ 76,806</u>	<u>\$ 1,567,752</u>	<u>\$ 1,557,597</u>	<u>\$ 86,961</u>
Liabilities - due to others	<u>\$ 76,806</u>	<u>\$ 1,567,752</u>	<u>\$ 1,557,597</u>	<u>\$ 86,961</u>

## **COMPONENT UNIT**

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# CITY OF CANTON, GEORGIA

## STATEMENT OF CASH FLOWS COMPONENT UNIT - DOWNTOWN DEVELOPMENT AUTHORITY FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers and users	\$ 30,665
Payments to suppliers	<u>(30,403)</u>
Net cash provided by operating activities	<u>262</u>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest received	<u>16</u>
Net cash provided by investing activities	<u>16</u>
 <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Principal payments on bonds payable	(65,253)
Interest paid	<u>(38,360)</u>
Net cash used in capital and related financing activities	<u>(103,613)</u>
 <b>CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Receipts from City of Canton	<u>115,714</u>
Net cash provided by noncapital and related financing activities	<u>115,714</u>
Net increase in cash and cash equivalents	12,379
Cash and cash equivalents, beginning of year	<u>211</u>
Cash and cash equivalents, end of year	<u><u>\$ 12,590</u></u>
 <b>Reconciliation of operating loss to net cash provided by operating activities:</b>	
Operating loss	\$ (30,176)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	28,531
Change in assets and liabilities:	
Increase in accounts payable	<u>1,907</u>
Net cash provided by operating activities	<u><u>\$ 262</u></u>

# STATISTICAL SECTION

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

	<u>Page</u>
<b>Financial Trends .....</b>	<b>67</b>
<b>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</b>	
<b>Revenue Capacity .....</b>	<b>72</b>
<b>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</b>	
<b>Debt Capacity .....</b>	<b>78</b>
<b>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.</b>	
<b>Demographic and Economic Information .....</b>	<b>81</b>
<b>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</b>	
<b>Operating Information .....</b>	<b>82</b>
<b>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.</b>	

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



**CITY OF CANTON, GEORGIA**

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
<b>Governmental activities</b>						
Invested in capital assets, net of related debt	\$ 26,397,902	\$ 22,643,905	\$ 25,233,848	\$ 9,626,727	\$ 6,271,687	\$ 24,303,698
Restricted	3,415,322	3,800,560	3,742,276	16,366,892	21,105,383	-
Unrestricted	2,035,811	709,265	970,752	2,543,076	(667,634)	2,687,212
<b>Total governmental activities net assets</b>	<b>\$ 31,849,035</b>	<b>\$ 27,153,730</b>	<b>\$ 29,946,876</b>	<b>\$ 28,536,695</b>	<b>\$ 26,709,436</b>	<b>\$ 26,990,910</b>
<b>Business-type activities</b>						
Invested in capital assets, net of related debt	\$ 52,591,378	\$ 49,922,585 (1)	\$ 28,272,392	\$ 22,842,904	\$ 20,885,321	\$ 19,640,743
Restricted	-	-	-	-	-	624,039
Unrestricted	(3,650,120)	(5,860,097) (1)	9,068,221	358,902	(1,976,282)	(2,820,599)
<b>Total business-type activities net assets</b>	<b>\$ 48,941,258</b>	<b>\$ 44,062,488</b>	<b>\$ 37,340,613</b>	<b>\$ 23,201,806</b>	<b>\$ 18,909,039</b>	<b>\$ 17,444,183</b>
<b>Primary government</b>						
Invested in capital assets, net of related debt	\$ 78,989,280	\$ 72,566,490	\$ 53,506,240	\$ 32,469,631	\$ 27,157,008	\$ 43,944,441
Restricted	3,415,322	3,800,560	3,742,276	16,366,892	21,105,383	624,039
Unrestricted	(1,614,309)	(5,150,832)	10,038,973	2,901,978	(2,643,916)	(133,387)
<b>Total primary government net assets</b>	<b>\$ 80,790,293</b>	<b>\$ 71,216,218</b>	<b>\$ 67,287,489</b>	<b>\$ 51,738,501</b>	<b>\$ 45,618,475</b>	<b>\$ 44,435,093</b>

