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City of Canton, Mississippi
Audited Financial Statements
For the Year Ended September 30, 2015

DEC 2016

Fortenberry & Ballard, P.C.
Certified Public Accountants



City of Canton, Mississippi
Audited Financial Statements
For the Year Ended September 30, 2015
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS AND SUPPLEMENTARY INFORMATION

Mayor and Board of Aldermen
City of Canton, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Canton, Mississippi, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City of Canton, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Canton Municipal Utilities, component unit, which represent 95%, 96%, and 98%, respectively, of the assets, net position and revenues of the component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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statements.

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-type Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
General Fund	Unmodified
Special Obligation Bonds Series 2011A Fund	Unmodified
TIF Bond Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Basis for Qualified Opinion on the Governmental Activities Capital Assets Related to Infrastructure

The City of Canton did not maintain adequate records documenting the existence, completeness, and valuation of the capital assets related to infrastructure for governmental activities. Due to the nature of the City of Canton's records, we were unable to satisfy ourselves as to the fair presentation of the capital assets related to infrastructure.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Governmental Activities Capital Assets Related to Infrastructure" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the City of Canton, Mississippi, as of September 30, 2015, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities other than Capital Assets related to infrastructure, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canton, Mississippi, as of September 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the City adopted Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for*

Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68. As a result, net position as of October 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions on pages 11-23 and 78-81, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canton, Mississippi's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the combining and individual nonmajor fund financial statements, the other schedules (D-1 to D-3), the budgetary schedules and accompanying component unit combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the combining and individual nonmajor fund financial statements, the other schedules (D-1 to D-3), the budgetary schedules, and the accompanying component unit combining statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures



performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements, the other schedules (D-1 to D-3), the budgetary schedules and the component units combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 15, 2016, on our consideration of the City of Canton, Mississippi'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Canton, Mississippi's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 15, 2016

Certified Public Accountants

DEC 15 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

The following discussion and analysis of the City of Canton's financial performance provides an overview of the City's financial activities for the year ended September 30, 2015. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- Total net position decreased \$9,309,927 in 2015, including a prior period adjustment of (\$6,942,577), which represents a 282% decrease from fiscal year 2014. This prior period adjustment was mainly to recognize the pension liability for fiscal year 2014 as a result of GASB Statement 68 and 71 implementation. Total net position decreased \$2,909,397 in 2014, including a prior period adjustment of (\$3,639,706), which represents a 736% decrease from fiscal year 2013.
- General revenues account for \$12,902,233, or 88% of all revenues in 2015. This amount was more than the prior year (2014), which consisted of \$12,449,133 in general revenues. Program specific revenues in the form of charges for services accounted for \$1,742,801 or 12% of total revenues compared with \$2,477,945 in 2014.
- The City had \$17,012,384 in expenses, an amount that increased when compared with the \$14,736,791 in expenses for the prior year; \$1,742,801 of these expenses were offset by program specific charges for services. General revenues of \$12,902,233 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$11,108,894 in revenues and \$10,791,900 in expenditures. In 2014 the General Fund had \$10,457,711 in revenues and \$10,837,843 in expenditures. The General Fund's fund balance increased by \$488,739, including a prior period adjustment of (\$85,905), from 2014 to 2015, and decreased \$155,864 from 2013 to 2014.
- The Enterprise Fund - Landfill Fund had \$1,742,801 in revenues and \$2,044,170 in expenses. Its net loss was \$174,106, including a prior period adjustment of \$204,464, which was mainly to record prior year assets and liabilities for the prior fiscal year, in the current fiscal year. Last year it showed \$2,477,945 in revenues and \$1,919,776 in expenses. Its net loss for the previous year was \$488,923, including a prior period adjustment of (\$897,753), in the prior fiscal year.
- Capital assets, net of accumulated depreciation, decreased by \$681,267 in the governmental activities. This decrease in the governmental activities was primarily due to the recording of depreciation of expense and adjustments made to buildings and infrastructure.



City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

- Capital assets decreased \$164,478 in the business-type activities mainly due to the recording of depreciation expense during the year.
- Long-term debt increased by \$1,188,637 in the governmental activities from 2014 to 2015. The increase in the governmental activities was mainly due to the issuance of tax increment financing bond, 2015 fire truck lease totaling \$3,080,000 during the year, and an adjustment made to the master equipment lease to record debt that should have been recorded in the prior year.
- Long-term debt decreased by \$230,228 in the business-type activities from 2014 to 2015. The decrease in the business-type activities was mainly due to principal payments made on outstanding long-term debt.

Using this Annual Financial Report

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the City of Canton as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements show how services were financed in the short-term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column.

Reporting the City of Canton as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2015?" The Statement of Net Position and the Statement of Activities answer this question.

These statements include all assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in net position. This change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the



City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

condition of the City's capital assets will also need to be evaluated.

In the Statement of Net Position and the Statement of Activities, all of the City's activities are reported in Governmental Activities and Business-type Activities, which include all of the City's services including police, fire, administration, water and sewer service and all other departments.

The City of Canton has Component units reported in the City's Audit Report as follows:

Canton Municipal Utilities - Canton Municipal Utilities (CMU) provides electrical, gas water, and sewer services to the residents of the City and areas immediately surrounding the City. All activities necessary to provide such services are accounted for by Canton Municipal Utilities, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection. CMU utilizes proprietary - enterprise fund accounting. The entity is governed by a separate five member board of commissioners appointed by the City.

Canton Redevelopment Authority - Canton Redevelopment Authority (CRA) provides for the rehabilitation, conservation, redevelopment or a combination thereof of certain areas of the City. The Authority was established in 1987 by the City in order to have its urban renewal project powers delegated to and exercised by an urban renewal agency as permitted by the Mississippi Code. All activities necessary to provide services are accounted for by Canton Redevelopment Authority including, but not limited to, administration, operations, maintenance, financing, and related debt service. CRA utilizes proprietary - enterprise fund accounting. The Authority is governed by a separate five-member board of commissioners appointed by the City to serve one to five year terms.

Canton Convention and Visitors Bureau - Canton Convention and Visitors Bureau was created by amendment to Senate Bill No. 2931 and by action of the City in July, 1989. The Bureau has jurisdiction and authority over all matters related to establishment, promotion and development of tourism, conventions and related matters within the City of Canton. The Bureau is funded by a 2% "tourism and convention tax" on gross income of restaurants, hotels and motels collected through the State Tax Commission and subsequently refunded to the Bureau. All activities necessary to provide services are accounted for by Canton Convention and Visitors Bureau including, but not limited to, administration, operations, maintenance, financing and related debt service. The Bureau is governed by a seven-member board of commissioners appointed by the City. These commissioners, to the extent possible, are owners and/or operators of hotels, motels, and restaurants within the City of Canton.

The above-mentioned discretely presented component units issue separately audited Component Unit Financial Statements. Copies of these statements may be obtained from:

City of Canton, Mississippi
226 East Peace Street
Canton, Mississippi 39046
(601) 859-4331



City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Reporting the City of Canton's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the City's major funds. Based on restrictions on the use of monies, the City has established many funds, which account for the multitude of services provided to the City's residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Canton, the City's major funds are the General Fund, Special Obligation Bond Series 2011A Fund and TIF Bond Fund.

Governmental Funds

All of the City's nonproprietary activities are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future on services provided to the City's residents. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The City of Canton as a Whole

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the government's financial position. In the case of the City, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$11,880,868 as of September 30, 2015. The following table presents a summary of the City's Governmental Activities net position at September 30, 2015 and 2014, respectively.

GASB Statement 68 and 71 were implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68 and 71.



City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Condensed Statement of Net Position
Governmental Activities

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Current assets	\$ 2,452,663	1,540,006	59%
Capital assets, net	7,884,921	8,566,188	(8)%
Total Assets	<u>10,337,584</u>	<u>10,106,194</u>	2%
Deferred outflows of resources	<u>1,773,193</u>		N/A
Current liabilities	268,607	567,705	(53)%
Long-term liabilities	13,523,512	12,283,536	10%
Net pension liability	10,002,216		N/A
Total Liabilities	<u>23,794,335</u>	<u>12,851,241</u>	85%
Deferred inflows of resources	<u>197,310</u>		N/A
Net Position:			
Net investment in capital assets	(5,256,425)	(3,383,021)	55%
Restricted	608,074	369,329	65%
Unrestricted	(7,232,517)	268,645	(2,792)%
Total Net Position (deficit)	<u>\$ (11,880,868)</u>	<u>(2,745,047)</u>	333%

The net investment in capital assets amount was (\$5,256,425). Although the City's investment in capital assets is reported net of the related debt, it should be noted that the resources needed to repay this debt must be provided from other sources and not the capital assets themselves.

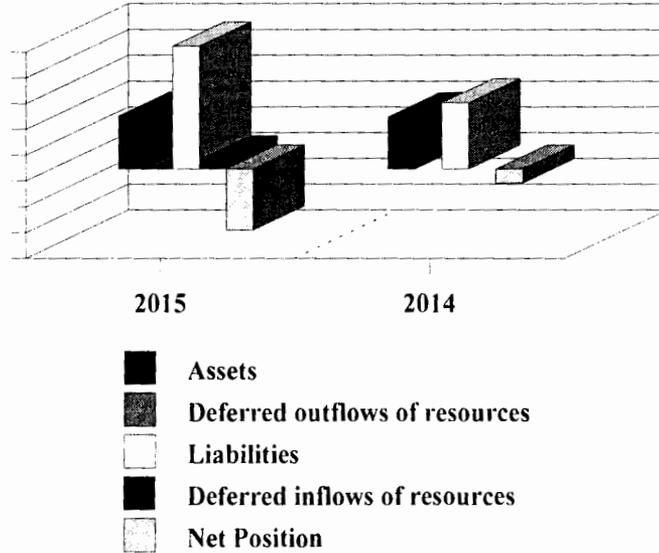
Additionally, \$608,074 of the City's net position is restricted as to the use of these funds. A portion of the restricted net position is expendable for general government purposes, public safety, debt service, capital projects, public works, court services and unemployment benefits. The remainder of the City's net position had an unrestricted negative balance in the amount of \$7,232,517.

The following chart depicts the City's Governmental Activities' assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at September 30, 2015 and 2014.



City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

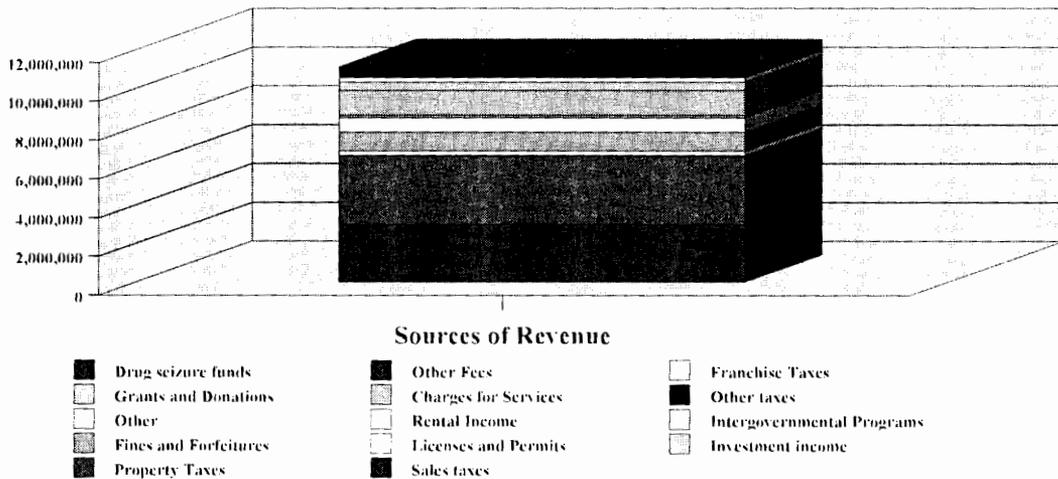
Governmental Activities per Statement of Net Position



GENERAL GOVERNMENT FUNCTIONS

The City's General Fund is used to account for expenditures for traditional services as well as all financial resources other than those required to be accounted for in other funds. General Fund revenues include property taxes, intergovernmental revenues, various permit fees, franchise taxes, fines, and other sources as indicated on the accompanying graphs and schedules.

General Fund 2015 Revenue Sources





City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Revenues

The primary sources of General Fund revenues are property tax and sales tax. The State of Mississippi levies a general sales tax of 7% on most retail sales. Of the amount collected by the state, each municipality receives 18.5% of the amount collected within its corporate boundaries. Sales tax accounted for 27% of General Fund revenues in fiscal year 2015. When compared to the fiscal year 2014, sales tax revenue increased from prior year. Sales tax collections in fiscal year 2015 were \$2,994,752, an increase over the \$2,887,420 collected in 2014. Total General Fund operating revenues were \$11,108,894, an increase of \$651,183 over the prior year.

Expenditures

General Fund operating expenditures were \$10,791,900, a decrease of \$45,943 or 1% over the prior year. In the prior year, General Fund operating expenditures accounted for \$10,837,843. The following schedule presents the General Fund revenues and expenditures for the year ended September 30, 2015, and the amount and percentage of change from 2014.



City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

GENERAL FUND (GAAP BASIS) (in thousands)

	2015 Amount	2014 Amount	Dollar Increase (Decrease) from 2014	Percent Increase (Decrease) from 2014
Revenues:				
Property Tax	\$ 3,511	\$ 3,202	\$309	9.7%
Sales Taxes	2,995	2,887	108	3.7%
Franchise Fees	221	129	92	71.3%
Other Taxes	11	0	11	100.0%
Licenses and Permits	222	207	15	7.2%
Other Fees	585	512	73	14.3%
Intergovernmental	732	813	(81)	(10.0)%
Charges for Services	1,280	1,796	(516)	(28.7)%
Fines	961	730	231	31.6%
Grants and Donations	430	96	334	347.9%
Interest Earned	31	37	(6)	(16.2)%
Rental Income	17	20	(3)	(15.0)%
Drug Seizure Funds	1	0	1	100.0%
Miscellaneous	112	29	83	286.2%
Total Revenues	\$ 11,109	\$ 10,458	\$ 651	6.2%
Expenditures:				
General Government	\$ 3,906	\$ 3,285	\$ 621	18.9%
Public Safety	4,492	4,853	(361)	(7.4)%
Public Services	935	1,287	(352)	(27.4)%
Culture and Recreation	848	849	(1)	(0.1)%
Economic Opportunity	166	201	(35)	(17.4)%
Economic Development	225	213	12	5.6%
Debt Service	219	150	69	46.0%
TOTAL EXPENDITURES	\$ 10,791	\$ 10,838	\$ (47)	(0.4)%

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Status of Fund Balance in General Fund

On the General Fund balance sheet, fund balance is presented showing the unassigned portion which is available for spending. The fiscal year 2015 ending unassigned fund balance is \$1,432,088 which means that is available for spending.

PROPRIETARY FUNDS

Canton's proprietary operations consist of the Landfill Fund. The Landfill Fund accounts for the financial transactions of the City's solid waste landfill.

The following chart depicts the total assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position for the business-type activities from the Government-Wide Statement of Net Position.

GASB Statement 68 and 71 were implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68 and 71.

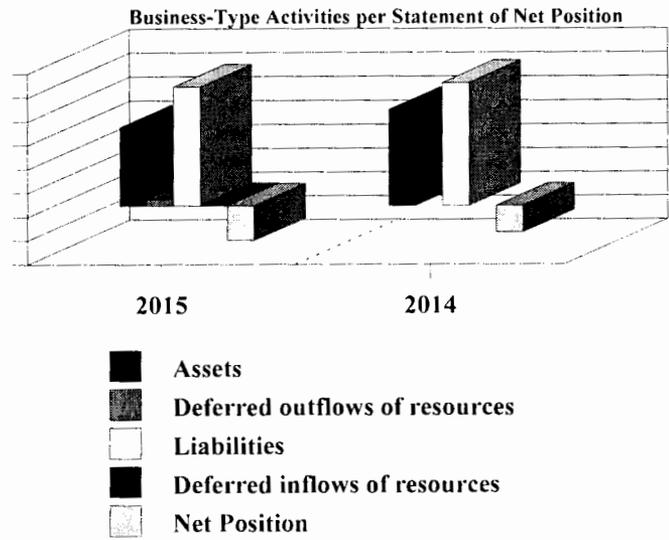
Condensed Statement of Net Position
Business-Type Activities

	<u>2015</u>	<u>2014</u>	<u>Percentage Change</u>
Current assets	\$ 859,787	1,061,342	(19)%
Capital assets, net	784,555	949,033	(17)%
Total assets	<u>1,644,342</u>	<u>2,010,375</u>	(18)%
Deferred outflows of resources	<u>129,630</u>		N/A
Current liabilities	329,569	912,198	(64)%
Long-term debt	1,432,446	1,657,759	(14)%
Net pension liability	731,220		N/A
Total liabilities	<u>2,493,235</u>	<u>2,569,957</u>	(3)%
Deferred inflows of resources	<u>14,425</u>		N/A
Net position:			
Net investment in capital assets	(617,301)	(683,051)	(10)%
Restricted		123,469	(100)%
Unrestricted	(116,387)		N/A
Total net position (deficit)	<u>\$ (733,688)</u>	<u>(559,582)</u>	31%



City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

The following chart depicts the City's Business-Type Activities assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position for the fiscal years ended September 30, 2015 and 2014, respectively.