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

# CITY OF CANTON, GEORGIA

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

	2009	2008	2007	2006	2005	2004
<b>Expenses</b>						
Governmental activities:						
General government	\$ 2,205,371	\$ 1,999,815	\$ 2,012,028	\$ 1,979,169	\$ 1,878,098	\$ 1,481,792
Judicial	207,879	219,639	255,742	-	-	-
Public safety	5,189,142	5,750,262	5,039,785	4,742,918	4,344,526	4,211,873
Public works	1,888,445	2,804,416	2,124,031	2,147,240	1,864,038	1,740,204
Culture and recreation	1,151,561	880,616	918,519	511,203	470,922	527,582
Housing and development	744,870 (4)	2,053,150	1,483,555	1,998,840	1,342,796	1,212,546
Interest on long-term debt	1,639,962	1,633,240	1,465,394	1,280,036	523,604	82,083
Total governmental activities expenses	13,027,230	15,341,138	13,299,054	12,659,406	10,423,984	9,256,080
Business-type activities:						
Water and sewer	5,618,888	6,217,761	5,589,256	5,180,238	5,281,264	4,229,065
Sanitation	1,062,946	1,047,868	991,360	889,970	717,330	558,651
Stormwater	842,291	-	-	-	-	-
Total business-type activities expenses	7,524,125	7,265,629	6,580,616	6,070,208	5,998,594	4,787,716
Total primary government expenses	\$ 20,551,355	\$ 22,606,767	\$ 19,879,670	\$ 18,729,614	\$ 16,422,578	\$ 14,043,796
<b>Program Revenues</b>						
Governmental activities:						
Charges for services:						
General government	\$ 494,699 (5)	\$ 1,023,985 (2)	\$ 345,985	\$ 371,755	\$ 270,658	\$ 259,233
Judicial	973,150	904,255 (1)	-	-	-	-
Public safety	86,379 (5)	375,810 (1)	1,157,071	1,215,907	1,103,706	1,089,194
Public works	365,695 (5)	823,787	1,364,589	1,201,256	108,442	86,694
Culture and recreation	95,947 (5)	335,778	627,781	857,112	774,068	900,723
Housing and development	68,386 (5)	199,067 (2)	1,418,524	1,867,327	1,787,552	1,866,074
Operating grants and contributions	74,950	-	141,389	296,455	232,324	167,249
Capital grants and contributions	5,242,945 (6)	3,135,718 (3)	6,689,806	3,622,467	2,333,627	3,738,243
Total governmental activities program revenues	7,402,151	6,798,400	11,745,145	9,432,279	6,610,377	8,107,410
Business-type activities:						
Charges for services:						
Water and sewer	7,335,262	7,623,918	7,911,799	7,011,665	5,803,725	6,330,895
Sanitation	1,058,068	1,020,666	938,036	776,680	752,938	571,690
Stormwater	947,636	-	-	-	-	-
Capital grants and contributions	2,296,436 (6)	90,917	60,000	-	-	-
Total business-type activities program revenues	11,637,402	8,735,501	8,909,835	7,788,345	6,556,663	6,902,585
Total primary government program revenues	\$ 19,039,553	\$ 15,533,901	\$ 20,654,980	\$ 17,220,624	\$ 13,167,040	\$ 15,009,995

**CITY OF CANTON, GEORGIA**

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

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

# CITY OF CANTON, GEORGIA

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

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	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
General fund				
Reserved	\$ 142,690	\$ 148,252	\$ 130,191	\$ 126,160
Unreserved	<u>1,104,520</u>	<u>(53,994)</u>	<u>268,734</u>	<u>1,759,833</u>
Total general fund	<u>\$ 1,247,210</u>	<u>\$ 94,258</u>	<u>\$ 398,925</u>	<u>\$ 1,885,993</u>
All other governmental funds				
Reserved	\$ 90,344	\$ -	\$ -	\$ -
Unreserved, reported in:				
Special revenue funds	23,898	1,170,981	60,161	12,071,285
Capital projects funds	<u>2,781,566</u>	<u>3,018,151</u>	<u>3,601,071</u>	<u>4,349,391</u>
Total all other governmental funds	<u>\$ 2,895,808</u>	<u>\$ 4,189,132</u>	<u>\$ 3,661,232</u>	<u>\$ 16,420,676</u>

<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
\$ 140,673	\$ 114,235	\$ 101,201	\$ 60,967	\$ 50,083	\$ 42,881
<u>(1,424,283)</u>	<u>735,567</u>	<u>(1,363,087)</u>	<u>3,124,047</u>	<u>3,460,180</u>	<u>1,975,277</u>
<u>\$ (1,283,610)</u>	<u>\$ 849,802</u>	<u>\$ (1,261,886)</u>	<u>\$ 3,185,014</u>	<u>\$ 3,510,263</u>	<u>\$ 2,018,158</u>
\$ -	\$ 2,122,658	\$ 1,625,627	\$ 263,550	\$ -	\$ -
19,051,573	20,914	16,630	(185,967)	943,874	1,759,130
<u>2,451,789</u>	<u>-</u>	<u>-</u>	<u>209,470</u>	<u>-</u>	<u>-</u>
<u>\$ 21,503,362</u>	<u>\$ 2,143,572</u>	<u>\$ 1,642,257</u>	<u>\$ 287,053</u>	<u>\$ 943,874</u>	<u>\$ 1,759,130</u>

# CITY OF CANTON, GEORGIA

## CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS LAST TEN YEARS

(modified accrual basis of accounting)

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Revenues</b>				
Taxes	\$ 10,271,488	\$ 10,398,102 (2)	\$ 7,277,384	\$ 6,431,302
Licenses and permits	485,694 (4)	1,018,243	1,565,725	2,013,979
Intergovernmental	472,990 (1)	2,231,796 (1)(2)	2,879,125 (2)	2,540,653
Fines and forfeitures	984,754	888,543	812,693	694,904
Charges for services	625,412 (4)	1,740,184	2,404,294	2,669,415
Interest income	92,967	300,721	515,217	806,788
Contributions and donations	138,663	557,347	3,952,380	1,378,269
Miscellaneous	79,725	131,524	100,374	111,493
<b>Total revenues</b>	<b>13,151,693</b>	<b>17,266,460</b>	<b>19,507,192</b>	<b>16,646,803</b>
<b>Expenditures</b>				
General government	1,348,214	1,700,648	1,904,713	1,997,186
Judicial	206,466	220,126	250,581	-
Public safety	4,747,256	5,468,985	5,510,749	4,516,931
Public works	821,866	1,535,290	1,262,309	1,523,246
Culture and recreation	417,608	591,834	605,316	502,696
Housing and development	720,353 (5)	1,691,476	1,423,424	2,028,730
Capital outlay	787,600 (3)	3,654,500 (3)	8,163,714	6,278,503
Debt service				
Principal retirements	2,580,893	2,502,819	2,186,925	1,184,776
Interest and fiscal charges	1,594,435	1,536,399	1,402,921	1,478,172
Issuance costs	-	55,000	-	-
<b>Total expenditures</b>	<b>13,224,691</b>	<b>18,957,077</b>	<b>22,710,652</b>	<b>19,510,240</b>
Excess of revenues over (under) expenditures	(72,998)	(1,690,617)	(3,203,460)	(2,863,437)
<b>Other financing sources (uses)</b>				
Proceeds from capital leases	-	-	1,213,723	300,000
Issuance of long-term debt	-	7,860,000	-	2,928,062
Proceeds from sale of capital assets	38,915	37,067	30,554	23,568
Transfers in	4,565,510	12,328,890	(38,453,337)	(21,308,893)
Transfers out	(4,671,799)	(17,575,261)	26,166,008	19,043,771
<b>Total other financing sources (uses)</b>	<b>(67,374)</b>	<b>2,650,696</b>	<b>(11,043,052)</b>	<b>986,508</b>
<b>Net change in fund balances</b>	<b>\$ (140,372)</b>	<b>\$ 960,079</b>	<b>\$ (14,246,512)</b>	<b>\$ (1,876,929)</b>
Debt service as a percentage of noncapital expenditures	33.69%	27.43%	24.68%	20.13%

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

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

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

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

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

	2005	2004	2003	2002	2001	2000
\$	5,915,310	\$ 5,026,077	\$ 4,710,925	\$ 5,404,248	\$ 5,310,784	\$ 4,659,809
	1,913,017	1,949,976	1,506,956	1,437,495	1,164,454	733,587
	1,716,949	4,865,857	6,469,922	1,074,820	158,240	169,189
	688,594	587,173	818,105	629,802	560,550	397,940
	1,348,164	1,584,935	1,207,527	254,219	328,743	296,695
	168,373	14,531	6,753	22,473	38,550	43,340
	859,248	107,099	3,061,804	64,511	1,375,670	100,000
	84,404	79,834	60,339	50,596	214,062	156,748
	<u>12,694,059</u>	<u>14,215,482</u>	<u>17,842,331</u>	<u>8,938,164</u>	<u>9,151,053</u>	<u>6,557,308</u>
	2,409,785	1,398,916	1,377,639	1,172,045	1,075,497	970,507
	-	-	-	-	-	-
	3,944,158	3,655,148	3,545,441	3,263,190	2,789,253	2,377,963
	1,210,945	1,009,603	984,580	873,479	2,066,859	1,188,899
	542,150	1,289,514	5,607,268	888,097	201,732	193,093
	1,204,409	1,322,773	1,226,864	1,090,845	834,966	653,679
	13,472,692	4,254,570	6,885,386	1,950,540	2,240,529	1,646,253
	1,053,735	1,021,552	582,008	582,066	509,128	333,275
	451,746	25,928	57,395	-	155,605	-
	-	-	-	-	-	-
	<u>24,289,620</u>	<u>13,978,004</u>	<u>20,266,581</u>	<u>9,820,262</u>	<u>9,873,569</u>	<u>7,363,669</u>
	(11,595,561)	237,478	(2,424,250)	(882,098)	(722,516)	(806,361)
	59,950	-	-	-	-	1,274,112
	29,563,477	-	-	-	-	-
	177,346	1,882,511	32,555	15,579	-	-
	(25,777,704)	(988,346)	(2,365,139)	(195,423)	(1,058,539)	(182,145)
	24,798,872	1,481,360	1,665,138	79,872	2,457,904	1,916,772
	<u>28,821,941</u>	<u>2,375,525</u>	<u>(667,446)</u>	<u>(99,972)</u>	<u>1,399,365</u>	<u>3,008,739</u>
\$	<u>17,226,380</u>	<u>\$ 2,613,003</u>	<u>\$ (3,091,696)</u>	<u>\$ (982,070)</u>	<u>\$ 676,849</u>	<u>\$ 2,202,378</u>
	13.92%	10.77%	4.78%	7.40%	8.71%	5.83%

## CITY OF CANTON, GEORGIA

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

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Fiscal Year	Real Property Assessed Value	Personal Property Assessed Value	Total Assessed Value	Total District Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
2000	\$ 158,984,576	\$ 37,613,658	\$ 196,598,234	8.250	\$ 491,495,585	40%
2001	190,761,307	43,940,509	234,701,816	8.250	586,754,540	40%
2002	225,238,320	56,711,615	281,949,935	8.000	704,874,838	40%
2003	267,029,520	38,243,462	305,272,982	7.500	763,182,455	40%
2004	382,187,240	42,515,016	424,702,256	7.385	1,061,755,640	40%
2005	404,698,171	54,223,786	458,921,957	7.115	1,147,304,893	40%
2006	467,999,181	40,203,702	508,202,883	6.778	1,270,507,208	40%
2007	583,154,134	46,877,412	630,031,546	6.256	1,575,078,865	40%
2008	895,754,728	69,472,700	965,227,428	5.970	2,413,068,570	40%
2009	899,326,279	68,246,516	967,572,795	5.950	2,418,931,988	40%