Landfill Management Fund

Comparative financial data of the Landfill Management Fund for the September 30, 2015 and 2014 is presented below:

	2015	2014
Operating Revenues	\$ 1,742,801	\$ 2,477,945
Operating Expenses	2,044,170	1,919,776
Operating Income (Loss)	\$ (301,369)	\$ 558,169

General Fund Budgeting Highlights

The City's budget is prepared according to Mississippi law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.



City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Capital Assets and Long-Term Debt

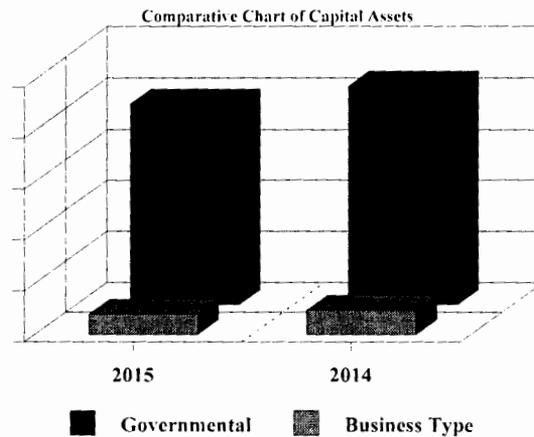
The following section shows what the capital assets consist of for both the Governmental and Business-Type Activities at September 30, 2015 and 2014, respectively.

Capital Assets at September 30, 2015
Governmental Activities

	<u>September 30, 2015</u>	<u>September 30, 2014</u>	Percentage Change
Land	\$ 2,987,827	3,018,667	(1)%
Buildings	6,345,669	5,805,669	9%
Infrastructure	3,400,380	3,710,496	(8)%
Mobile equipment	2,194,478	2,194,478	0%
Furniture and equipment	612,718	574,629	7%
Accumulated depreciation	(7,656,151)	(6,737,751)	14%
Total	\$ 7,884,921	8,566,188	(8)%

Capital Assets at September 30, 2015
Business-Type Activities

	<u>September 30, 2015</u>	<u>September 30, 2014</u>	Percentage Change
Land	\$ 38,380	38,380	0%
Site preparations	1,013,723	1,013,723	0%
Vehicles and equipment	874,288	874,288	0%
Accumulated depreciation	(1,141,836)	(977,358)	17%
Total	\$ 784,555	949,033	(17)%





City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Long-Term Debt

At September 30, 2015, the City of Canton had \$11,095,000 in outstanding General, Special Obligation Bonds, and Tax Increment Financing Bond and \$2,070,554 in other long-term debt outstanding reported under the governmental activities. The City also reported \$1,380,000 in outstanding Special Obligation Bonds and \$21,856 in other long-term debt reported in the business-type activities.

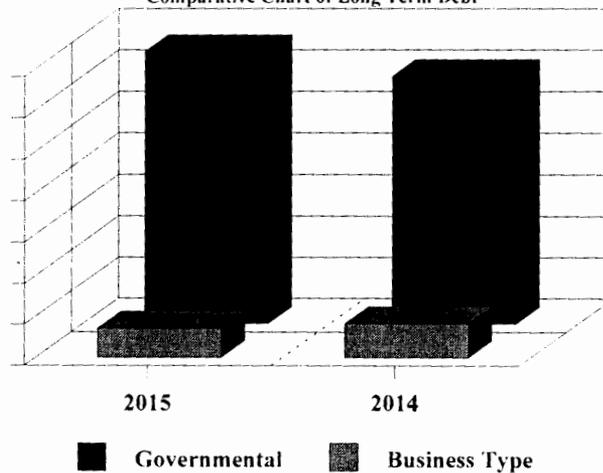
**Outstanding Bonds and Other Long-Term Debt at Year End
 Governmental Activities**

	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>Percentage Change</u>
Bonds	\$ 11,095,000	9,035,000	23%
Other long term debt	2,070,554	2,941,917	(30)%
Total	\$ 13,165,554	11,976,917	10%

**Outstanding Bonds and Long-Term Obligations at Year End
 Business - Type Activities**

	<u>September 30, 2015</u>	<u>September 30, 2014</u>	<u>Percentage Change</u>
Bonds	\$ 1,380,000	1,620,000	(15)%
Other long term debt	21,856	12,084	81%
Total	\$ 1,401,856	1,632,084	(14)%

Comparative Chart of Long Term Debt





City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2015

Current Financial Related Activities

Construction was completed on the Canton Parkway. This Parkway connects U.S. 51 and Mississippi 43 making them more accessible. The City believes that the parkway project road will contribute to bring business to the area and ease congestion leading to an increased economic activity. The project was completed in 2013.

The City has acquired funding to build Woodland Parkway connector road from the new Highway 16 Parkway to the local private school. This will open up area for commercial development completion is expected in 2016.

The Madison County Economic Development Authority completed a significant economic development project just outside the City of Canton corporate limits. The project consists of several parts suppliers located next door to the Nissan Manufacturing Plant. This project was completed in 2014 and fully operating.

The new Wal-Mart Store in Canton opened in January 2014.

Contacting the City's Finance Department

This financial report is designed to provide our citizens, taxpayers, creditors, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Valarie Smith, City Clerk, at (601) 859-4331. Our mailing address is City of Canton, P.O. Box 1605, Canton, MS 39046.



FINANCIAL STATEMENTS

CITY OF CANTON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 1,722,964	\$ 107,636	\$ 1,830,600	\$ 1,980,408
Cash with fiscal agents	--	47,252	47,252	--
Investments	--	705,234	705,234	--
Accounts receivable, net	624,448	--	624,448	3,091,320
Inventory	--	--	--	1,416,102
Prepaid Items	104,916	--	104,916	40,693
Internal balances	335	(335)	--	--
Restricted Assets:				
Cash and cash equivalents	--	--	--	1,333,968
Temporary cash investments	--	--	--	10,180,000
Deferred assessment charges	--	--	--	1,325,133
Land held for resale	--	--	--	1,026,670
Other assets	--	--	--	1,333
Capital assets:				
Land and construction in progress	2,987,827	38,380	3,026,207	3,070,722
Other capital assets, net of accumulated depreciation	4,897,094	746,175	5,643,269	30,059,255
Total Assets	<u>10,337,584</u>	<u>1,644,342</u>	<u>11,981,926</u>	<u>53,525,604</u>
Deferred Outflows of Resources				
Deferred outflows of resources - pension related	1,773,193	129,630	1,902,823	1,466,401
Total Deferred Outflows of Resources	<u>1,773,193</u>	<u>129,630</u>	<u>1,902,823</u>	<u>1,466,401</u>
Liabilities				
Accounts payable	151,013	136,329	287,342	1,364,442
Accrued liabilities	--	--	--	15,017
Wages and benefits payable	58,606	6,816	65,422	--
Sales tax payable	--	--	--	126
Accrued salaries	--	--	--	113,492
Accrued payroll taxes and benefits	--	--	--	1,156
Accrued Closure/Postclosure cost	--	162,044	162,044	48,992
Customer deposits	--	--	--	1,232,787
Other accrued expenses	--	--	--	61,456
Interest payable	58,988	24,380	83,368	--
Bonds payable, current	680,000	250,000	930,000	--
Notes, and lease obligations, current	215,320	14,489	229,809	521,758
Bond discounts, current	(3,500)	--	(3,500)	--
Compensated absences, current	19,108	1,530	20,638	21,855
Bonds payable, non-current	10,415,000	1,130,000	11,545,000	--
Notes, and lease obligations, noncurrent	1,855,234	7,367	1,862,601	132,203
Bond discounts, noncurrent	(20,708)	--	(20,708)	--
Compensated absences, non-current	363,058	29,060	392,118	44,575
Assessments payable, noncurrent	--	--	--	1,225,698
Net pension liability	10,002,216	731,220	10,733,436	7,906,318
Total Liabilities	<u>23,794,335</u>	<u>2,493,235</u>	<u>26,287,570</u>	<u>12,689,875</u>
Deferred Inflows of Resources				
Deferred inflows of resources - pension related	197,310	14,425	211,735	201,992
Total Deferred Inflows of Resources	<u>197,310</u>	<u>14,425</u>	<u>211,735</u>	<u>201,992</u>
Net Position				
Net Investment in Capital Assets	(5,256,425)	(617,301)	(5,873,726)	31,715,881
Restricted For:				
General government	2,994	--	2,994	42,272
Debt service	246,865	--	246,865	--
Capital projects	130,590	--	130,590	--
Public works	11,923	--	11,923	--
Public safety	187,522	--	187,522	--
Court services	396	--	396	--
Unemployment benefits	27,784	--	27,784	--
Unrestricted	(7,232,517)	(116,387)	(7,348,904)	10,341,985
Total Net Position (Deficit)	<u>\$ (11,880,868)</u>	<u>\$ (733,688)</u>	<u>\$ (12,614,556)</u>	<u>\$ 42,100,138</u>

The accompanying notes are an integral part of this statement.



CITY OF CANTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Governmental Activities	Business-type Activities	Total	Component Units
Primary government:						
<i>Governmental activities:</i>						
General government	\$ 4,674,533	\$ --	\$ (4,674,533)		\$ (4,674,533)	
Public Safety:						
Police	1,900,222	--	(1,900,222)		(1,900,222)	
Fire	1,977,396	--	(1,977,396)		(1,977,396)	
Other	563,863	--	(563,863)		(563,863)	
Public services	3,284,209	--	(3,284,209)		(3,284,209)	
Culture and recreation	807,640	--	(807,640)		(807,640)	
Pension expense	1,119,550	--	(1,119,550)		(1,119,550)	
Interest on long-term debt	558,479	--	(558,479)		(558,479)	
Business-type Activities:						
Landfill	2,126,492	1,742,801	--	\$ (383,691)	(383,691)	
Total Business-type Activities	2,126,492	1,742,801	--	(383,691)	(383,691)	
Total Primary Government	\$ 17,012,384	\$ 1,742,801	(14,885,892)	(383,691)	(15,269,583)	
COMPONENT UNITS:						
Canton Convention and Visitors Bureau	725,768	157,985				(567,783)
Canton Redevelopment Authority	392,275	15,305				(376,970)
Canton Municipal Authority	12,534,079	10,848,912				(1,685,167)
Total Component Units	\$ 13,652,122	\$ 11,022,202				(2,629,920)
General Revenues:						
Taxes			7,620,369	--	7,620,369	641,777
Franchise taxes/fees			220,903	--	220,903	--
Other taxes			1,192,112	--	1,192,112	--
Fines and Fees			364,465	--	364,465	--
Licenses and permits			212,771	--	212,771	--
Intergovernmental			1,132,317	--	1,132,317	--
Unrestricted investment income			31,750	5,121	36,871	55
Canton Municipal Utilities			1,280,000	--	1,280,000	--
COPS Grant			34,591	--	34,591	--
Grants and donations			396,848	--	396,848	340,974
Miscellaneous			345,176	--	345,176	3,747
Other income			65,810	--	65,810	778,745
Total General Revenues			12,897,112	5,121	12,902,233	1,765,298
Transfers			--	--	--	(1,580,000)
Total General Revenues			12,897,112	5,121	12,902,233	185,298
Change in Net Position			(1,988,780)	(378,570)	(2,367,350)	(2,444,622)
Net Position (Deficit) - Beginning			(2,745,047)	(559,582)	(3,304,629)	50,701,733
Prior Period Adjustment			(7,147,041)	204,464	(6,942,577)	(6,156,973)
Net Position (Deficit) - Restated			(9,892,088)	(355,118)	(10,247,206)	44,544,760
Net Position (Deficit) - Ending			\$ (11,880,868)	\$ (733,688)	\$ (12,614,556)	\$ 42,100,138

The accompanying notes are an integral part of this statement.



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CITY OF CANTON
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015

	General Fund	Special Obligation Bond Series 2011A Fund
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ 970,840	\$ 329,856
Accounts receivable	486,457	--
Due from other funds	101,094	--
Prepaid items	104,916	--
Total Assets	<u>\$ 1,663,307</u>	<u>\$ 329,856</u>
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ 151,013	\$ --
Wages payable	58,606	--
Due to other funds	--	528
Total Liabilities	<u>209,619</u>	<u>528</u>
Fund Balances:		
Restricted:		
Debt service	--	--
Unemployment benefits	--	--
General government	--	--
Public works	--	--
Public safety	--	--
Capital projects	--	329,328
Court services	--	--
Committed:		
Capital projects	--	--
Assigned:		
Court services	21,600	--
	1,432,088	--
Unassigned	<u>1,453,688</u>	<u>329,328</u>
Total Fund Balances		
	<u>\$ 1,663,307</u>	<u>\$ 329,856</u>
Total Liabilities and Fund Balances		

The accompanying notes are an integral part of this statement.

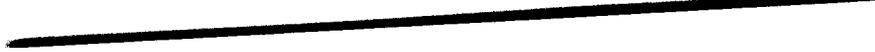


EXHIBIT A-3

TIF Bond Fund	Other Governmental Funds	Total Governmental Funds
\$ 287,033	\$ 135,235	\$ 1,722,964
--	137,991	624,448
--	--	101,094
--	--	104,916
<u>\$ 287,033</u>	<u>\$ 273,226</u>	<u>\$ 2,553,422</u>
\$ --	\$ --	\$ 151,013
--	--	58,606
94,739	5,492	100,759
<u>94,739</u>	<u>5,492</u>	<u>310,378</u>
70,000	235,853	305,853
--	27,784	27,784
--	2,994	2,994
--	11,923	11,923
--	187,522	187,522
--	132,391	461,719
--	396	396
122,294	--	122,294
--	--	21,600
--	(331,129)	1,100,959
<u>192,294</u>	<u>267,734</u>	<u>2,243,044</u>
<u>\$ 287,033</u>	<u>\$ 273,226</u>	<u>\$ 2,553,422</u>



CITY OF CANTON

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2015*

Total fund balances for governmental funds balance sheet	\$ 2,243,044
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	7,884,921
Payables for bond principal which are not due in the current period are not reported in the funds.	(11,095,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(58,988)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(382,166)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(2,070,554)
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(10,002,216)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(197,310)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	1,773,193
Bond discounts are recognized in the SNP.	<u>24,208</u>
Net position of governmental activities	<u>\$ (11,880,868)</u>

The accompanying notes are an integral part of this statement.



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CITY OF CANTON

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

	General Fund	Special Obligation Bond Series 2011A Fund
Revenues:		
Property taxes	\$ 3,510,507	\$ --
Sales taxes	2,994,752	--
Franchise taxes (fees)	220,903	--
Other taxes	11,452	--
Licenses and permits	221,989	--
Other fees	584,532	--
Fines and forfeitures	960,593	--
Investment income	31,310	--
Grants and donations	430,189	--
Charges for services	1,280,000	--
Rental income	17,520	--
Drug seizure funds	1,250	--
Intergovernmental programs	731,789	--
Other	112,108	--
Total Revenues	<u>11,108,894</u>	<u>--</u>
Expenditures:		
General Government	3,906,435	8,824
Public safety:		
Police	2,094,773	--
Fire	1,977,130	--
Other	420,309	--
Public services	934,972	--
Culture and recreation	848,203	--
Economic development and assistance	224,911	--
Economic opportunity	166,005	--
Debt Service:		
Principal	159,854	--
Interest	--	--
Miscellaneous	59,308	1
Total Expenditures	<u>10,791,900</u>	<u>8,825</u>
Excess of Revenues Over (Under) Expenditures	316,994	(8,825)
Other Financing Sources (Uses):		
Bonds issued	--	--
Inception of capital leases	375,000	--
Transfers from other funds	--	--
Transfers to other funds	(214,000)	--
Other Income	96,650	--
Total Other Financing Sources (Uses)	<u>257,650</u>	<u>--</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	574,644	(8,825)
Fund Balances:		
Fund Balances (Deficit) - Beginning, as previously reported	964,949	338,153
Prior Period Adjustment	(85,905)	--
Fund Balances (Deficit) - Beginning, as restated	879,044	338,153
Fund Balances (Deficit) - Ending	<u>\$ 1,453,688</u>	<u>\$ 329,328</u>

The accompanying notes are an integral part of this statement.