Source: City of Canton Property Tax Billing Department



# CITY OF CANTON, GEORGIA

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

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<u>Calendar Year</u>	<u>City of Canton Operating Millage</u>	<u>Cherokee County</u> (1)	<u>State</u>	<u>Total Direct &amp; Overlapping Rates</u>
2000	8.250	29.040	0.25	37.540
2001	8.250	28.220	0.25	36.720
2002	8.000	28.100	0.25	36.350
2003	7.500	27.570	0.25	35.320
2004	7.385	27.390	0.25	35.025
2005	7.115	26.980	0.25	34.345
2006	6.778	26.840	0.25	33.868
2007	6.256	26.500	0.25	33.006
2008	5.970	26.250	0.25	32.470
2009	5.950	26.803	0.25	33.003

(1) Source: Cherokee County CAFR

# CITY OF CANTON, GEORGIA

## PRINCIPAL TAXPAYERS CURRENT AND NINE YEARS AGO

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Taxable Assessed Value
DDRM Riverstone Plaza, LLC	\$ 11,903,280	1	1.23 %	\$ -		- %
Alltell Georgia Communications Corp	7,380,052	2	0.76	4,950,920	5	2.52
Walden Crossing - UCM/Michelson, LLC	7,199,040	3	0.74	-		-
Wal-Mart	6,790,040	4	0.70	2,751,996	6	1.40
River Ridge of Canton, LP	6,131,520	5	0.63	-		-
Inland Western Canton Paradise, LLC	5,874,280	6	0.61	-		-
Georgia Power Company	5,725,662	7	0.59	1,868,560	10	0.95
Signature Place, LP	5,635,560	8	0.58	-		-
Bright-Sasser Canton, LLC	5,517,440	9	0.57	12,068,320	1	6.14
Heritage at Riverstone, LLC	5,202,040	10	0.54	-		
JDN Enterprises	-		-	9,390,440	2	4.78
Piolax Corporation	-		-	5,839,704	3	2.97
Siemens Energy and Automation	-		-	4,990,062	4	2.54
Hickory Knoll	-		-	2,368,840	7	1.20
Home Depot	-		-	2,334,255	8	1.19
Quill Corporation	-		-	2,259,274	9	1.15
	<u>\$ 67,358,914</u>		<u>6.96 %</u>	<u>\$ 48,822,371</u>		<u>24.84 %</u>

Source: City of Canton Property Tax Billing Department

## CITY OF CANTON, GEORGIA

### TOP TEN WATER AND SEWER CUSTOMERS FOR THE YEAR ENDED SEPTEMBER 30, 2009

Customer	Rank	Gallons	Water Revenues	Gallons	Sewer Revenue	Total Revenue	Percentage of Total Revenues
Waleska Water (1)	1	63,223,000	\$ 142,251	-	\$ -	\$ 142,251	1.98 %
Canton Mill Lofts	2	12,351,000	58,049	12,351,000	71,018	129,067	1.79
River Ridge Apartments	3	11,482,000	53,965	11,482,000	66,021	119,986	1.67
Hickory Knoll Apartments	4	9,494,000	44,621	9,494,000	54,590	99,211	1.38
Signature Management	5	9,482,000	44,545	9,482,000	54,521	99,066	1.38
Laurels of Greenwood Apartments	6	9,222,000	43,343	9,222,000	53,026	96,369	1.34
Walden Crossing Apartments	7	8,882,000	41,745	8,882,000	51,071	92,816	1.29
Canterbury Ridge Apartments	8	7,923,000	37,238	7,923,000	45,557	82,795	1.15
Northside Hospital - Cherokee	9	6,877,000	32,321	6,877,000	39,542	71,863	1.00
Heritage @ Riverstone	10	5,823,000	27,368	5,823,000	33,482	60,850	0.85

Source: City of Canton Utility Billing Department

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

**CITY OF CANTON, GEORGIA**  
**CURRENT WATER AND SEWER RATES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2009**

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

Source: City of Canton Utility Billing Department

**CITY OF CANTON, GEORGIA**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
**LAST TEN YEARS**

<b>Tax Year</b>	<b>Total Tax Levy</b>	<b>Collected within the Fiscal Year of the Levy</b>		<b>Collections in Subsequent Years</b>	<b>Total Collections to Date</b>	
		<b>Amount</b>	<b>Percentage of Levy</b>		<b>Amount</b>	<b>Percentage of Levy</b>
2000	\$ 1,630,946	\$ 1,582,805	97.0%	\$ 21,347	\$ 1,604,152	98.36%
2001	1,946,018	1,806,513	92.8%	29,530	1,836,043	94.35%
2002	2,143,034	2,109,217	98.4%	33,817	2,143,034	100.00%
2003	2,304,582	2,285,795	99.2%	18,787	2,304,582	100.00%
2004	2,559,938	2,387,786	93.3%	79,699	2,467,485	96.39%
2005	2,966,324	2,915,064	98.3%	23,959	2,939,023	99.08%
2006	3,449,599	3,373,282	97.8%	33,185	3,406,467	98.75%
2007	3,941,477	3,825,967	97.1%	58,395	3,884,362	98.55%
2008	4,450,928	4,365,324	98.1%	65,232	4,430,556	99.54%
2009	4,636,934	4,378,812	94.4%	-	4,378,812	94.43%