EXHIBIT A-5

TIF Bond Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 1,018,372	\$ 4,528,879
70,000	--	3,064,752
--	--	220,903
--	--	11,452
--	--	221,989
--	--	584,532
--	--	960,593
288	152	31,750
--	--	430,189
--	--	1,280,000
--	--	17,520
--	--	1,250
--	400,528	1,132,317
--	233,068	345,176
<u>70,288</u>	<u>1,652,120</u>	<u>12,831,302</u>
175,889	--	4,091,148
--	--	2,094,773
--	--	1,977,130
--	142,416	562,725
--	2,405,715	3,340,687
--	--	848,203
--	--	224,911
--	--	166,005
--	649,615	809,469
--	543,196	543,196
62	61	59,432
<u>175,951</u>	<u>3,741,003</u>	<u>14,717,679</u>
(105,663)	(2,088,883)	(1,886,377)
2,705,000	--	2,705,000
--	--	375,000
--	2,621,043	2,621,043
(2,407,043)	--	(2,621,043)
--	--	96,650
<u>297,957</u>	<u>2,621,043</u>	<u>3,176,650</u>
192,294	532,160	1,290,273
--	(264,426)	1,038,676
--	--	(85,905)
--	(264,426)	952,771
<u>\$ 192,294</u>	<u>\$ 267,734</u>	<u>\$ 2,243,044</u>



CITY OF CANTON

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

Net change in fund balances - total governmental funds	\$ 1,290,273
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	38,089
The depreciation of capital assets used in governmental activities is not reported in the funds.	(470,357)
The gain or loss on the sale of capital assets is not reported in the funds.	(30,840)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	645,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	145,299
(Increase) decrease in accrued interest from beginning of period to end of period.	7,387
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(47,839)
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(2,705,000)
Bond discounts amortization.	(3,500)
Inception of capital leases are reported as Other Financing Sources in funds but not in SOA.	(375,000)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.	464,887
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPL.	172,371
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(1,119,550)</u>
Change in net position of governmental activities	<u>\$ (1,988,780)</u>

The accompanying notes are an integral part of this statement.



CITY OF CANTON
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
SEPTEMBER 30, 2015

	Enterprise Fund	Landfill Fund
Assets		
Cash and cash equivalents	\$ 107,636	
Cash with fiscal agents	47,252	
Investments	705,234	
Capital Assets:		
Land	38,380	
Other capital assets, net of accumulated depreciation	746,175	
Total Assets	<u>1,644,677</u>	
Deferred Outflows of Resources		
Pension related	129,630	
Total Deferred Outflows of Resources	<u>129,630</u>	
Liabilities		
Accounts payable	136,329	
Wages and benefits payable	6,816	
Interfund payables	335	
Accrued Closure/Postclosure care cost	162,044	
Interest payable	24,380	
Bonds payable, current	250,000	
Notes and lease obligations, current	14,489	
Compensated absences, current	1,530	
Bonds payable, noncurrent	1,130,000	
Notes and lease obligations, noncurrent	7,367	
Compensated absences, noncurrent	29,060	
Net pension liability	731,220	
Total Liabilities	<u>2,493,570</u>	
Deferred Inflows of Resources		
Pension related	14,425	
Total Deferred inflows of resources	<u>14,425</u>	
Net Position		
Net investment in capital assets	(617,301)	
Unrestricted	(116,387)	
Total Net Position (Deficit)	<u>\$ (733,688)</u>	

The accompanying notes are an integral part of this statement.



CITY OF CANTON

*STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

	Enterprise Fund
	Landfill Fund
Operating Revenues	
Charges for Services	\$ 1,742,801
Total Operating Revenues	<u>1,742,801</u>
Operating Expenses	
Personal services - salaries and wages	342,733
Personal services - employee benefits	126,054
Purchased professional and technical services	725,857
Supplies	2,063
Landfill expenses	677,875
Depreciation	164,478
Miscellaneous	5,110
Total Operating Expenses	<u>2,044,170</u>
Operating Income (Loss)	<u>(301,369)</u>
Non-Operating Revenues (Expenses)	
Interest Revenue	5,121
Debt Service Interest	(82,322)
Total Non-Operating Revenues (Expenses)	<u>(77,201)</u>
Net Income (Loss)	<u>(378,570)</u>
Net Position	
Net Position (Deficit) - Beginning, as previously reported	(559,582)
Prior Period Adjustment	204,464
Net Position (Deficit) - Beginning, as restated	<u>(355,118)</u>
Net Position (Deficit) - Ending	<u>\$ (733,688)</u>

The accompanying notes are an integral part of this statement.



CITY OF CANTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Enterprise Fund <u>Landfill Fund</u>
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 1,725,837
<i>Cash Payments to Employees for Services</i>	(462,519)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(765,347)
<i>Other Operating Cash Receipts (Payments)</i>	(5,110)
Net Cash Provided (Used) by Operating Activities	<u>492,861</u>
Cash Flows from Non-capital Financing Activities:	
<i>Due From (To) Other Funds</i>	335
Net Cash Provided (Used) by Non-capital Financing Activities	<u>335</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Acquired Capital Lease of Long-term Debt</i>	36,024
<i>Principal and Interest Paid</i>	(187,391)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(151,367)</u>
Cash Flows from Investing Activities:	
<i>Purchase of Investment Securities</i>	520
<i>Interest and Dividends on Investments</i>	5,121
Net Cash Provided (Used) for Investing Activities	<u>5,641</u>
Net Increase (Decrease) in Cash and Cash Equivalents	347,470
Cash and Cash Equivalents at Beginning of Year	251,663
Effect of recording NPL and current year deferred items	(695,961)
Prior period adjustment	204,464
Cash and Cash Equivalents at End of Year	<u>\$ 107,636</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (301,369)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	164,478
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Cash with Fiscal Agents</i>	(16,964)
<i>Increase (Decrease) in Accounts Payable</i>	30,363
<i>Increase (Decrease) in Wages Payable</i>	1,353
<i>Increase (Decrease) in Accrued Closure/Postclosure Care Cost</i>	610,085
<i>Increase (Decrease) in Compensated Absences</i>	4,915
Total Adjustments	<u>794,230</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 492,861</u>

The accompanying notes are an integral part of this statement.



City of Canton, Mississippi
Notes to the Financial Statements
For the Year Ended September 30, 2015



CITY OF CANTON, MISSISSIPPI

Notes to the Financial Statements
For the Year Ended September 30, 2015

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City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

INTRODUCTION

The accounting and reporting framework and the more significant accounting principles and practices of Canton are discussed in subsequent sections of this Note. The remainder of the Notes are organized to provide explanations, including required disclosures, of the City's financial activities for the fiscal year ended September 30, 2015.

The accompanying financial statements of the City have been prepared in accordance with accounting principles (GAAP) generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting.

In December 2010, the GASB issued GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Statement No. 62 brings the authoritative accounting and financial reporting literature for state and local governments together in a single source, with the FASB and AICPA guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011.

In June 2011 and March 2012, the GASB issued Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, respectively. Statement No. 65, *Items Previously Reported as Assets and Liabilities*, respectively. Statement No. 63 will improve financial reporting by standardizing the presentation of deferred outflows/inflows of resources and their effects in the government's net position. It provides guidance in reporting these elements where none previously existed. Statement No. 65 will improve financial reporting by clarifying the appropriate use of financial statement elements to ensure consistency in financial reporting. These related Statements reflect substantial improvements to the financial reporting. Statement No. 63 is effective for periods beginning after December 15, 2011 and Statement No. 65 is effective for periods beginning after December 15, 2012.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 67 addresses financial reporting for state and local government pension plans and Statement No. 68 establishes new accounting and financial reporting requirements for governments that provide their employees with pensions. These related Statements reflect substantial improvements to the accounting and financial reporting of pension plans. Statement No. 67 will take effect for pension plans in the fiscal year ending September 30, 2014 and Statement No. 68 will take effect for employers and governmental non-employer contributing entities in the fiscal year ending September 30, 2015.



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

In November 2013, the GASB issued GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment to GASB Statement No. 68. At the beginning of the period in which the provisions of Statement 68 are adopted, there may be circumstances in which it is not practical for a government to determine the amounts of all applicable deferred inflows of resources and deferred outflows of resources related to pensions. In such circumstances, the government should recognize a beginning deferred outflow of resources only for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. Additionally, in those circumstances, no beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions should be recognized.

The guidance contained in these Statements will change how governments calculate and report the costs and obligations associated with pension in important ways. It is designed to improve the decision-usefulness of reported pension information and to increase the transparency, consistency, and comparability of pension information across governments.

The new standards will better align the recognition of pension expense with the period in which the related benefits are earned. Considered in total, the changes set forth by the GASB will have the overall effect of expense recognition being accelerated. The implementation of these Statements is expected to have a significant impact upon the financial statements of the City.

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to analysis the private sector provides in their annual reports.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual for all of the government's activities. This approach includes not just current assets and liabilities (such as cash and accounts payable) but also deferred outflows of resources/deferred inflows of resources, capital assets and long-term liabilities (such as buildings and infrastructure, including bridges and roads, and general obligation debt). Accrual accounting also reports all of the revenues and cost of providing services each year, not just those received or paid in the current year or soon after.

Statement of Net Position - The Statement of Net Position is designed to display the financial position of the primary government and its directly presented component units. Governments will report all capital assets, including infrastructure, in the government-wide Statement of Net Position and will report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories - 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expenses of individual functions are compared to the revenues generated by the function (for instance, through user charges or intergovernment grants).



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

Budgetary Comparison Schedules - Many governments revise their original budgets over the course of the year for a variety of reasons. Budgetary comparison information is required, therefore the government's original budget is compared to the final budget and actual results.

A. FINANCIAL REPORTING ENTITY

COMPONENT UNITS

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Canton (the primary government) and any component units thereof. Component units must either be (1) a legally separate organization for which the elected officials of the primary government are financially accountable or (2) another organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the City of Canton's financial statements to be misleading or incomplete. Based upon the application of these criteria, those component units are discretely presented in these financial statements are as follows:

Canton Municipal Utilities (CMU) - provides electrical, gas, water, and sewer services to the residents of the City and areas immediately surrounding the City. All activities necessary to provide such services are accounted for by Canton Municipal Utilities, including, but not limited to, administrative, operations, maintenance, financing and related debt service, and billing and collection. CMU utilizes proprietary - enterprise fund accounting. The entity is governed by a separate five member board of commissioners appointed by the City.

Canton Redevelopment Authority - Canton Redevelopment Authority (CRA) provides for the rehabilitation, conservation, redevelopment or a combination thereof of certain areas of the City. The Authority was established in 1987 by the City in order to have its urban renewal project powers delegated to and exercised by an urban renewal agency as permitted by the Mississippi Code. All activities necessary to provide services are accounted for by Canton Redevelopment Authority including, but not limited to, administration, operations, maintenance, financing, and related debt service. CRA utilizes proprietary - enterprise fund accounting. The Authority is governed by a separate five-member board of commissioners appointed by the City to serve one to five year terms.

Canton Convention and Visitors Bureau - Canton Convention and Visitors Bureau was created by an amendment to Senate Bill No. 2931 and by action of the City in July, 1989. The Bureau has jurisdiction and authority over all matters related to establishment, promotion and development of tourism, conventions and related matters within the City of Canton. The Bureau is funded by a 2% "tourism and convention tax" on gross income of restaurants, hotels and motels collected through the State Tax Commission and subsequently refunded to the Bureau. All activities necessary to provide services are accounted for by Canton Convention and Visitors Bureau including, but not limited to, administration, operations, maintenance, financing and related debt service. The Bureau is governed by a seven-member board of commissioners appointed by the City. These commissioners, to the extent possible, are owners and/or operators of hotels, motels, and restaurants within the City of Canton.



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

The above-mentioned discretely presented component units issue separately audited Component Unit Financial Statements. Copies of these statements may be obtained from:

City of Canton, Mississippi
226 East Peace Street
Canton, Mississippi 39046
(601) 859-4331

RELATED ORGANIZATIONS

Related organizations are excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the respective organizations. Related organizations are described as follows:

Madison County Library System - The city appoints two of seven directors which govern the library. It also transfers tax receipts collected on behalf of the library, but has no significant influence over the management, budget, or operating policies of the library.

Canton Public School District - The school district is governed by a five member board of directors. The City appoints three of these directors, the other two are elected. The City set tax millage on behalf of the District but does not have significant influence over the management, budget, or operating policies of the District.

Canton Housing Authority - The City appoints the five directors which govern the housing authority. It has no significant control over the management, budget, or operating policies of the Authority. The City does receive a small in-lieu tax payment from the Authority for its share of taxes.

Allison's Wells School of Arts and Crafts - The School is governed by an elected seven member board of directors, one of which is the Mayor of the City of Canton. The School occupies and utilizes City owned real property in its day-to-day operations.

Other Related Organization - The City appoints directors/commissioners to the following organizations which serve the City in various capacities. These organizations are not funded, have no adopted budgets, nor operating expenses. They are not audited. They are:

City of Canton Zoning Commission
City of Canton Election Commission
City of Canton Downtown Historic Commission

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. In the financial reporting model the focus is on either the City as a whole, or major individual funds (within the fund financial statements). Both the government-



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental type. In the Government-wide Statement of Net Position, the governmental activities column is presented on a full accrual using the economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt, deferred outflows/inflows of resources and obligations.

The government-wide Statement of Activities reflects both the gross and net costs per functional category (Police, Fire, Public Works, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function (Police, Fire, Public Works, etc.). These include charges for some of the services the city provides like permits, licences, inspection fees and that are associated with the particular function. The program revenues also include grants received from federal as well as state sources to be used for operating or capital purposes. The City does not allocate indirect expenses. The operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net cost (by function) is normally covered by general revenues (property, sales or gas taxes, intergovernmental revenues, interest income, etc.).

This government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds. All non-major funds are combined and presented in a single column as other governmental funds.

The governmental funds statements in the fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the source and use of liquid resources, and (c) demonstrate how the City's actual expenditures conforms to the budget fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each governmental fund statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The focus of GASB Statement 34 model is on the City as a whole. The focus of the fund financial statements is on the major individual funds of the governmental activities and the proprietary funds. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

C. BASIS OF PRESENTATION

GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. Funds that meet these criteria are labeled as such. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining section of this report.

1. Major Governmental Funds

The measurement focus of the governmental funds is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the major governmental funds of the City:

General Fund - The General Fund is the general operating fund of the City. General tax revenues and other receipts that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. General operating expenses, fixed charges, and capital improvement costs not paid through other funds are paid from this fund.

Special Obligation Bond Series 2011A Fund - This is a capital project fund that accounts for Union Avenue road improvements.

TIF Bond Fund - This is a debt service reserve fund used to accumulate TIF revenue and pay principal and interest on tax increment financing bond.

2. Proprietary Funds

Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The following is a description of the major proprietary fund of the City:

Landfill Fund - All revenues and expenses for the City's solid waste landfill are located in this fund. This is an enterprise fund.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

3. Non-Current Governmental Assets/Liabilities

GASB Statement 34 provides for the capital assets and long-term debt records to be maintained and incorporates the information into the governmental column in the government-wide Statement of Net Position.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-term liabilities are included in the government-wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The government-wide Statement of Net Position, Statement of Activities, and proprietary fund are accounted for using the economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, all liabilities, and deferred inflows of resources associated with the operation of these activities are included on these financial statements.

The fund financial statements are maintained on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. With respect to real and personal property tax revenue and other local taxes, the term "available" is limited to collection within sixty days of the fiscal year end. Levies that are made prior to the fiscal year end, but are not available, are deferred. Interest income is recorded as earned.

Federal and State reimbursement type grants are recorded as revenue when related eligible expenditures are met. Expenditures, other than accrued interest on long-term debt, are recorded when the fund liability is incurred. All other revenue items reported in the fund financial statements are considered "available" when the cash is received by the City one month after its fiscal year.

Franchise and utility taxes, state revenue sharing, charges for services, and fines and forfeitures associated with the current period are considered to be susceptible to accrual and therefore have been recognized as revenues 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, claims, and judgments, are recorded only when payment is due.



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

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

E. ENCUMBRANCES

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts. All encumbrances lapse at year-end; accordingly, no encumbrances were outstanding at September 30, 2015.

F. BUDGETS AND BUDGETARY INFORMATION

The budget is adopted annually by the Mayor and the Board of Alderman, and subsequent amendments are made during the year on the approval of the Mayor and Board or, when allowed, upon authority of City management, as described in the following paragraphs.

All funds of the City of Canton, Mississippi, governmental and enterprise, are budgeted, and are presented in either the accompanying financial statements or in schedules thereto. For comparison purposes, the final, amended budget is utilized, and it is presented on a modified cash basis of accounting as required by the State of Mississippi, which is not consistent with generally accepted accounting principles. All budgetary appropriations lapse at year-end.

The legal level of control, that is the level on which actual expenditures may not legally exceed appropriations, is the major expenditure classifications within departments. Such classifications are Personnel Services, Supplies, Other Charges and Services and Capital Outlay.

All amendments to the budget to the legal level of control must be approved by the City of Canton's Mayor and Board of Alderman. Management is allowed to reclassify, without governing body approval, any budget "line items"; that is, amounts below the legal level of control.

The expenditure budget adopted and approved by the duly elected members of the governing authority of the City of Canton is the appropriation ordinance of said municipality.

As allowed by statute, the expenditure budget was amended and approved by the duly elected members of the governing authority of the City of Canton. Such amendments are included in the reported budgetary data.

G. UNEARNED REVENUE

In the government-wide and proprietary fund financial statements, unearned revenues are recognized when assets are received prior to being earned. Unearned revenues are also recognized in the governmental funds financial statements, which are recognized when revenues are



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

unavailable.

H. FUND BALANCES

Fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Governmental fund balance is classified as nonspendable, restricted, committed, assigned or unassigned. Following are descriptions of fund classifications used by the city.

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact. Currently there is no nonspendable fund balance for this city.

Restricted fund balance includes amounts that have constraints placed upon the use of the resources either by an external party or imposed by law through a constitutional provision or enabling legislation.

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the Board of Alderman, the City's highest level of decision-making authority.

Assigned fund balance includes amounts that are constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Director of Finance pursuant to authorization established by the policy adopted by the city.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

Fund Balance Flow Assumption:

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the city's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the city's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

I. CASH AND OTHER DEPOSITS AND CASH EQUIVALENTS

The City deposits excess funds in the financial institutions selected by the Mayor and Board of Aldermen in accordance with state statutes.

Cash consists of amounts on deposit with a financial institution in non-interest bearing accounts. Other deposits consist of interest-bearing demand accounts, saving accounts and certificates of deposit. Cash and other deposits are valued at cost.

Various restrictions on deposits are imposed by state statutes. The collateral for public entities' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer.

For purposes of the combined statements of cash flows, the municipality considers to be cash equivalents all highly liquid investments and certificates of deposit if they have a maturity of three months or less when acquired.

J. INVESTMENTS

The City is allowed, by statute, to invest excess funds in any bonds or other direct obligations of the United States of America or the State of Mississippi, or of any county or municipality of this state, when such county or municipal bonds have been properly approved; or in interest-bearing time deposits with any financial institution approved for the deposit of state funds. The interest earned is reported in the fund reporting the investment. Investments are reported at fair value.

K. INVENTORIES AND PREPAID ITEMS

Inventories of materials and supplies in the Component Units are stated at cost, calculated on the first-in, first-out basis.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method in both government-wide and fund



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

financial statements.

L. ACCOUNT RECEIVABLE

Accounts Receivable are reported in the government-wide Statement of Net Position and the governmental funds Balance Sheet net of allowances for uncollectible receivables.

M. INTERFUND TRANSACTIONS AND BALANCES

In general, eliminations have been made to minimize the double-counting of internal activity. However, interfund services, provided and used between different functional categories, have not been eliminated in order to avoid distorting the direct costs and program revenues of the applicable functions. Transfers between governmental and business-type activities are reported at the net amount of the government-wide financial statements.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures of the disbursing fund. Reimbursements of the expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

The following is a summary of interfund transactions and balances:

A. Due To/From Other Funds:

	<u>Due from</u>	<u>Due to</u>
Governmental Funds:		
Proprietary Funds	\$	335
General Fund	101,094	
Special Obligation Bond Series 2011A Fund		528
TIF Bond Fund		94,739
Other Governmental Funds		<u>5,492</u>
Total	<u>\$ 101,094</u>	<u>101,094</u>

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

Due From/To Other Funds are the result of timing differences between the date expenses/ expenditures are settled. All balances are expected to be repaid within on year from the date of the financial statements.

B. Transfers In and Transfers Out:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$	214,000
TIF Bond Fund		2,407,043
Other Governmental Funds	<u>2,621,043</u>	
Total	<u>\$ 2,621,043</u>	<u>2,621,043</u>

Transfers were used primarily to move revenues from funds required to collect them to funds required to expend them. The transfers also provided funds for general operating activities. All transfers were routine and consistent with the fund making the transfer.

N. NET POSITION

Equity is classified as Net Position and displayed in three components:

1. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.
2. Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.
3. Unrestricted net position - All other net position not meeting the definition of "restricted" or "net investment in capital assets."

Net Position Flow Assumption:

When an expense is incurred for purposes for which both restricted and unrestricted resources are available, it is the City's general policy to use restricted resources first. When expenses are incurred for purposes for which unrestricted resources are available, and amounts in any of these unrestricted classifications could be used, it is the City's general policy to spend restricted resources first, followed by unrestricted amounts.

Certain proceeds from bonds, notes, and loans, as well as resources for debt service payments, court services, and public improvements monies are classified as restricted net position reported



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

on the government-wide Statement of Net Position because their use is limited by applicable bond covenants and restrictions.

The following is a summary of restricted net position:

Restricted for:

Court services	\$	396
Unemployment benefits		27,784
Debt service		246,865
Capital projects		130,590
Public works		11,923
Public safety		187,522
General government		2,994
Total	\$	<u>608,074</u>

O. CAPITAL ASSETS AND LONG - TERM LIABILITIES

In the governmental funds, the cost incurred for the purchase or construction of capital assets are recorded as capital outlay expenditures.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Donated assets are reported at estimated fair value at the time received.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of land, buildings, and equipment, the cost and related accumulated depreciation, if applicable, are eliminated from the respective accounts and any resulting gain or loss is included in the statement of activities.

All proprietary funds are accounted for on an economic measurement focus. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their Statement of Net Position. Their fund equity is reported in the total net position of the Statement of Revenues, Expenses and Changes in Net Position. The capital assets threshold for the proprietary funds is the same as it is for governmental funds which is described in detail below.

The revenues and expenses of proprietary funds are classified as operating and nonoperating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's primary operations. All other revenues and expenses are reported as nonoperating.



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

In accordance with GASB Statement No. 34, governmental infrastructure has been capitalized. Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset account) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

Capital asset thresholds are as follows:

Land	N/A
Infrastructure	\$50,000
Furniture, Vehicles, and Equipment	\$ 5,000
Improvements other than Buildings	\$25,000
Buildings	\$50,000

Estimated useful lives, in years, for depreciable assets are as follows:

Computer Equipment and Peripherals	3 years
Vehicles and Equipment	5 years
Heavy Equipment (backhoes, dozers, front-end loaders, tractors, etc)	10 years
Furniture and Fixtures	7 years
Improvements other than Buildings	20 years
Buildings	40 years
Infrastructure:	
Roads	20 years
Concrete bridges	50 years
Timber bridges	30 years

P. COMPENSATED ABSENCES

Upon termination of employment, the City of Canton provides payment of accrued personal leave to the departing employee. While such leave is accumulated from 5 to 20 days each year, depending on length of service, no payment for medical leave is allowed absent the required evidence of such need.

Unpaid personal leave expected to be paid from the Governmental Activities is reported under Long-term Debt as "Accrued Compensated Absences." Similar amounts related to the Business-Type Activities are accrued in the Proprietary Funds. Typically the related "Accrued Compensated Absences Expense" has been paid from the General Fund and the Public Utility Fund.

The respective liabilities are computed utilizing the specific identification method (i.e., each employee's actual accumulated personal leave days are multiplied by the applicable actual per



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

day salary). The City's liability for compensated absences is not recorded in the governmental funds, for such liability may be paid from financial resources not currently available. Compensated absences are reported in governmental funds only if they have matured.

Q. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until then. The City has a deferred inflow which is related to pensions.

See Note 17 for further details.

2. CASH, OTHER DEPOSITS, AND INVESTMENTS

A. Cash and Other Deposits

The collateral for public entities' deposits in financial institutions is now held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Depository Insurance Corporation. The City's pooled and non-pooled deposits are categorized to give an indication of the level of risk assumed by the City at fiscal year-end.

The carrying amount of the City's deposits with financial institutions in the governmental funds was \$1,722,964 and \$107,636 in the business-type activities. The bank balance was \$2,253,170.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the city's deposits may not be returned to it. The city does not have a deposit policy for custodial credit risk. As of September 30, 2015, none of the City's bank balance of \$2,253,170 was exposed to custodial credit risk.



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

B. Cash with Fiscal Agents

The carrying amount of the City's cash with fiscal agents held by financial institutions was \$47,252 in the business-type activities.

C. Investments

Except for (1) nonparticipating investment contracts and for (2) participating interest-earning investment contract and money market investments that had a remaining maturity at the time of purchase of one year or less, investments are reported at fair value, which is based on quoted market price. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost. Participating interest earning investment contracts and money market investments that had a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

Interest Rate Risk. Interest Rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The City's investment policy is limited to complying with the State's investment statutes. The State law has not addressed an interest rate risk. The City uses the Specific Identification method to disclose interest-rate risk. Under this method, the notes provide an actual list of the maturities for different individual investments.

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2015, the City had the following investments:

Investment Type	Fair Value	Credit Ratings	Percentage of Investments	Interest Rates
Federal Agricultural Mortgage Corporation	\$ 130,057	Unrated	18%	2.10-4.16%
Federal Home Loan Banks	319,985	AA+	46%	1.625-4.75%
Federal National Mortgage Association	255,192	AA+	36%	0.875-2.4%
Total Investments	\$ 705,234		100%	

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

Investment Maturities in Years

Investment Type	Less Than 1	1-5	6-10
Federal Agricultural Mortgage Corporation		20,619	109,438
Federal Home Loan Banks	100,291	219,694	
Federal National Mortgage Association		255,192	

Credit Risk. The City is allowed, by State Statute, to invest excess funds in any bonds or other direct obligations of the United States of America, of the State of Mississippi, or of any county or municipality of Mississippi, when such county or municipal bonds have been properly approved; or in obligations issued or guaranteed in full as to principal and interest by the United States of America which are subject to a repurchase agreement with a qualified depository; or in interest-bearing time certificates of deposit with any financial institution approved for the deposit of state funds.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the city will not be able to recover the value of its investments. The City does not have a formal investment policy that addresses custodial credit risk. As of September 30, 2015, \$0 of the city's investment balance was insured and was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	0
Uninsured and collateral held by pledging bank's department not in city's name		705,234
Total	\$	<u>705,234</u>

3. RECEIVABLES

A. Accounts Receivable

Accounts receivable at September 30, 2015, consisted of the following:

	General Fund	Other Governmental Funds	Accounts Receivable
Property Taxes	\$ 46,958		46,958
Sales & Tourism Tax	283,127	137,991	421,118
Others	156,372		156,372
Total	<u>\$ 486,457</u>	<u>137,991</u>	<u>624,448</u>



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

4. PROPERTY TAXES

Property held on January 1 of any given year (or brought into the State by March 1 of the same year) is assessed for taxation in the ensuing fiscal year. Such levy, which establishes a lien against the underlying property, is made by the City in its September board meeting. The assessed value of property on January 1, 2015, upon which the levy was based, was \$82,728,257. The taxes thus assessed are due and payable as follows:

1 st installment	(50% of liability)	on or before February 1
2 nd installment		on or before May 1
Final installment		on or before August 1

If taxes remain unpaid, the property subject to a tax lien is sold for taxes on the fourth Monday of August. Property taxes receivable reported in the government-wide Statement of Net Position and the governmental funds Balance Sheet represent amounts due for unpaid delinquent property taxes at September 30, 2015. Property taxes that are not considered "available" have been reported as unearned revenues in the governmental funds Balance Sheet.

5. CAPITAL ASSETS

	Balance 10-1-2014	Additions	Deletions	Adjustments	Balance 9-30-2015
<u>Non-depreciable capital assets:</u>					
Land	\$ 3,018,667		30,840		2,987,827
Total non-depreciable capital assets	<u>3,018,667</u>	<u>0</u>	<u>30,840</u>	<u>0</u>	<u>2,987,827</u>
<u>Depreciable capital assets:</u>					
Buildings	5,805,669			540,000	6,345,669
Infrastructure	3,710,496			(310,116)	3,400,380
Mobile equipment, including equipment under capital lease	2,194,478				2,194,478
Furniture and equipment	574,629	38,089			612,718
Total depreciable capital assets	<u>12,285,272</u>	<u>38,089</u>	<u>0</u>	<u>229,884</u>	<u>12,553,245</u>
<u>Less accumulated depreciation for:</u>					
Buildings	3,522,059	114,913		600,000	4,236,972
Infrastructure	1,758,394	114,746		(151,957)	1,721,183
Mobile equipment	1,225,148	171,295			1,396,443
Furniture and equipment	232,150	69,403			301,553
Total accumulated depreciation	<u>6,737,751</u>	<u>470,357</u>	<u>0</u>	<u>448,043</u>	<u>7,656,151</u>
Total depreciable capital assets, net	<u>5,547,521</u>	<u>(432,268)</u>	<u>0</u>	<u>(218,159)</u>	<u>4,897,094</u>
Governmental activities capital assets, net	<u>\$ 8,566,188</u>	<u>(432,268)</u>	<u>30,840</u>	<u>(218,159)</u>	<u>7,884,921</u>

Adjustments were made to properly present capital assets at year end, except for infrastructure, which was adjusted to remove highways and interstate. The City did not properly maintain infrastructure records. Also the beginning accumulated depreciation balances were changed to present the actual amounts.



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

6. LONG - TERM OBLIGATIONS

A. Changes in Long - Term Obligations

The following is a summary of changes in long-term debt:

	Balance 10-1-2014	Additions	Reductions	Adjustments	Balance 9-30-2015	Amounts due within one year
Bonds						
General Obligation Bond	\$ 2,815,000		260,000		2,555,000	285,000
Special Obligation Bond, Series 2011A	4,000,000				4,000,000	
Special Obligation Bond, Series 2011B	125,000		125,000		0	
Special Obligation Bond, Series 2011C	2,095,000		260,000		1,835,000	270,000
Tax Increment Financing Bond		2,705,000			2,705,000	125,000
Total	9,035,000	2,705,000	645,000	0	11,095,000	680,000
Other Long - Term Debt						
Urban Renewal Bonds	1,035,792		33,056		1,002,736	30,001
Pierce Contender	42,489		20,717		21,772	21,772
Multipurpose & Equine Ctr. Construction	545,975		34,896		511,079	35,600
Canton Municipal Utilities	1,216,667			(1,216,667)	0	
Fire Truck	100,994		18,096		82,898	19,091
2015 Fire Truck		375,000			375,000	31,787
Master Equipment Lease			38,534	115,603	77,069	77,069
Total Other Long - Term Debt	2,941,917	375,000	145,299	(1,101,064)	2,070,554	215,320
Total General Long - Term Debt	11,976,917	3,080,000	790,299	(1,101,064)	13,165,554	895,320
Compensated Absences	\$ 334,327	47,839			382,166	19,108

Adjustments were made to properly present long-term debt at year end.

	Balance 10-1-2014	Change	Balance 9-30-2015	Amounts due within one year
Bond Discounts	\$ (27,708)	3,500	(24,208)	3,500



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

B. Currently Outstanding Long-Term Obligations

General obligation bonds and special assessment debt currently outstanding are as follows:

	<u>Date of Obligation</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance 9-30-2015</u>
<u>General Obligation Bonds</u>					
General Obligation Bonds	1/1/08	7/1/22	4.75-5.00%	\$ 3,500,000	2,555,000
Special Obligation Bond, Series 2011A	8/10/11	10/1/31	5.75%	4,000,000	4,000,000
Special Obligation Bond, Series 2011B	8/10/11	10/1/15	1.4-1.9%	600,000	0
Special Obligation Bond, Series 2011C	8/10/11	10/1/21	4.59%	2,580,000	1,835,000
Tax Increment Financing Bond	3/24/15	3/1/32	3.35-4.00%	2,705,000	2,705,000
Total				<u>\$ 13,385,000</u>	<u>11,095,000</u>
<u>Other Long - Term Debt</u>					
Urban Renewal Bonds	3/24/00	3/24/35	5.130%	\$ 1,299,200	1,002,736
Pierce Contender	6/22/06	6/22/16	5.09%	178,750	21,772
Multipurpose & Equine Ctr. Construction	6/9/08	6/1/28	2.00%	750,000	511,079
Canton Municipal Utilities	9/30/00	9/30/17	0%	1,375,000	0
Fire Truck	9/5/10	9/5/19	3.30%	173,460	82,898
2015 Fire Truck	11/1/14	11/1/24	3.62%	375,000	375,000
Master Equipment Lease	12/1/14	5/1/16	6.0%	115,603	77,069
Total Other Long - Term Debt				<u>\$ 4,267,013</u>	<u>2,070,554</u>

C. Summary of Annual Debt Service Requirements To Maturity - Annual Principal & Interest

General Obligation Bonds

The City issues general obligation bonds to provide funds for City improvements. These are direct obligations and pledge the full faith and credit of the City.

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 680,000	310,380	990,380
2017	730,000	285,638	1,015,638
2018	775,000	252,801	1,027,801
2019	805,000	217,020	1,022,020
2020	845,000	179,916	1,024,916
2021 - 2025	3,190,000	952,252	4,142,252
2026 - 2030	2,935,000	898,613	3,833,613
2031 - 2032	1,135,000	55,155	1,190,155
Total	<u>\$ 11,095,000</u>	<u>3,151,775</u>	<u>14,246,775</u>



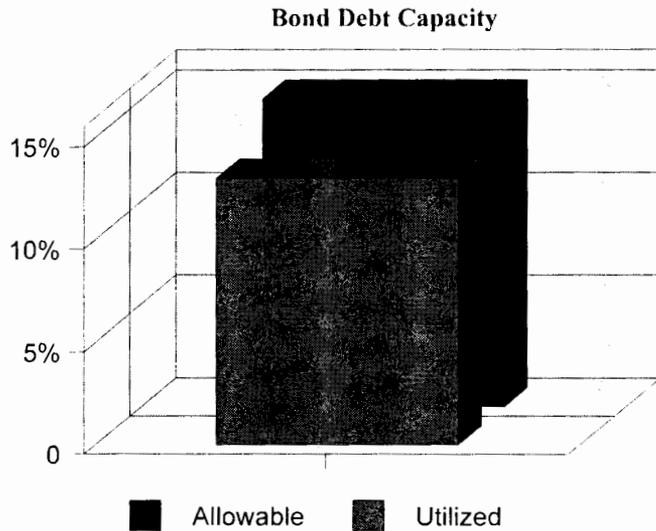
City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

This debt is to be retired from the Sinking Fund.