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

Fiscal Year	Governmental Activities (1)			Business-type Activities (1)			Total Primary Government	Percentage of Personal Income (2)	Per Capita (2)
	Bonds Payable	Notes Payable	Capital Leases	Revenue Bonds	GEFA Notes Payable	Capital Leases			
2000	\$ -	\$ -	\$ 2,960,315	\$ 8,282,889	\$ -	\$ 138,597	\$ 11,381,801	5.25%	\$ 1,636
2001	-	-	2,356,150	7,933,372	-	95,038	10,384,560	4.24%	1,335
2002	-	-	1,995,688	7,566,184	1,954,830	48,695	11,565,397	4.64%	1,388
2003	-	-	1,515,413	14,404,105	2,207,495	-	18,127,013	5.38%	1,599
2004	2,748,554	-	558,704	14,257,795	2,438,961	-	20,004,014	4.96%	1,516
2005	31,667,597	-	325,875	12,794,549	3,007,289	-	47,795,310	10.05%	3,167
2006	33,548,488	-	488,271	11,933,028	3,394,453	-	49,364,240	9.19%	2,984
2007	31,652,989	3,000,000	978,037	11,031,600	3,301,524	306,253	50,270,403	7.95%	2,571
2008	37,477,343	2,900,000	610,864	10,127,834	3,956,425	237,558	55,310,024	7.85%	2,577
2009	35,227,006	2,700,000	339,726	9,102,673	3,996,630	155,449	51,521,484	6.51%	2,267

(1) Details regarding the City's outstanding debt can be found in Note 8 in the Notes to the Financial Statements.

(2) See Schedule of Demographic and Economic Statistics for personal income and population data for the City

# CITY OF CANTON, GEORGIA

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT SEPTEMBER 30, 2009

	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City of Canton (1)</u>	<u>Amount Applicable to City of Canton</u>
Overlapping General Obligation Debt:			
Cherokee County 2005	\$ 13,765,000	9.710%	\$ 1,336,582
Cherokee County 2007 A and B Series	5,877,000	9.710%	570,657
Cherokee County 2008	7,893,000	9.710%	766,410
Cherokee County Board of Education	253,765,000	9.710%	24,640,582
Other Overlapping Debt:			
Cherokee County Industrial Development Authority	1,405,000	9.710%	136,426
Cherokee County Resource Recovery Development Authority	18,145,000	9.710%	1,761,880
Total overlapping debt	<u>\$ 300,850,000</u>		<u>\$ 29,212,537</u>

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

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

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

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

Fiscal Year	Water & Sewer Revenue	Operating Expenses (1)	Net Revenue Available for Debt Service	Debt Service Requirements			Bond Coverage
				Principal	Interest	Total	
2000	\$ 3,918,908	\$ 2,372,648	\$ 1,546,260	\$ 332,104	\$ 465,392	\$ 797,496	1.94
2001	4,954,984	2,558,599	2,396,385	349,517	454,880	804,397	2.98
2002	4,627,191	2,688,681	1,938,510	367,188	433,361	800,549	2.42
2003	5,687,379	2,147,812	3,539,567	662,079	410,013	1,072,092	3.30
2004	6,330,895	2,728,455	3,602,440	791,381	559,189	1,350,570	2.67
2005	5,803,726	3,389,941	2,413,785	823,573	748,622	1,572,195	1.54
2006	7,011,665	3,459,010	3,552,655	861,521	619,457	1,480,978	2.40
2007	7,911,799	3,785,270	4,126,529	901,428	563,684	1,465,112	2.82
2008	7,720,467	4,353,364	3,367,103	903,766	667,852	1,571,618	2.14
2009	7,335,906	3,628,709	3,707,197	1,025,161	495,729	1,520,890	2.44

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



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

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<b>Fiscal Year</b>	<b>Population (1)</b>	<b>Personal Income</b>	<b>Per Capita Personal Income (1)</b>	<b>Median Age (1)</b>	<b>Average Education Level In Years (2)</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (2)</b>
2000	6,959	\$ 216,758,932	\$ 31,148	31.0	12.58	3,380	1.5%
2001	7,780	244,782,140	31,463	31.8	12.65	3,531	3.2%
2002	8,335	249,499,890	29,934	32.6	12.72	3,778	3.6%
2003	11,338	337,158,106	29,737	33.4	12.81	3,885	3.9%
2004	13,195	403,635,050	30,590	34.2	12.83	3,317	3.0%
2005	15,094	475,577,224	31,508	35.0	12.89	3,975	3.9%
2006	16,544	536,901,290	32,453	35.8	12.90	4,182	4.4%
2007	19,553	632,695,974	32,358	36.8	12.93	4,616	4.4%
2008	21,464	704,834,832	32,838	34.0	14.00	5,091	8.5%
2009	22,724	791,204,232	34,818	28.0	14.00	5,199	10.3%

NA - Not available

(1) Bureau of Census and Atlanta Regional Commission

(2) Georgia Department of Labor

(3) Cherokee County Board of Education

# CITY OF CANTON, GEORGIA

## PRINCIPAL EMPLOYERS CURRENT AND NINE YEARS AGO

Employer	2009			2000		
	Employees	Rank	Percentage of Total City Employment	Employees (1)	Rank	Percentage of Total City Employment
Cherokee County Board of Education	834	1	19.99 %	500	1	10.13 %
Northside Hospital - Cherokee	721	2	17.50	180	4	3.65
Cherokee County Board of Commissioners	400	3	9.59	330	3	6.69
Wal-Mart	329	4	8.82	370	2	7.50
Publix	291	7	3.84			
Universal Alloy Corporation	282	5	6.76	155	5	3.14
Piolax Corporation	179	6	5.27	130	6	2.63
City of Canton	123	8	3.84			
Home Depot	114	9	3.26			
Morrison Products	80	10	2.40	100	7	2.03
Quill Corporation				87	8	1.76
K-Mart				70	10	1.42
YDK America				75	9	1.52
	3,353		81.27 %	1,997		40.47 %

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

# CITY OF CANTON, GEORGIA

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

Function	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
General government					
Management	5	6	4	4	4
Finance	3	3	4	6	6
Technology	2	1	1	2	2
Judicial					
Municipal court	2	2	2	2	2
Public safety					
Police officers	42	41	38	42	38
Police administration	9	10	10	10	10
Firefighters	23	25	30	30	31
Fire administration	5	3	3	2	2
Public works					
Engineering	3	3	-	1	-
Streets	14	18	20	21	21
Culture and recreation					
Parks	4	4	6	5	4
Housing and development					
Building	3	7	11	10	10
Planning and zoning	2	2	7	6	6
Economic development	1	1	1	1	1
Transit	-	-	7	8	8
Utilities					
Sanitation roll-off site	1	1	2	1	1
Water administration	4	4	4	4	4
<b>Total</b>	<b><u>123</u></b>	<b><u>131</u></b>	<b><u>150</u></b>	<b><u>155</u></b>	<b><u>150</u></b>

Source: Various City departments.

2004	2003	2002	2001	2000
4	4	4	4	4
6	4	4	3	3
2	1	1	1	1
2	3	3	3	3
38	39	34	35	34
10	9	8	9	7
30	26	26	29	27
2	2	2	2	2
-	-	-	-	-
21	20	20	18	16
4	4	3	3	-
12	10	8	7	4
3	3	3	3	2
1	1	1	1	1
8	8	6	4	4
1	-	-	-	-
4	3	3	3	3
<u>148</u>	<u>137</u>	<u>126</u>	<u>125</u>	<u>111</u>

# CITY OF CANTON, GEORGIA

## OPERATING INDICATORS BY FUNCTION LAST TEN FISCAL YEARS

Function	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Public safety</b>					
Police					
Physical arrests	<b>1,291</b>	1,291	1,479	1,315	1,229
Parking violations	<b>1,722</b>	2,521	3,077	3,537	2,301
Traffic violations	<b>9,338</b>	8,057	11,472	12,976	11,692
Fire					
Emergency responses	<b>2,686</b>	2,706	2,737	N/A	N/A
Fires extinguished	<b>93</b>	108	87	N/A	N/A
<b>Public works</b>					
Street resurfacing (miles)	<b>132</b>	125	223	137	139
Signs installed/replaced	<b>93</b>	196	194	189	140
Trees cut/miscellaneous	<b>262</b>	225	366	840	614
<b>Water and sewer</b>					
New connections (1)	<b>57</b>	127	561	776	584
Average daily consumption (million gallons/day)	<b>2.470</b>	2.330	2.710	3.352	2.309
<b>Transit</b>					
Total route miles	<b>N/A</b> (a)	25,128	100,512	95,643	88,914
Passengers	<b>N/A</b> (a)	9,990	60,258	49,081	41,134

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

N/A - Information not available

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

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

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2004	2003	2002	2001	2000
978	773	N/A	N/A	N/A
1,601	N/A	N/A	N/A	N/A
8,006	N/A	N/A	N/A	N/A
N/A	N/A	N/A	1,465	1,335
N/A	N/A	N/A	262	291
103	114	28	N/A	N/A
136	161	159	N/A	N/A
796	493	201	N/A	N/A
567	213	714	(241)	243
N/A	N/A	N/A	N/A	N/A
90,237	66,677	66,677	N/A	N/A
24,219	27,928	16,406	N/A	N/A