The amount of general obligation bonded debt that can be incurred by the City is limited by state statute. Total outstanding bonded debt during a year can be no greater than 15% of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, unless certain conditions, such as set forth in state statutes under Mississippi Code Ann., Section 21-33-303, have been met which increases the bonded debt to no greater than 20% of the assessed value. As of September 30, 2015, the amount of outstanding bonded debt was equal to 13% of property assessments of \$82,728,257, computed as follows:

Bonded Debt:		
General Obligation Bonds	\$	11,095,000
Enterprise Funds		1,380,000
Less Excludable Debt:		
Enterprise Funds		<u>(1,380,000)</u>
Total Debt Subject to Limitation		<u>11,095,000</u>
Assessed Valuation	\$	82,728,257
Percentage		13.41%





City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

Other Long - term Debt

Urban Renewal Bonds

Annual debt service requirements to maturity for Urban Renewal Bonds are as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>		
\$1,299,200	3/24/2000	3/24/2035		
Year Ending				
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2016	\$ 30,001	51,485	81,486	
2017	31,538	49,948	81,486	
2018	33,154	48,332	81,486	
2019	34,854	46,632	81,486	
2020	36,640	44,846	81,486	
2021 - 2025	213,366	194,064	407,430	
2026 - 2030	273,940	133,490	407,430	
2031 - 2035	349,243	56,328	405,571	
Total	\$ 1,002,736	625,125	1,627,861	

This debt is to be retired from the Sinking Fund.

Pierce Contender

Annual debt service requirements to maturity for the fire truck Pierce Contender are as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>		
\$178,750	6/22/2006	6/22/2016		
Year Ending				
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2016	\$ 21,772	1,108	22,880	

This debt is to be retired from the General Fund.

Multipurpose & Equine Center Construction

Annual debt service requirements to maturity for the Multipurpose and Equine Center Construction debt are as follows:



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
\$750,000	6/09/2008	6/01/2028

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 35,600	9,911	45,511
2017	36,319	9,193	45,512
2018	37,052	8,460	45,512
2019	37,800	7,712	45,512
2020	38,563	6,949	45,512
2021 - 2025	204,807	22,749	227,556
2026 - 2028	120,938	3,478	124,416
Total	\$ 511,079	68,452	579,531

This debt is to be retired from the Debt Service Fund.

Canton Municipal Utilities

This debt was retired and paid off from the Public Utility Fund.

Fire Truck

A maturity schedule for the loan is as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
\$173,460	9/5/2010	9/05/2019

<u>Year Ending</u> <u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 19,091	4,559	23,650
2017	20,141	3,509	23,650
2018	21,249	2,402	23,651
2019	22,417	1,233	23,650
Total	\$ 82,898	11,703	94,601

This debt is to be retired from the General Fund.



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

2015 Fire Truck

A maturity schedule for the loan is as follows:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
	\$375,000	11/1/14	11/1/24

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30				
2016	\$	31,787	13,580	45,367
2017		32,938	12,429	45,367
2018		34,130	11,237	45,367
2019		35,366	10,000	45,366
2020		36,647	8,720	45,367
2021 - 2025		204,132	22,704	226,836
Total	\$	375,000	78,670	453,670

This debt is to be retired from the General Fund.

Master Equipment Lease

A maturity schedule for the loan is as follows:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
	\$115,603	12/1/14	5/1/16

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30				
2016	\$	77,069	5,349	82,418

This debt is to be retired from the General Fund.



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

7. BUSINESS - TYPE ACTIVITIES, CAPITAL ASSETS

The following is a summary of the capital assets of the Enterprise Funds at September 30, 2015.

	Landfill Management Balance 10-01-2014	Additions	Landfill Management Balance 9-30-2015
<u>Non-depreciable capital assets:</u>			
Land	\$ 38,380		38,380
Total non-depreciable capital assets	<u>38,380</u>	<u>0</u>	<u>38,380</u>
<u>Depreciable capital assets:</u>			
Site Preparations	1,013,723		1,013,723
Vehicles and Equipment	874,288		874,288
Total depreciable capital assets	<u>1,888,011</u>	<u>0</u>	<u>1,888,011</u>
<u>Less accumulated depreciation for:</u>			
Site Preparations	557,548	101,372	658,920
Vehicles and Equipment	419,810	63,106	482,916
Total accumulated depreciation	<u>977,358</u>	<u>164,478</u>	<u>1,141,836</u>
Total depreciable capital assets, net	<u>910,653</u>	<u>(164,478)</u>	<u>746,175</u>
Business-type activities capital assets, net	<u>\$ 949,033</u>	<u>(164,478)</u>	<u>784,555</u>

8. BUSINESS - TYPE ACTIVITIES, LONG - TERM DEBT

The following is a detail of changes in the enterprise funds long - term debt.

	Balance 10-1-2014	Additions	Retirements	Adjustments	Balance 9-30-2015	Amounts due within one year
<u>Special Obligation Bonds</u>						
Special Obligation Bonds	\$ 1,620,000		240,000		1,380,000	250,000
Total	<u>1,620,000</u>	<u>0</u>	<u>240,000</u>	<u>0</u>	<u>1,380,000</u>	<u>250,000</u>
<u>Other Long - Term Debt</u>						
John Deer Tractor	12,084		12,084		0	
Equipment Lease Purchase			14,168	36,024	21,856	14,489
Total Other Long-Term Debt	<u>12,084</u>	<u>0</u>	<u>26,252</u>	<u>36,024</u>	<u>21,856</u>	<u>14,489</u>
Total Enterprise Fund Debt	<u>1,632,084</u>	<u>0</u>	<u>266,252</u>	<u>36,024</u>	<u>1,401,856</u>	<u>264,489</u>
Compensated Absences	<u>\$ 25,675</u>	<u>4,915</u>			<u>30,590</u>	<u>1,530</u>



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

Special Obligation Bonds

The Special Obligation Bonds are issued in accordance with Mississippi Development Bank enacted November 5, 2007 pursuant to Section 31-25-27 and 31-25-103 of the Mississippi Code Annotated. At September 30, 2015, the amount borrowed and payable on this obligation was \$1,380,000.

A maturity schedule for the loan is as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>		
\$3,020,000	6/1/2008	9/30/2020		
Year Ending				
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2016	\$ 250,000	73,140	323,140	
2017	260,000	59,890	319,890	
2018	280,000	23,055	303,055	
2019	290,000	31,270	321,270	
2020	300,000	15,900	315,900	
Total	\$ 1,380,000	203,255	1,583,255	

This debt is to be retired from the Solid Waste Fund.

Other Long - Term Debt

John Deere Tractor 001-0065864

This debt was paid off and retired from the Solid Waste Fund.

Equipment Lease Purchase

A maturity schedule for the loan is as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>		
\$42,990	3/19/14	3/19/17		
Year Ending				
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2016	\$ 14,489	341	14,830	
2017	7,367	48	7,415	
Total	\$ 21,856	389	22,245	

This debt is to be retired from the Solid Waste Fund.



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

9. REFUNDING BONDS

Prior Years Debt Defeasance

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. This is an in-substance defeasance (using the proceeds of a new bond issue to create an irrevocable trust to retire old debt as it comes due). Accordingly, the trust account assets and liability for the defeased bonds are not included in the district's financial statements. On September 30, 2015, \$702,014 of the refunding bonds, outstanding were defeased.

At September 30, 2015, City management believes that the City has complied with all requirements of its various debt agreements.

10. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan Description. The City of Canton, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2015, PERS members were required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer’s rate at September 30, 2015 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City’s contributions to PERS for the fiscal years ending September 30, 2015, 2014 and 2013 were \$683,011, \$696,208, and \$608,303, respectively, which equaled the required contributions for each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2015, the City reported a liability of \$10,733,436 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2015, the City’s proportion was 0.069436 percent, which was a decrease from its proportion measured as of June 30, 2014.

For the year ended September 30, 2015, the City recognized pension expense of \$1,201,396. At September 30, 2015 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 165,182	\$
Net difference between projected and actual earnings on pension plan investments	628,021	
Changes of assumptions	924,648	
Changes in proportion and differences between City contributions and proportionate share of contributions		211,735
City contributions subsequent to the measurement date	184,972	
Total	\$ 1,902,823	\$ 211,735

\$184,973 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

Year ended September 30:		
2016	\$	479,834
2017		479,834
2018		389,443
2019		157,005
Total	\$	<u>1,506,116</u>

Actuarial assumptions. The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	3.75 – 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2010 and June 30, 2014. The experience report is dated May 4, 2015.

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

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Broad	34%	5.20%
International Equity	19%	5.00
Emerging Markets Equity	8%	5.45
Fixed Income	20%	0.25
Real Assets	10%	4.00
Private Equity	8%	6.15
Cash	1%	(0.50)
Total	<u>100%</u>	

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability	\$ 14,147,652	\$ 10,733,436	\$ 7,900,275

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains one Enterprise Fund. Segment information for the year ended September 30, 2015 follows:

	<u>Landfill</u>
Operating Revenues	\$ 1,742,801
Operating Expenses	2,044,170
Operating Income	(301,369)
Net Position	\$ (733,688)

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for these risks through Mississippi Municipal Liability Insurance. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

13. MUNICIPAL LANDFILL (MSWLF)

The City has operated a Landfill in its current location since 1987. Since 1987, the City has disposed of Landfill in this fill and has, in graduated stages, increased the size of the original landfill.

Through fiscal year 1992, the City has accounted for the landfill operations within the general fund. Municipal Landfill Management Fund account balances were restated as of the beginning of fiscal year 1993 for those assets and liabilities transferred to the fund which pertains to the operation of the landfill. The fund is maintained as an enterprise fund and has operated as such since October 1, 1992.

Accounting for landfill operations is made under the Landfill Full Cost Accounting Manual as required by Section 17-17-347, Mississippi Code Annotated (1972) prepared by the Office of the State Auditor of the State of Mississippi. These guidelines require that the City account for its Landfill management system through an enterprise fund designed to capture all costs as follows:

- a. Direct Costs - Those costs incurred for a specific purpose which are uniquely traceable to that purpose.
- b. Indirect Costs - Those governmental expenditures that support general service and are directly related to the cost of providing Landfill management services. These costs are allocated to Landfill management by actual costs methods.
- c. Landfill Closure and Postclosure Care Costs - The October 9, 1991, U.S. Environmental Protection Agency (EPA) rule, "Solid Waste Disposal Facility Criteria", which establishes closure requirements for all municipal solid waste landfills (MSWLFs) that receive solid waste after October 9, 1991. The EPA rule also establishes thirty-one postclosure care requirements for MSWLFs that accept solid waste after October 9, 1993. The effect of the EPA rule and similar state or local laws or regulations is to obligate MSWLF owners and operators to perform certain closing functions and postclosure monitoring and maintenance functions as a condition for the right to operate the MSWLF in the current period. Certain of these costs, which result in disbursements near or after the date that the MSWLF stops accepting solid waste and during the postclosure period, should be included in the *estimated total current cost of MSWLF closure and postclosure care*, regardless of their capital or operating nature. The estimated total current cost of MSWLF closure and postclosure care should include (a) the cost of equipment expected to be installed and facilities expected to be constructed (based on the MSWLF operating plan) near or after the date that the MSWLF stops accepting solid waste and during the postclosure period, (b) the cost of final cover (capping) expected to be applied near or after the date that the MSWLF stops accepting solid waste, and (c) the cost of monitoring and maintaining the expected usable MSWLF area during the postclosure period.



City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2015

For MSWLFs that use proprietary fund accounting and reporting, a portion of the estimated total current cost of MSWLF closure and postclosure care is required to be recognized as an expense and as a liability in each period that the MSWLF accepts solid waste. Recognition should begin on the date that the MSWLF begins accepting solid waste, continue in each period that it accepts waste, and be completed by the time it stops accepting waste. Estimated total current cost should be assigned to periods based on MSWLF use rather than on the passage of time, using a formula provided in this Statement. MSWLF capital assets excluded from the calculation of the estimated total cost of MSWLF closure and postclosure care should be fully depreciated by the date that the MSWLF stops accepting solid waste.

Estimated landfill capacities and capacity used to date are as follows:

Total capacity (current estimates)	5,328,864	tons
Capacity used:		
Capacity used at 10-01-14	943,983	tons
Adjustment to prior year capacity/airspace	<u>(363,417)</u>	tons
Total capacity filled (24.93%)	580,566	tons
Waste received in current year 2014 - 2015	<u>36,644</u>	
Total capacity filled at	<u>617,210</u>	
Capacity remaining (current estimates)	4,711,654	tons
Estimated total closure/postclosure care costs	\$ 1,399,053	

Liability for closure/postclosure care costs at September 30, 2015, based on landfill capacity used to date:

Liability as previously reported	\$ 772,129
Correcting adjustment for cost recognition	\$ (620,842)
Liability for current year net of adjustment	
for prior year closure cost	<u>\$ 10,757</u>
Total liability	\$ 162,044



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

Remaining closure/postclosure care to be recognized \$ 1,237,009

Estimated remaining landfill life based on current usage 129 years

As of the end of the current year closure and postclosure care financial assurance requirements have been met.

- d. Capital Assets, Depreciation and Depletion - All assets which provide services to the operations of the landfill have been transferred to the Municipal Landfill Management Fund. All assets were transferred at cost along with any related accumulated depreciation.

14. TRANSFERS BETWEEN PRIMARY GOVERNMENT AND COMPONENT UNITS

The component units transferred money to the City of Canton during the fiscal year ended September 30, 2015. The City records these transfers as revenues and the subsequent transfer out as expenditures in the City's general fund as reflected in the combined statement of revenues, expenditures, and changes in fund balances - all governmental fund types and in general fund budget/actual comparisons for the fiscal year ended September 30, 2015.

15. PRIOR PERIOD ADJUSTMENTS

A summary of significant Net Position/Fund Balance adjustments is as follows:

Exhibit A-2 - Statement of Activities

<u>Explanation:</u>	<u>Amount</u>
<u>Governmental Activities:</u>	
1. Implementation of GASB 68 and 71:	\$
Net pension liability (09-30-14)	(8,116,614)
Deferred outflows - contributions made during fiscal year 2014	<u>172,573</u>
Total prior period adjustment related to GASB 68 and 71	(7,944,041)
2. Adjustments were made to properly present capital assets at year end.	(218,159)
3. Adjustments were made to properly present long-term debt at year end.	1,101,064
4. Adjustments were made to record prior year assets and liabilities.	<u>(85,905)</u>
Total	<u>\$ (7,147,041)</u>



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

<u>Business-Type Activities:</u>	<u>Amount</u>
1. Implementation of GASB 68 and 71:	\$
Net pension liability (09-30-14)	(593,372)
Deferred outflows - contributions made during fiscal year 2014	12,616
Total prior period adjustment related to GASB 68 and 71	(580,756)
2. Adjustments were made to record prior year assets and liabilities.	821,244
3. Adjustments were made to properly present long-term debt at year end.	(36,024)
Total	\$ 204,464

Exhibit A-5 - Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Activities

Explanation:

Adjustments were made to record prior year assets and liabilities. \$ (85,905)

Exhibit A-8 - Statement of Revenues, Expenses, and Changes in Fund Net Position - Business-Type Activities

<u>Explanations:</u>	<u>Amount</u>
1. Implementation of GASB 68 and 71:	\$
Net pension liability (09-30-14)	(593,372)
Deferred outflows - contributions made during fiscal year 2014	12,616
Total prior period adjustment related to GASB 68 and 71	(580,756)
2. Adjustments were made to record prior year assets and liabilities.	821,244
3. Adjustments were made to properly present long-term debt at year end.	(36,024)
Total	\$ 204,464

16. DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

A generic fund type listing of the individual funds that have a deficit fund balance, including amounts of the deficits, is as follows:

	<u>Amount</u>
<u>Capital Project Funds</u>	
Safe Routes to School Fund	\$ 2,680
Wal-Mart Feather Lane Fund	5,853
Union Street Overlay Fund	168,350
Flood Control Project Fund	68,540
Drainage Improvement Project Fund	85,706
Subtotal	331,129
<u>Enterprise Funds</u>	
Landfill Fund	733,688
Total	\$ <u>1,064,817</u>

These deficits are not in violation of State law and will be remedied by the proceeds of bonds already issued.



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

17. EFFECT OF DEFERRED AMOUNTS IN NET POSITION

The unrestricted net position amount of (\$7,348,904) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,902,823 balance of deferred outflow of resources, at September 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$7,348,904) in the governmental activities includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$211,735 balance of deferred inflow of resources, at September 30, 2015 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

18. CONTINGENCIES

Litigation - The city is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the city in respect to the various proceedings.

19. SUBSEQUENT EVENT

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Canton, Mississippi evaluated the activity of the city through the date the financial statements were available to be issued, and determined that subsequent events have occurred that require disclosure in the notes to the financial statements:

On October 6, 2015, the City accepted a donation of property known as Saab Park from Madison County.

On January 5, 2016, the City authorized and approved the purchase of a Court Case Management System Software for the City of Canton Municipal Court Services provided by Syscon in the amount of \$128,315 to be paid from court service.

On February 2, 2016, the City authorized and approved an engagement letter between the City of Canton and Duncan-Williams for the City of Canton, Mississippi General Obligation Refunding Bonds Series 2016.