# CITY OF CANTON, GEORGIA

## CAPITAL ASSET STATISTICS BY FUNCTION LAST TEN FISCAL YEARS

Function	2009	2008	2007	2006	2005
Public Safety					
Police					
Stations	1	1	1	1	1
Patrol Units	34	27	33	25	22
Fire					
Fire Stations	2	2	2	2	2
Pumper Trucks	5	5	5	4	3
Ladder Truck	1	1	1	1	1
Platform Truck	1	1	1	-	-
Public Works					
Streets (miles)	143	143	142	107	105
Sidewalks (miles)	21	21	20	17	16
Culture & Recreation					
Acreage of Parks	171	170	170	170	170
Playgrounds	4	4	4	4	4
Baseball Fields	5	5	5	5	5
Soccer Fields	2	2	2	2	2
Tennis Courts	4	4	4	4	4
Community Center	1	1	1	1	-
Water					
Water Mains (miles)	137	137	137	137	106
Water Plant Capacity (million gallons daily)	5	5	5	5	5
Sewer					
Sanitary Sewer Mains (miles)	79	79	79	79	65
Sewer Plant Capacity (million gallons daily)	4	4	4	4	4
Transit					
Buses	- (a)	5	5	5	4
Trolley	- (a)	1	1	1	1

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

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

2004	2003	2002	2001	2000
1	1	1	1	1
22	19	21	16	13
2	2	2	2	1
3	3	3	3	2
1	1	1	1	1
-	-	-	-	-
105	95	95	95	95
15	13	13	12	12
170	170	112	82	82
4	4	4	4	4
5	5	5	5	5
2	2	2	2	2
4	4	4	4	4
-	-	-	-	-
105	99	99	98	98
5	5	5	5	5
65	57	57	57	55
4	2	2	2	2
4	4	3	2	2
1	-	-	-	-



## **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**

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canton, Georgia (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City of Canton, Georgia's basic financial statements and have issued our report thereon dated February 23, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses, as items 2009-1 through 2009-6, to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the deficiencies described in the accompanying schedule of findings and responses, as items 2009-1 through 2009-6, to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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We noted certain matters that were reported to management of the City in a separate letter dated February 23, 2010.

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

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

*Mauldin & Jenkins, LLC*

Atlanta, Georgia  
February 23, 2010

**CITY OF CANTON, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**SECTION I**  
**SUMMARY OF AUDIT RESULTS**

**Financial Statements**

Type of auditor's report issued	Unqualified
Internal control over financial reporting: Material weaknesses identified?	<u> X </u> yes    ___ no
Significant deficiencies identified not considered to be material weaknesses?	___ yes <u> X </u> no
Noncompliance material to financial statements noted?	___ yes <u> X </u> no

**Federal Awards**

There was not an audit of major federal award programs for the year ended September 30, 2009 due to the total amount expended being less than \$500,000.

**CITY OF CANTON, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2009-1 Restatement of prior year balances**

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

**Condition:** Internal controls were not sufficient to detect a material misstatement in the City's financial statements for the years ended September 30, 2007 and 2008.

**Context/Cause:** During our audit for the year ended September 30, 2009, a material misstatement was identified by management that caused the need to restate opening net assets (equity) for the year ended September 30, 2009. The nature and magnitude of this correction for the prior period error is as follows:

- The Water and Sewer fund required an adjustment of approximately \$657,000 to properly recognize revenue that had been deferred as of September 30, 2007 and 2008.

**Effects:** An audit adjustment of approximately \$657,000 was needed to correctly report the opening balance of equity for the Water and Sewer fund.

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

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure that the financial statements are properly reported.

# CITY OF CANTON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

#### 2009-2 Reporting of cash balances

**Criteria:** Internal controls should be sufficient to properly allocate the pooled cash balances among the appropriate funds and to ensure the monthly bank reconciliations are reconciling bank balances to each respective fund's share of the cash account, per the general ledger.

**Condition:** Internal controls were not sufficient to ensure that cash balances were properly reported as of September 30, 2009.

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

- The General Fund required an adjustment of approximately \$40,000 to increase interfund payables and cash balances for transactions occurring after year end which were originally reported as reconciling items on the bank reconciliations.
- An adjustment of approximately \$51,000 was required to properly report cash balances in the Municipal Court Fund rather than in the General Fund for cash bonds held by the court. Additionally, we noted that the court was not keeping an active detail listing of the outstanding court bonds or other pending cases for which the cash had been collected, but not disbursed as of September 30, 2009.
- An adjustment of approximately \$199,000 was required to properly record sales taxes receivable and cash balances in the SPLOST V Fund as they were originally reported as reconciling items on the bank reconciliations.
- An adjustment of approximately \$173,000 was required to report interfund payables and cash balances, for which the payments were made after year end, in the Water & Sewer Fund which were originally reported as reconciling items on the bank reconciliations.
- An adjustment of approximately \$128,000 was required to report interfund receivables and cash balances, for which the payments were received after year end, in the Stormwater Fund which were originally reported as reconciling items on the bank reconciliations.
- An adjustment of approximately \$84,000 was required to properly report interfund receivables and cash balances, for which the payments were not received by year end, in the Sanitation Fund. These items which were originally reported as reconciling items on the bank reconciliations.

**CITY OF CANTON, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2009-2 Reporting of cash balances (Continued)**

**Effects:** Audit adjustments of approximately \$675,000 were needed to correctly report the cash balances of the City as of September 30, 2009.

**Recommendation:** We recommend the City properly perform the monthly bank reconciliations for each account to the general ledger and ensure that only transactions originating on or before year-end are included in the general ledger detail. Additionally, we recommend that a detail listing of cash bonds and other pending court collections be maintained and reconciled back to the cash balances on a monthly basis.