On February 2, 2016, the City authorized and approved the resolutions for the City of Canton Refunding Series 2007 and 2011-A General Obligation Bonds.



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2015

On June 21, 2016, the City adopted resolution to borrow \$2,830,000 from MS Development Bank to improve and extend the existing landfill and refund outstanding principal of the \$3,020,000 Series 2007 notes payable.

On July 19, 2016, the City approved of the application of CAP loan from MDA for \$750,000 for the improvements of SAAB Park and Red Bud Park.



REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND

The general fund is used to account for resources traditionally associated with government which are not required to be accounted for in another fund.

The City maintains only one general fund.

CITY OF CANTON
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Exhibit B-1

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Property taxes	\$ 3,373,271	3,373,271	3,510,507	137,236
Sales taxes	2,650,000	2,650,000	2,994,752	344,752
Franchise taxes (fees)	171,000	171,000	220,903	49,903
Other taxes	12,500	12,500	11,452	(1,048)
Licenses and permits	223,300	223,300	221,989	(1,311)
Other fees	614,500	614,500	584,532	(29,968)
Fines and forfeitures	600,000	600,000	960,593	360,593
Investment income	30,000	30,000	31,310	1,310
Grants and donations	109,500	109,500	430,189	320,689
Charges for services	1,780,000	1,780,000	1,280,000	(500,000)
Rental income	23,000	23,000	17,520	(5,480)
Drug seizure funds	5,000	5,000	1,250	(3,750)
Intergovernmental programs	623,900	658,900	731,789	72,889
Other	15,000	15,000	112,108	97,108
Total Revenues	10,230,971	10,265,971	11,108,894	842,923
Expenditures:				
Current:				
General government:				
Personnel services	899,952	916,152	867,219	48,933
Contractual services	101,000	126,115	104,211	21,904
Consumable supplies & materials	1,764,500	1,878,596	2,155,378	(276,782)
Grants, subsidies & allocations	12,000	404,711	404,627	84
	2,777,452	3,325,574	3,531,435	(205,861)
		373,579		
Public safety:				
Personnel services	3,860,453	3,984,553	3,860,503	124,050
Contractual services	344,200	338,200	289,983	48,217
Consumable supplies & materials	413,000	424,900	302,455	122,445
Grants, subsidies & allocations	48,600	48,600	39,271	9,329
	4,666,253	4,796,253	4,492,212	304,041
Public services:				
Personnel services	665,678	699,678	699,470	208
Contractual services	197,000	217,800	201,130	16,670
Consumable supplies & materials	28,200	28,200	27,512	688
Grants, subsidies & allocations	10,000	10,000	6,860	3,140
	900,878	955,678	934,972	20,706
Culture and recreation:				
Personnel services	440,098	475,216	466,846	8,370
Contractual services	121,050	123,250	116,204	7,046
Consumable supplies & materials	220,000	260,624	259,160	1,464
Grants, subsidies & allocations		6,000	5,993	7
	781,148	865,090	848,203	16,887
Economic development and assistance:				
Personnel services	197,918	205,718	205,700	609,336
Contractual services	9,500	9,500	6,815	25,815
Consumable supplies & materials	10,000	10,000	7,732	27,732
Grants, subsidies & allocations	8,000	8,000	4,664	3,336
	225,418	233,218	224,911	683,547
Economic opportunity:				
Personnel services	101,596	161,596	159,879	1,717
Contractual services	9,200	9,200	4,354	4,846
Consumable supplies & materials	9,500	9,500	1,772	7,728
	120,296	180,296	166,005	14,291
Debt Service:				
Principal	159,579	159,579	159,854	(275)
Miscellaneous			59,308	(59,308)
	159,579	159,579	219,162	(59,583)
Total Expenditures	9,631,024	10,515,688	10,416,900	(59,308)
Excess (Deficiency) of Revenues Over (Under) Expenditures	599,947	(249,717)	691,994	941,711
Other Financing Sources (Uses):				
Transfers to other funds	-	(214,000)	(214,000)	-
Other income			96,650	96,650
Total Other Financing Sources (Uses)	-	(214,000)	(117,350)	96,650
Net Change in Fund Balances	599,947	(463,717)	574,644	1,038,361
Fund Balances - Beginning, as previously reported	-	-	964,949	964,949
Prior period adjustment	-	-	(85,905)	(85,905)
Fund Balances - Beginning, as restated	-	-	879,044	879,044
Fund Balances - Ending	\$ 599,947	(463,717)	1,453,688	1,917,405

The notes to the required supplementary information are an integral part of this schedule.

City of Canton, Mississippi
 Schedule of the City's Proportionate Share of the Net Pension Liability
 PERS
 Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset) \$	10,733,436	8,709,986
City's proportionate share of the net pension liability (asset)	0.069436%	0.071757%
City's covered - employee payroll	4,336,578	4,420,368
City's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	247.51%	197.04%
Plan fiduciary net position as a percentage of the total pension liability	61.70%	67.21%

The notes to the required supplementary information are an integral part of this schedule.

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.



City of Canton, Mississippi
 Schedule of the City's Contributions
 PERS
 Last 10 Fiscal Years*

	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 683,011	696,208
Contributions in relation to the contractually required contribution	683,011	696,208
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>-</u></u>
City's covered - employee payroll	4,336,578	4,420,368
Contributions as a percentage of covered - employee payroll	15.75%	15.75%

The notes to the required supplementary information are an integral part of this schedule.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 15, and, until a full 10-year trend is compiled, the City has only presented information for the years in which information is available.



City of Canton, Mississippi

Notes to the Required Supplementary Information
For the Year Ended September 30, 2015

Budgetary Comparison Schedule

(1) Basis of Presentation.

All funds of the City of Canton, Mississippi, governmental and enterprise, are budgeted, and are presented in either the accompanying financial statements or in schedules thereto. For comparison purposes, the final, amended budget is utilized, and it is presented on a modified cash basis of accounting as required by the State of Mississippi, which is not consistent with generally accepted accounting principles. All budgetary comparison appropriations lapse at year-end.

(2) Budget amendments and revisions.

The budget is adopted and may be amended by the Board of Aldermen. A budgetary comparison is presented for the general fund and is presented on a modified cash basis of accounting.

Pension Schedules

(1) Change of Benefit Terms

None

(2) Change of Assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience. In 2015, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.5% to 3% and 8% to 7.75%, respectively.



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SUPPLEMENTARY INFORMATION

Supplementary information is presented to provide greater detailed information than reported in the preceding financial statements. This information, in many cases, has been spread throughout the report and is brought together here for greater clarity. Financial schedules are not necessary for fair presentation, in order to be in conformity with Generally Accepted Accounting Principles.



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CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2015

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
Assets:				
Cash and cash equivalents	\$ 230,619	\$ 235,853	\$ (331,237)	\$ 135,235
Accounts receivable	--	--	137,991	137,991
Total Assets	<u>\$ 230,619</u>	<u>\$ 235,853</u>	<u>\$ (193,246)</u>	<u>\$ 273,226</u>
Liabilities and Fund Balances:				
Liabilities:				
Due to other funds	\$ --	\$ --	\$ 5,492	\$ 5,492
Total Liabilities	<u>--</u>	<u>--</u>	<u>5,492</u>	<u>5,492</u>
Fund Balances:				
Restricted:				
Debt service	--	235,853	--	235,853
Capital projects	--	--	132,391	132,391
Unemployment benefits	27,784	--	--	27,784
General government	2,994	--	--	2,994
Public works	11,923	--	--	11,923
Public safety	187,522	--	--	187,522
Court services	396	--	--	396
Unrestricted	<u>--</u>	<u>--</u>	<u>(331,129)</u>	<u>(331,129)</u>
Total Fund Balances	<u>230,619</u>	<u>235,853</u>	<u>(198,738)</u>	<u>267,734</u>
Total Liabilities and Fund Balances	<u>\$ 230,619</u>	<u>\$ 235,853</u>	<u>\$ (193,246)</u>	<u>\$ 273,226</u>



CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Property taxes	\$ --	\$ 1,018,372	\$ --	\$ 1,018,372
Investment income	90	61	1	152
Intergovernmental programs	--	--	400,528	400,528
Other	174,845	--	58,223	233,068
Total Revenues	<u>174,935</u>	<u>1,018,433</u>	<u>458,752</u>	<u>1,652,120</u>
Expenditures:				
Public safety:				
Other	--	--	142,416	142,416
Public services	--	--	2,405,715	2,405,715
Debt Service:				
Principal	--	649,615	--	649,615
Interest	--	543,196	--	543,196
Miscellaneous	1	60	--	61
Total Expenditures	<u>1</u>	<u>1,192,871</u>	<u>2,548,131</u>	<u>3,741,003</u>
Excess of Revenues Over (Under) Expenditures	174,934	(174,438)	(2,089,379)	(2,088,883)
Other Financing Sources (Uses):				
Transfers from other funds	--	434,800	2,186,243	2,621,043
Total Other Financing Sources (Uses)	<u>--</u>	<u>434,800</u>	<u>2,186,243</u>	<u>2,621,043</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	174,934	260,362	96,864	532,160
Fund Balances:				
Fund Balances (Deficit) - Beginning	55,685	(24,509)	(295,602)	(264,426)
Fund Balances (Deficit) - Ending	<u>\$ 230,619</u>	<u>\$ 235,853</u>	<u>\$ (198,738)</u>	<u>\$ 267,734</u>



SPECIAL REVENUE FUNDS

The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

The City maintains the following Special Revenue Funds to accomplish the afore stated purposes:

1. Police Communication Fund
2. Delores Blackmon Escrow Fund
3. CDBG 1995 Project Grant
4. Bertha Ratcliff Housing
5. Levi Economic Development Fund
6. Multi Purpose Complex Arena
7. Court Services Fund
8. Task Force Drug Seizure Fund
9. Employment Insurance Revolving
10. Police MCPP Fund



CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2015

	<u>Police Communication Fund</u>	<u>Delores Blackmon Escrow Fund</u>	<u>CDBG 1995 Project Grant</u>	<u>Bertha Ratcliff Housing</u>
Assets:				
Cash and cash equivalents	\$ 175,121	\$ 2,705	\$ 1	\$ 289
Total Assets	<u>\$ 175,121</u>	<u>\$ 2,705</u>	<u>\$ 1</u>	<u>\$ 289</u>
Liabilities and Fund Balances:				
Liabilities:				
	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Restricted:				
Unemployment benefits	\$ --	\$ --	\$ --	\$ --
General government	--	2,705	--	289
Public works	--	--	--	--
Public safety	175,121	--	1	--
Court services	--	--	--	--
Total Fund Balances	<u>175,121</u>	<u>2,705</u>	<u>1</u>	<u>289</u>
Total Liabilities and Fund Balances	<u>\$ 175,121</u>	<u>\$ 2,705</u>	<u>\$ 1</u>	<u>\$ 289</u>



Levi Economic Development Fund	Multi Purpose Complex Arena	Court Services Fund	Task Force Drug Seizure Fund	Employment Insurance Revolving
\$ 8,885	\$ 3,038	\$ 396	\$ 12,093	\$ 27,784
<u>\$ 8,885</u>	<u>\$ 3,038</u>	<u>\$ 396</u>	<u>\$ 12,093</u>	<u>\$ 27,784</u>
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ 27,784
--	--	--	--	--
8,885	3,038	--	--	--
--	--	--	12,093	--
--	--	396	--	--
<u>8,885</u>	<u>3,038</u>	<u>396</u>	<u>12,093</u>	<u>27,784</u>
<u>\$ 8,885</u>	<u>\$ 3,038</u>	<u>\$ 396</u>	<u>\$ 12,093</u>	<u>\$ 27,784</u>



CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2015

	Police MCP Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
Assets:		
Cash and cash equivalents	\$ 307	\$ 230,619
Total Assets	<u>\$ 307</u>	<u>\$ 230,619</u>
Liabilities and Fund Balances:		
Liabilities:		
	<u>--</u>	<u>--</u>
Fund Balances:		
Restricted:		
Unemployment benefits	\$ --	\$ 27,784
General government	--	2,994
Public works	--	11,923
Public safety	307	187,522
Court services	--	396
Total Fund Balances	<u>307</u>	<u>230,619</u>
 Total Liabilities and Fund Balances	 <u>\$ 307</u>	 <u>\$ 230,619</u>



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CITY OF CANTON

*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

	Police Communication Fund	Delores Blackmon Escrow Fund	CDBG 1995 Project Grant
Revenues:			
Investment income	\$ --	\$ --	\$ --
Other	174,845	--	--
Total Revenues	<u>174,845</u>	<u>--</u>	<u>--</u>
Expenditures:			
Public safety:			
Debt Service:			
Miscellaneous	--	--	--
Total Expenditures	<u>--</u>	<u>--</u>	<u>--</u>
Excess of Revenues Over (Under) Expenditures	174,845	--	--
Fund Balances:			
Fund balances - Beginning	276	2,705	1
Fund balances - Ending	<u>\$ 175,121</u>	<u>\$ 2,705</u>	<u>\$ 1</u>



Bertha Ratcliff Housing	Levi Econ. Development Fund	Multi Purpose Complex Arena	Court Services Fund	Task Force Drug Seizure Fund
\$ --	\$ -- 21	\$ --	\$ --	\$ --
--	--	--	--	--
<u>--</u>	<u>21</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	1	--
--	--	--	1	--
--	21	--	(1)	--
289	8,864	3,038	397	12,093
<u>\$ 289</u>	<u>\$ 8,885</u>	<u>\$ 3,038</u>	<u>\$ 396</u>	<u>\$ 12,093</u>

CITY OF CANTON

*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

	Employment Insurance Revolving	Police MCP Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Investment income	\$ 69	\$ --	\$ 90
Other	--	--	174,845
Total Revenues	<u>69</u>	<u>--</u>	<u>174,935</u>
Expenditures:			
Public safety:			
Debt Service:			
Miscellaneous	--	--	1
Total Expenditures	<u>--</u>	<u>--</u>	<u>1</u>
Excess of Revenues Over (Under) Expenditures	69	--	174,934
Fund Balances:			
Fund balances - Beginning	27,715	307	55,685
Fund balances - Ending	<u>\$ 27,784</u>	<u>\$ 307</u>	<u>\$ 230,619</u>



DEBT SERVICE FUNDS

The Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal which are obligated in some manner for payment.

The City maintains the following debt service funds:

1. TIF Bond Fund
2. Sinking Fund
3. Industrial Bond Retirement
4. TIF Sinking Fund



City of Canton
TIF BOND FUND
DEBT SERVICE FUND
Budgetary Comparison Schedule
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Exhibit C-5

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Sales taxes	\$ -	-	70,000	70,000
Investment income	-	-	288	288
Total Revenues	-	-	70,288	70,288
Expenditures:				
General government:				
Consumable supplies & materials	-	175,900	175,889	11
Debt Service:				
Miscellaneous	-	62	62	-
Total Expenditures	-	175,962	175,951	11
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(175,962)	(105,663)	70,299
Non-Operating Revenues (Expenses):				
Bonds issued	-	-	2,705,000	2,705,000
Transfers out	-	(2,407,144)	(2,407,043)	101
Total Other Financing Sources (Uses)	-	(2,407,144)	297,957	2,705,101
Net Change in Fund Balances	-	(2,583,106)	192,294	2,775,400
Fund Balances - Beginning	-	-	-	-
Fund Balances (Deficit) - Ending	\$ -	(2,583,106)	192,294	2,775,400

CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 SEPTEMBER 30, 2015

	<u>Sinking Fund</u>	<u>Industrial Bond Retirement</u>	<u>TIF Sinking Fund</u>	<u>Total Nonmajor Debt Service Funds (See Exhibit C-1)</u>
Assets:				
Cash and cash equivalents	\$ 3,640	\$ 11,412	\$ 220,801	\$ 235,853
Total Assets	<u>\$ 3,640</u>	<u>\$ 11,412</u>	<u>\$ 220,801</u>	<u>\$ 235,853</u>
Liabilities and Fund Balances:				
Liabilities:				
	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Restricted:				
Debt service	\$ 3,640	\$ 11,412	\$ 220,801	\$ 235,853
Total Fund Balances	<u>3,640</u>	<u>11,412</u>	<u>220,801</u>	<u>235,853</u>
 Total Liabilities and Fund Balances	 <u>\$ 3,640</u>	 <u>\$ 11,412</u>	 <u>\$ 220,801</u>	 <u>\$ 235,853</u>



CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Sinking Fund	Industrial Bond Retirement	TIF Sinking Fund	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:				
Property taxes	\$ 1,018,372	\$ --	\$ --	\$ 1,018,372
Investment income	--	--	61	61
Total Revenues	<u>1,018,372</u>	<u>--</u>	<u>61</u>	<u>1,018,433</u>
Expenditures:				
Public safety:				
Debt Service:				
Principal	649,615	--	--	649,615
Interest	543,196	--	--	543,196
Miscellaneous	--	--	60	60
Total Expenditures	<u>1,192,811</u>	<u>--</u>	<u>60</u>	<u>1,192,871</u>
Excess of Revenues Over (Under) Expenditures	(174,439)	--	1	(174,438)
Other Financing Sources (Uses):				
Transfers from other funds	214,000	--	220,800	434,800
Total Other Financing Sources (Uses)	<u>214,000</u>	<u>--</u>	<u>220,800</u>	<u>434,800</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	39,561	--	220,801	260,362
Fund Balances:				
Fund Balances (Deficit) - Beginning	(35,921)	11,412	--	(24,509)
Fund Balances - Ending	<u>\$ 3,640</u>	<u>\$ 11,412</u>	<u>\$ 220,801</u>	<u>\$ 235,853</u>



CAPITAL PROJECT FUNDS

The Capital Project Fund Type is used to account for financial resources used for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

Individual capital project funds are utilized by the municipality to account for its construction projects. The City maintains the following capital project funds:

1. Special Obligation Bond Series 2011A Fund
2. CDBG Fund
3. Connector Road Fund
4. Watford Parkway Fund
5. Safe Routes to School Fund
6. Wal-Mart Feather Lane Fund
7. Union Street Overlay Fund
8. Signalization - Hwy 22 Commercial Fund
9. Flood Control Project Fund
10. Drainage Improvement Project Fund
11. GOB 96 Construction Fund

CITY OF CANTON
SPECIAL OBLIGATION BOND SERIES 2011A FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Exhibit C-8

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Total Revenues	-	-	-	-
Expenditures:				
Consumable supplies and materials	-	8,825	8,824	1
Debt Service:				
Miscellaneous	-	-	1	(1)
Total Expenditures	-	8,825	8,825	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(8,825)	(8,825)	-
Non-Operating Revenues (Expenses):				
Transfers out	(299,909)	(299,909)		299,909
Total Other Financing Sources (Uses)	(299,909)	(299,909)	-	299,909
Net Change in Fund Balances	(299,909)	(308,734)	(8,825)	299,909
Fund Balances - Beginning	-	-	338,153	338,153
Fund Balances (Deficit) - Ending	\$(299,909)	\$(308,734)	329,328	638,062



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CITY OF CANTON
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2015

	<u>CDBG Fund</u>	<u>Connector Road Fund</u>	<u>Watford Parkway Fund</u>
Assets:			
Cash and cash equivalents	\$ 1,263	\$ (126,959)	\$ 59,091
Accounts receivable	--	137,991	--
Total Assets	<u>\$ 1,263</u>	<u>\$ 11,032</u>	<u>\$ 59,091</u>
Liabilities and Fund Balances:			
Liabilities:			
Due to other funds	\$ --	\$ 5,492	\$ --
Total Liabilities	<u>--</u>	<u>5,492</u>	<u>--</u>
Fund Balances:			
Restricted:			
Capital projects	1,263	5,540	59,091
Unrestricted			
Total Fund Balances	<u>--</u> <u>1,263</u>	<u>--</u> <u>5,540</u>	<u>--</u> <u>59,091</u>
Total Liabilities and Fund Balances	<u>\$ 1,263</u>	<u>\$ 11,032</u>	<u>\$ 59,091</u>

Safe Routes to School Fund	Wal-mart Feather Lane Fund	Union Street Overlay Fund	Signalization - Hwy 22 Commercial Fund	Flood Control Project Fund
\$ (2,680)	\$ (5,853)	\$ (168,350)	\$ 66,413	\$ (68,540)
<u> -- </u>	<u> -- </u>	<u> -- </u>	<u> -- </u>	<u> -- </u>
<u>\$ (2,680)</u>	<u>\$ (5,853)</u>	<u>\$ (168,350)</u>	<u>\$ 66,413</u>	<u>\$ (68,540)</u>
\$ <u> -- </u>	\$ <u> -- </u>	\$ <u> -- </u>	\$ <u> -- </u>	\$ <u> -- </u>
<u> -- </u>	<u> -- </u>	<u> -- </u>	66,413	<u> -- </u>
<u>(2,680)</u>	<u>(5,853)</u>	<u>(168,350)</u>	<u> -- </u>	<u>(68,540)</u>
<u>(2,680)</u>	<u>(5,853)</u>	<u>(168,350)</u>	<u>66,413</u>	<u>(68,540)</u>
<u>\$ (2,680)</u>	<u>\$ (5,853)</u>	<u>\$ (168,350)</u>	<u>\$ 66,413</u>	<u>\$ (68,540)</u>



CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2015

	<u>Drainage Improvement Project Fund</u>	<u>GOB 96 Construction Fund</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
Assets:			
Cash and cash equivalents	\$ (85,706)	\$ 84	\$ (331,237)
Accounts receivable	--	--	137,991
Total Assets	<u>\$ (85,706)</u>	<u>\$ 84</u>	<u>\$ (193,246)</u>
Liabilities and Fund Balances:			
Liabilities:			
Due to other funds	\$ --	\$ --	\$ 5,492
Total Liabilities	<u>--</u>	<u>--</u>	<u>5,492</u>
Fund Balances:			
Restricted:			
Capital projects	--	84	132,391
Unrestricted	<u>(85,706)</u>	<u>--</u>	<u>(331,129)</u>
Total Fund Balances	<u>(85,706)</u>	<u>84</u>	<u>(198,738)</u>
Total Liabilities and Fund Balances	<u>\$ (85,706)</u>	<u>\$ 84</u>	<u>\$ (193,246)</u>



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CITY OF CANTON

*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015*

	CDBG Fund	Connector Road Fund	Watford Parkway Fund
Revenues:			
Investment income	\$ 1	\$ --	\$ --
Intergovernmental programs	--	193,473	207,055
Other	--	58,223	--
Total Revenues	<u>1</u>	<u>251,696</u>	<u>207,055</u>
Expenditures:			
Public safety:			
Other	--	--	--
Public services	--	535,898	322,689
Total Expenditures	<u>--</u>	<u>535,898</u>	<u>322,689</u>
Excess of Revenues Over (Under) Expenditures	1	(284,202)	(115,634)
Other Financing Sources (Uses):			
Transfers from other funds	--	323,845	179,336
Total Other Financing Sources (Uses)	<u>--</u>	<u>323,845</u>	<u>179,336</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	1	39,643	63,702
Fund Balances:			
Fund Balances (Deficit) - Beginning	1,262	(34,103)	(4,611)
Fund Balances (Deficit) - Ending	<u>\$ 1,263</u>	<u>\$ 5,540</u>	<u>\$ 59,091</u>



Safe Routes to School Fund	Wal-mart Feather Lane Fund	Union Street Overlay Fund	Signalization - Hwy 22 Commercial Fund	Flood Control Project Fund
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	67,167
2,680	1,303,723	166,866	73,858	--
<u>2,680</u>	<u>1,303,723</u>	<u>166,866</u>	<u>73,858</u>	<u>67,167</u>
(2,680)	(1,303,723)	(166,866)	(73,858)	(67,167)
--	1,540,068	--	142,994	--
--	<u>1,540,068</u>	--	<u>142,994</u>	--
(2,680)	236,345	(166,866)	69,136	(67,167)
--	(242,198)	(1,484)	(2,723)	(1,373)
<u>\$ (2,680)</u>	<u>\$ (5,853)</u>	<u>\$ (168,350)</u>	<u>\$ 66,413</u>	<u>\$ (68,540)</u>

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

	Drainage Improvement Project Fund	GOB 96 Construction Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Investment income	\$ --	\$ --	\$ 1
Intergovernmental programs	--	--	400,528
Other	--	--	58,223
Total Revenues	<u> --</u>	<u> --</u>	<u> 458,752</u>
Expenditures:			
Public safety:			
Other	75,249	--	142,416
Public services	--	--	2,405,714
Total Expenditures	<u> 75,249</u>	<u> --</u>	<u> 2,548,130</u>
Excess of Revenues Over (Under) Expenditures	(75,249)	--	(2,089,378)
Other Financing Sources (Uses):			
Transfers from other funds	--	--	2,186,243
Total Other Financing Sources (Uses)	<u> --</u>	<u> --</u>	<u> 2,186,243</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(75,249)	--	96,865
Fund Balances:			
Fund Balances (Deficit) - Beginning	(10,457)	84	(295,603)
Fund Balances (Deficit) - Ending	<u>\$ (85,706)</u>	<u>\$ 84</u>	<u>\$ (198,738)</u>

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ENTERPRISE FUND

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the services to the general public on a continuing basis are financed or recovered primarily through user charges; or where the government's council has decided that periodic determination of net income is appropriate for accountability purposes.

The City of Canton, Mississippi operates the following Enterprise Fund.

Landfill Fund- This fund is used to account for the Landfill revenue of the municipality, as well as its water related expenses.

CITY OF CANTON
 LANDFILL FUND
 ENTERPRISE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2015

Exhibit C-11

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Operating Revenues:				
Charges for services	\$ 2,150,000	2,150,000	1,742,801	(407,199)
Total Operating Revenues	<u>2,150,000</u>	<u>2,150,000</u>	<u>1,742,801</u>	<u>(407,199)</u>
Operating Expenses:				
Personal services - salaries and wages	307,700	307,700	342,733	(35,033)
Personal services - employee benefits	167,141	167,141	126,054	41,087
Purchased professional and technical services	344,500	344,500	725,857	(381,357)
Supplies	2,000	2,000	2,063	(63)
Landfill expenses	560,000	560,000	677,875	(117,875)
Depreciation			164,478	(164,478)
Miscellaneous	794,483	794,483	5,110	789,373
Total Operating Expenses	<u>2,175,824</u>	<u>2,175,824</u>	<u>2,044,170</u>	<u>131,654</u>
Operating Income (Loss)	<u>(25,824)</u>	<u>(25,824)</u>	<u>(301,369)</u>	<u>(275,545)</u>
Non-Operating Revenues (Expenses):				
Interest Revenue	-	-	5,121	5,121
Debt Service Interest	-	-	(82,322)	(82,322)
Total Non-Operating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>(77,201)</u>	<u>(77,201)</u>
Net Income (Loss) before Transfers	<u>(25,824)</u>	<u>(25,824)</u>	<u>(378,570)</u>	<u>(352,746)</u>
Net Change in Net Position	<u>(25,824)</u>	<u>(25,824)</u>	<u>(378,570)</u>	<u>(352,746)</u>
Net Position (Deficit) - Beginning, as previously reported	-	-	(559,582)	(559,582)
Prior Period Adjustment	-	-	204,464	204,464
Net Position (Deficit) - Beginning, as restated	<u>-</u>	<u>-</u>	<u>(355,118)</u>	<u>(355,118)</u>
Net Position (Deficit) - Ending	<u>\$ (25,824)</u>	<u>(25,824)</u>	<u>(733,688)</u>	<u>(707,864)</u>



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COMPONENT UNITS

Component units must either be (1) a legally separate organization for which the elected officials of the primary government are financially accountable or (2) another organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the City of Canton's financial statements to be misleading or incomplete. Based upon the application of these criteria, the following component units are discretely presented in these financial statements.

1. Canton Convention and Visitor's Bureau
2. Canton Redevelopment Authority
3. Canton Municipal Utilities

CITY OF CANTON
COMBINING STATEMENT OF NET POSITION
COMPONENT UNITS
SEPTEMBER 30, 2015

Exhibit C-12

	Canton Convention and Visitors Bureau	Canton Redevelopment Authority	Canton Municipal Utilities	Total Component Units
Assets:				
Cash and cash equivalents	\$ 75,076	\$ 9,946	\$ 1,895,386	\$ 1,980,408
Accounts receivable	--	--	3,091,320	3,091,320
Inventory	3,701	34,544	1,377,857	1,416,102
Prepaid items	--	--	40,693	40,693
Restricted assets:				
Cash and cash equivalents	--	42,272	1,291,696	1,333,968
Temporary cash investments	--	--	10,180,000	10,180,000
Deferred assessment charges	--	--	1,325,133	1,325,133
Land held for resale	--	1,026,670	--	1,026,670
Other assets	--	1,333	--	1,333
Capital assets:				
Land and construction in progress	960,000	--	2,110,722	3,070,722
Other capital assets, net of accumulated depreciation	313,773	152,995	29,592,487	30,059,255
Total Assets	<u>1,352,550</u>	<u>1,267,760</u>	<u>50,905,294</u>	<u>53,525,604</u>
Deferred Outflows of resources	<u>41,531</u>	<u>90,306</u>	<u>1,334,564</u>	<u>1,466,401</u>
Liabilities:				
Accounts payable	24,931	19,904	1,319,607	1,364,442
Accrued liabilities	5,386	9,631	--	15,017
Sales tax payable	--	--	126	126
Accrued salaries	--	--	113,492	113,492
Accrued payroll taxes and benefits	--	--	1,156	1,156
Accrued closure/postclosure cost	--	--	48,992	48,992
Customer deposits	--	--	1,232,787	1,232,787
Other accrued expenses	--	--	61,456	61,456
Notes, lease, and loan payable, current	42,456	379,867	99,435	521,758
Compensated absences, current	--	21,855	--	21,855
Notes, lease, and loan payable, noncurrent	46,507	85,696	--	132,203
Compensated absences, noncurrent	--	--	44,575	44,575
Assessments payable, noncurrent	--	--	1,225,698	1,225,698
Net pension liability	232,180	292,775	7,381,363	7,906,318
Total Liabilities	<u>351,460</u>	<u>809,728</u>	<u>11,528,687</u>	<u>12,689,875</u>
Deferred Inflows of resources	<u>3,740</u>	<u>--</u>	<u>198,252</u>	<u>201,992</u>
Net Position:				
Net investment in capital assets	1,184,810	152,995	30,378,076	31,715,881
Restricted for:				
Debt service	--	42,272	--	42,272
Unrestricted	(145,929)	353,071	10,134,843	10,341,985
Total Net Position	<u>\$ 1,038,881</u>	<u>\$ 548,338</u>	<u>\$ 40,512,919</u>	<u>\$ 42,100,138</u>

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2015

Exhibit C-13

	Canton Convention and Visitors Bureau	Canton Redevelopment Authority	Canton Municipal Utilities	Total Component Units
Operating Revenues:				
Charges for services	\$ --	\$ --	\$ 10,204,348	\$ 10,204,348
Fuel adjustment electric	--	--	(136,432)	(136,432)
Fuel adjustment gas	--	--	(688,418)	(688,418)
Revenue from Madison County Waste Water Authority	--	--	1,329,585	1,329,585
Connection charges and other sales	--	--	139,829	139,829
Fairs and festivals	118,710	--	--	118,710
Welcome center	9,275	--	--	9,275
Management fee	30,000	--	--	30,000
Rent	--	9,000	--	9,000
Parking tax revenues	--	6,114	--	6,114
Tours	--	191	--	191
Total Operating Revenues	157,985	15,305	10,848,912	11,022,202
Operating Expenses:				
Personnel services	--	--	4,772,862	4,772,862
Advertising	76,303	--	--	76,303
Chemicals	--	--	119,984	119,984
Dues and subscriptions	--	400	35,335	35,735
Application fees	--	2,099	--	2,099
Bank fees	--	3,672	--	3,672
Chamber projects	--	800	--	800
Education	--	--	17,056	17,056
General administrative	34,002	--	--	34,002
Insurance	--	17,229	182,061	199,290
Property rehab	--	9,117	--	9,117
IT cost and supplies	--	--	33,927	33,927
Maintenance and supplies	--	2,433	--	2,433
Material and supplies	--	--	1,080,083	1,080,083
Lease office equipment and storage	--	9,743	--	9,743
Office expenses	--	25,147	80,615	105,762
Outside services	--	--	1,028,326	1,028,326
Payroll	234,610	--	--	234,610
Postage and printing	--	--	101,727	101,727
Professional services	58,380	45,424	--	103,804
Contract labor	--	11,885	--	11,885
Christmas	--	1,706	--	1,706
Community events	--	885	--	885
Promotion and special events	167,486	--	--	167,486
Rent	30,739	--	47,141	77,880
Repairs and maintenance	36,616	--	181,974	218,590
Salaries, payroll taxes, fringe benefits	--	209,158	--	209,158
Telephone	--	--	59,389	59,389
Travel, seminars and meetings	9,515	147	5,879	15,541
Utilities	28,457	8,449	891,839	928,745
Vehicle	--	2,163	355,966	358,129
Bad debt	--	--	1,292,440	1,292,440
Depreciation	33,198	6,859	2,057,886	2,097,943
Miscellaneous	--	2,001	--	2,001
Total Operating Expenses	709,306	359,317	12,344,490	13,413,113
Operating Income (Loss)	(551,321)	(344,012)	(1,495,578)	(2,390,911)
Non-Operating Revenues (Expenses):				
Grants	3,000	300,000	--	303,000
Donations	--	37,974	--	37,974
Interest expense	(6,462)	(32,958)	(188,257)	(227,677)
Interest and investment revenue	30	25	296,755	296,810
Forfeited discounts and penalties	--	--	243,677	243,677
Tourism tax revenue	641,777	--	--	641,777
Loss on sale of property	(10,000)	--	--	(10,000)
Flea market parking	--	3,747	--	3,747
Transfer fees	--	--	(1,332)	(1,332)
Other income	--	42,181	--	42,181
Aid in construction	--	--	196,132	196,132
Total Non-Operating Revenues (Expenses)	628,345	350,969	546,975	1,526,289
Net Income (Loss) before Transfers	77,024	6,957	(948,603)	(864,622)
Transfers	--	--	(1,580,000)	(1,580,000)
Net Income (Loss)	77,024	6,957	(2,528,603)	(2,444,622)
Net Position - Beginning, as previously reported	1,137,040	667,692	48,897,001	50,701,733
Prior period adjustment	(175,183)	(126,311)	(5,855,479)	(6,156,973)
Net Position - Beginning, as restated	961,857	541,381	43,041,522	44,544,760
Net Position - Ending	\$ 1,038,881	\$ 548,338	\$ 40,512,919	\$ 42,100,138



OTHER SUPPLEMENTARY INFORMATION

Supplementary information is presented to provide greater detailed information than reported in the preceding financial statements. This information, in many cases, has been spread throughout the report and is brought together here for greater clarity. Financial schedules are not necessary for fair presentation, in order to be in conformity with Generally Accepted Accounting Principles.