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure that cash balances are properly recorded and reconciled.



**CITY OF CANTON, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**SECTION II**  
**FINANCIAL STATEMENT FINDINGS AND RESPONSES**

**2009-3 Revenues and related receivables**

**Criteria:** Internal controls should be in place to ensure that the amounts reported as receivables, including any allowances for uncollectible accounts, and related revenues and deferred revenues are appropriate and properly valued.

**Condition:** Internal controls were not sufficient to detect the need for material adjustments to the City's receivables, allowance for doubtful accounts, revenues and deferred revenues.

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

- The General Fund required an adjustment of approximately \$25,000 to report franchise taxes receivable and deferred revenue.
- The SPLOST V Fund required an adjustment of approximately \$43,000 to properly defer revenues in accordance with the modified accrual basis of accounting.
- The allowance for doubtful accounts required adjustments of approximately \$13,000 in the Water and Sewer Fund.
- Unbilled receivables and related revenues required adjustments of approximately \$113,000, \$22,000, and \$26,000 in the Water & Sewer, Stormwater and Sanitation funds, respectively.

**Effects:** Audit adjustments of approximately \$242,000 were needed to correctly report revenues, deferred revenues, and the related receivables, net of allowances for doubtful accounts.

**Recommendation:** We recommend the City carefully review all receivable accounts and all allowance calculations to ensure revenues and the related receivables are properly valued. Especially considering the current economical conditions across the state and country, the City should continue to evaluate the allowance calculation to ensure revenues and related receivables are properly valued. In addition, revenue should be reviewed to ensure it is reported in the proper period and in accordance with generally accepted accounting principles.

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

# CITY OF CANTON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

#### 2009-4 Expenditure/Expense recognition

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

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

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

- The General Fund required an adjustment of approximately \$191,000 to properly accrue payroll expenditures incurred during the year.
- The Impact Fees Fund required an adjustment of approximately \$7,000 to properly record payables and expenditures.
- The Water & Sewer Fund required an adjustment of approximately \$162,000 to properly report interest expense and accrued interest payable.
- An adjustment of approximately \$63,000 was required to properly report the debt service expenditures of the Urban Redevelopment Agency Fund.
- The Canton Development Authority required an adjustment of approximately \$36,000 to properly report interest expenditures and related interest income.
- The Canton Downtown Development Authority required an adjustment of approximately \$7,000 to properly report interest expense and accrued interest.

**Effects:** Audit adjustments totaling approximately \$466,000 were needed to correctly report expenditures/expenses and the related liabilities.

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

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

# CITY OF CANTON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

#### 2009-5 Reporting of capital assets

**Criteria:** Internal controls should be in place to ensure that the amounts reported as capital assets are in accordance with generally accepted accounting principles.

**Condition:** Internal controls were not sufficient to detect misstatements in the reporting of the City's capital assets.

**Context/Cause:** During our testing of capital assets, an audit adjustment was required to correct capital asset balances. The nature of this adjustment is as follows:

- The Stormwater Fund and the capital assets reported in the government-wide Statement of Net Assets required an adjustment of approximately \$647,000 to properly report the stormwater infrastructure in the newly created Stormwater Fund.

**Effects:** An audit adjustment of approximately \$647,000 was needed to correctly report capital assets as of September 30, 2009.

**Recommendation:** We recommend the City carefully review all capital assets and related expenditures/expenses to ensure they are properly reported in accordance with generally accepted accounting principles.

**Auditee's Response:** We concur with the finding. We will take necessary steps in the future to ensure that capital assets are properly reported.

# CITY OF CANTON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

#### 2009-6 Segregation of duties

**Criteria:** Internal controls should be in place, which provide reasonable assurance that an individual cannot misappropriate funds without such actions being detected during the normal course of business.

**Condition:** Appropriate segregation of duties was not noted within the following areas of the City: cash receipting, recording and reconciliation process; revenue and receivable recording; accounts payable and expense/expenditure recording; and capital asset maintenance.

**Context/Cause:** Several instances of overlapping duties were noted during interviews and walk-through procedures regarding internal control procedures, and are as follows:

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

# CITY OF CANTON, GEORGIA

## SCHEDULE OF FINDINGS AND RESPONSES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009

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### SECTION II FINANCIAL STATEMENT FINDINGS AND RESPONSES

#### 2009-6 Segregation of duties (Continued)

- Individuals who record capital assets transactions should not be able to reconcile the accounts payable subsidiary ledger to the general ledger; initiate the disposal of capital assets; reconcile the capital assets subsidiary ledger to the general ledger; maintain access to and custody of capital assets; investigate discrepancies or issues related to capital assets or edit the capital assets master file.

**Effects:** Failure to properly segregate duties or implement compensating controls can lead to misappropriation of funds or abuse of the system that is not detected in a timely manner by employees in the normal course of performing their assigned functions.

**Recommendation:** We recommend the City segregate duties and/or implement compensating controls in the areas noted above.

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

### SECTION III FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Not applicable.

**CITY OF CANTON, GEORGIA**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2009**

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**SECTION IV**  
**STATUS OF PRIOR AUDIT FINDINGS**

The prior audit's schedule of findings and questioned costs included no findings relative to federal awards.