City of Canton, Mississippi
Schedule of Surety Bonds for Municipal Employees
For the Year Ended September 30, 2015

NAME	EXPIRATION DATE	POSITION	COMPANY	BOND AMOUNT
Eric Gilkey	7/6/2017	Alderman	Brierfield	\$ 100,000
Daphne Sims	6/30/2017	Alderman	Western Surety	\$ 100,000
Les Pen	6/30/2017	Alderman	Brierfield	\$ 100,000
Andrew Grant	6/30/2017	Alderman	Western Surety	\$ 100,000
Olivia Harrell	6/30/2017	Alderman	Brierfield	\$ 100,000
Reuben Myers	7/6/2017	Alderman	Brierfield	\$ 100,000
Rodriguez Brown	6/30/2017	Alderman	Western Surety	\$ 100,000
Arnel Bolden	6/30/2017	Mayor	Brierfield	\$ 100,000
Valerie Smith	11/5/2015	City Clerk	Brierfield	\$ 75,000
Otha Brown	10/1/2015	Police Chief	Liberty Mutual	\$ 50,000
Demsa King	11/5/2015	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Debra Brown	11/1/2015	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Gwen Miles	11/1/2015	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Charles Henderson	11/1/2015	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Linda Lockett	11/1/2015	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Annett Johnson	11/1/2015	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Fredrick Pratt	11/1/2015	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Chrishanda Jackson	11/1/2015	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Schealeria Taylor	11/1/2015	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Ashley Lacey	11/1/2015	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Rilanda Reaves	11/1/2015	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Lisa Ward	11/1/2015	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Alvin Davis	11/1/2015	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Joycette Nichols	11/1/2015	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Juan Cloy	11/1/2015	Deputy Police Chief	Liberty Mutual	\$ 50,000
Melon Garrett	11/1/2015	Landfill Director	Liberty Mutual	\$ 50,000
Donald Lawrence	11/1/2015	Building Department Director	Liberty Mutual	\$ 50,000



City of Canton, Mississippi
 Schedule of Long-Term Debt
 For the Year Ended September 30, 2015

Schedule D-2

	Date of Obligation	Date of Maturity	Interest Rate	Original Amount	Balance October 1, 2014	Current Year Transactions			Balance September 30, 2015
						Additions	Retirements	Adjustments	
Governmental Activities									
Bonds									
GOB Public Improvement	1/1/2008	7/1/2022	4.75-5.0%	\$ 3,500,000	\$ 2,815,000		260,000		2,555,000
Discount on Bonds Issued				\$ (52,500)	(27,708)		3,500		(24,208)
Special Obligation Bond, Series 2011A	8/10/2011	10/1/2031	5.750%	\$ 4,000,000	4,000,000				4,000,000
Special Obligation Bond, Series 2011B	8/10/2011	10/1/2015	1.4-1.9%	\$ 600,000	125,000		125,000		-
Special Obligation Bond, Series 2011C	8/10/2011	10/1/2021	4.590%	\$ 2,580,000	2,095,000		260,000		1,835,000
Tax Increment Financing Bond	3/24/2015	3/1/1932	3.35-4.00%			2,705,000			2,705,000
Total General Obligation Bonds					9,007,292	2,705,000	648,500	-	11,070,792
Other Long-Term Debt									
Urban Renewal Bonds	3/24/2000	3/24/2035	5.13%	\$ 1,299,200	1,035,792		33,056		1,002,736
Canton Municipal Utilities	9/30/2000	9/30/2017	0.000%	\$ 1,375,000	1,216,667			(1,216,667)	-
Pierce Contender	6/22/2006	6/22/2016	5.09%	\$ 178,750	42,489		20,717		21,772
Multipurpose & Equine Center Construction	6/9/2008	6/1/2028	2%	\$ 750,000	545,975		34,896		511,079
Fire Truck	9/5/2010	9/5/2019	3.30%	\$ 173,460	100,994		18,096		82,898
2015 Fire Truck	11/1/2014	11/1/2024	3.62%	\$ 375,000	-	375,000			375,000
Master Equipment Lease	12/1/2014	5/1/2016	6.00%	\$ 115,603	-		38,534	115,603	77,069
Total Other Long-Term Debt					2,941,917	375,000	145,299	(1,101,064)	2,070,554
Total Long-Term Debt					\$ 11,949,209	3,080,000	793,799	(1,101,064)	13,141,346
Business-Type Activities									
Special Obligation Bonds									
Special Obligation Revenue Bond	6/1/2008	9/30/2020	5.300%	\$ 3,020,000	\$ 1,620,000		240,000		1,380,000
Other Long-Term Debt									
John Deere Tractor 001-0065864	12/17/2009	12/17/2014	3.950%	\$ 331,166	12,084		12,084		-
Equipment Lease Purchase	3/19/2014	3/19/2017		\$ 42,990			14,168	36,024	21,856
Total Other Long-Term Debt					12,084	-	26,252	36,024	21,856
Total Enterprise Fund					\$ 1,632,084	-	266,252	36,024	1,401,856



City of Canton, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2015

Federal Agency/ Pass-Through Entity/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Passed-through Mississippi Development Authority		
Community Development Block Grant - State's Program	14.228	\$ 392,000
Total passed-through Mississippi Development Authority		<u>392,000</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>		
Passed-through Mississippi Department of Public Safety		
Public Safety Partnership and Community Policing Grants	16.710	34,591
Total passed-through Mississippi Department of Public Safety		<u>34,591</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>		
Passed-through Mississippi Department of Transportation		
Highway Planning and Construction	20.205	1,272,624
Total passed-through Mississippi Department of Transportation		<u>1,272,624</u>
 Total for all Federal Awards		 \$ <u>1,699,215</u>

Notes to Schedule

- This schedule was prepared using the same basis of accounting and the same significant accounting policies, as applicable, used for the basic financial statements.



REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' 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*

Mayor and Board of Aldermen
City of Canton, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canton, Mississippi as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2016. Our report differed from the standard report because the City of Canton did not maintain adequate records for Capital Assets related to infrastructure for Governmental Activities. We did not audit the financial statements of the Canton Municipal Utilities, component unit, which represent 95%, 96%, and 98%, respectively, of the assets, net position and revenues of the component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of the other auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be a material weakness and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable



possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2015-001 and 2015-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency as Finding 2015-003.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Canton, Mississippi's financial statements are free from 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*.

City of Canton, Mississippi's Response to Findings

The City of Canton's responses to the findings identified in our audit are described in the accompanying Corrective Action Plan. The City of Canton, Mississippi's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 15, 2016

Certified Public Accountants



FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Mayor and Board of Aldermen
City of Canton, Mississippi

Report on Compliance for Each Major Federal Program

We have audited City of Canton's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on City of Canton, Mississippi's major federal programs for the year ended September 30, 2015. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the City's compliance.



Opinion on Each Major Federal Program

In our opinion, the City of Canton, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the City of Canton, Mississippi is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 15, 2016

Certified Public Accountants



**INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS**



FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Mayor and Board of Aldermen
City of Canton, Mississippi

We have audited the financial statements of the City of Canton, Mississippi as of and for the year ended September 30, 2015 and have issued our report dated December 15, 2016. We have 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*.

As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of those procedures and our audit of the basic financial statements disclosed the following material instances of noncompliance with state laws and regulations. Our findings and recommendations and your responses are as follows:

Finding #1

Criteria:

In accordance with Section 27-105-305, Mississippi Code Annotated (1972), states the Board of Supervisors, every two (2) years thereafter, must give notice by publication to all financial institutions in its county whose accounts are insured by the Federal Deposit Insurance Corporation. All bids will be received from financial institutions at the following January meeting or some subsequent meeting.

Condition:

The City failed to give notice by publication to all financial institutions in its county as required by Section 27-105-305, Mississippi Code Annotated (1972).

Cause:

The lack of training concerning Section 27-105-305, Mississippi Code Annotated (1972) requirements.

Effect:

This causes the city to be in noncompliance with Section 27-105-305, Mississippi Code Annotated (1972).

Recommendation:

The City should advertise and obtain quotes from interested depositories and document their selection in the board minutes.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
TELEPHONE 601-992-5292 FAX 601-992-2033

Response:

The City will comply with Section 27-105-305, Mississippi Code Annotated (1972).

Finding #2

Criteria:

Section 99-19-73, Mississippi Code Annotated (1972), requires any monetary penalties for certain violations, misdemeanors and felonies and any other penalties imposed by law should be imposed and collected from each person whom a court imposes a fine or other penalty for any violation, with the exceptions of offenses related to vehicular parking or registration. After determination by the court of the amount due, the clerk of the court should promptly collect all imposed court assessments.

Condition:

The City failed to collect and settle monthly state imposed court assessments.

Cause:

Controls were not in place to ensure court assessments were collected and settled monthly.

Effect:

The effect of this condition is that noncompliance occurred with Section 99-19-73, Mississippi Code Annotated (1972).

Recommendation:

The City should implement controls to ensure court assessments are collected and settled monthly.

Response:

The City will implement controls to ensure court assessments are collected and settled monthly.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the findings in this report to ensure that corrective action has been taken.

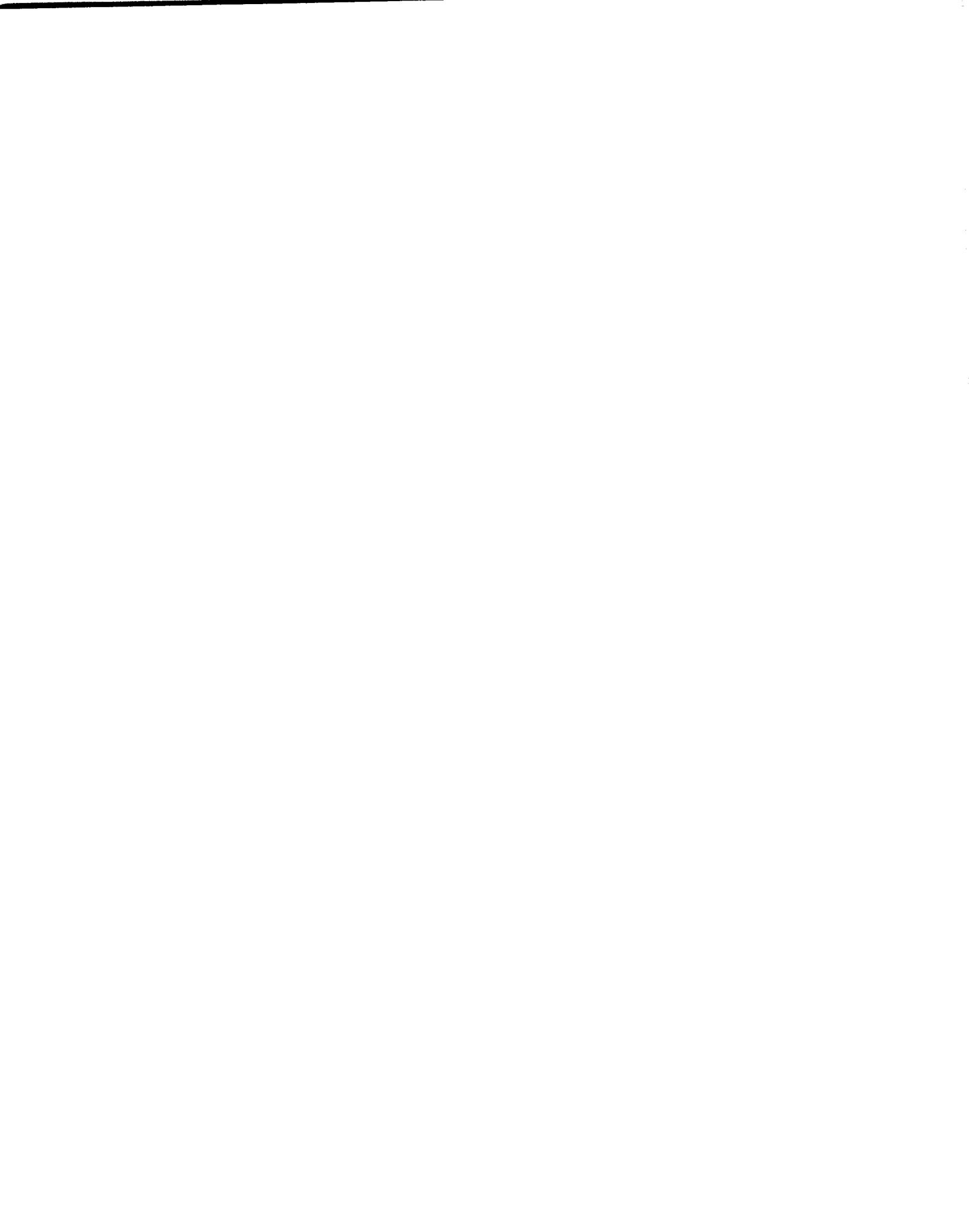
The City of Canton, Mississippi's responses to the findings included in this report were not audited and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the City's management and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 15, 2016

Certified Public Accountants



SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Canton, Mississippi
 Schedule of Findings and Questioned Costs
 For the Year Ended September 30, 2015

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued:

Governmental Activities	Qualified
Business-type Activities	Unmodified
Aggregate Discretely Presented Component Units	Unmodified
General Fund	Unmodified
Special Obligation Bond Series 2011A Fund	Unmodified
TIF Bond Fund	Unmodified
Landfill Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? Yes.

3. Noncompliance material to financial statements noted? Yes.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.

5. Type of auditor's report issued on compliance for major programs: Unmodified.

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.

7. Identification of major programs:
 - CFDA 14.228 - Community Development Block Grant - State's Program
 - CFDA 20.205 - Highway Planning and Construction

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.

9. Auditee qualified as low-risk auditee? No.



Section 2: Financial Statements Findings

The results of our tests disclosed the following findings related to the financial statements that are required to be reported by *Government Auditing Standards*.

Material Weaknesses

Finding 2015-001:

Criteria:

Management is responsible for establishing an internal control system that ensures capital assets related to infrastructure are recorded in accordance with the *Municipal Audit and Accounting Guide* as mandated by the office of the State Auditor. This prescribed policy required records of asset additions and deletions as well as annual inventories and the reconciliation of that inventory with the City's records.

Condition:

Although progress was made in the maintenance of capital assets, the City did not maintain accurate and timely records of capital assets related to infrastructure during the fiscal year.

Cause:

Controls were not in place to ensure the accurate and timely recording of capital assets related to infrastructure.

Effect:

The lack of internal controls on capital assets related to infrastructure could result in misstatement of capital assets. Additionally, the audit opinion was modified to address this issue.

Recommendation:

The City should maintain accurate and timely records of capital assets related to infrastructure in accordance with the *Municipal Audit and Accounting Guide* as mandated by the Office of the State Auditor. Maintaining these records include lists of asset additions and deletions as well as annual inventories and the reconciliation of that inventory with the City's records. Inventory was conducted but did not include cost.



Finding 2015-002:

Criteria:

As part of the closing process, the general ledger should be reviewed and adjusted as necessary to ensure that all accounts are properly reflected. Management is also responsible to ensure that the software system is reliable and any technical issues should be resolved and corrected.

Condition:

Internal control procedures surrounding the year end closing process were not adequate to ensure that all adjusting entries have been properly recorded or carried forward from the prior year. Also management's software system allows manual input of beginning cash balances.

Cause:

There was inadequate review at year end of cumulative balances in these assets and liability accounts and beginning cash balances were manually input into the software system.

Effect:

Assets and liabilities did not carry forward from the prior year resulting in assets and liabilities being understated. The lack of internal controls and software issues could result in fraud and misappropriation of assets and liabilities. Adjustments were made to correctly record these balances.

Recommendation:

Year end closing procedures should include a thorough review of cumulative balances of assets and liabilities so that appropriate resolution and corrections may be made as required. The software company should be contacted to resolve any technical issues which currently allow manual input of beginning balances for the fiscal year.

Significant Deficiency

Finding 2015-003:

Criteria:

An effective system of internal controls should provide for an adequate record of accruals of accounts receivable and accounts payable.

Condition:

Claim dockets were approved during the fiscal year but not paid until after the fiscal year ended. The claims were owed by the City but were not reported in the City's financial records. These unrecorded claims were identified and reported by the auditor in this audit report. In addition, the City did not record receivables accrued throughout the year.

Cause:

Controls were not in place to ensure the timely recording of receivables and payables throughout the year.

Effect:

The lack of internal controls to manage and properly record receivables and payables resulted in payables and receivables being understated.

Recommendation:

The City should implement controls to ensure receivables and payables are recorded in a timely manner. Adjustments were made to properly reflect these accounts.

Section III: Federal Award Findings and Questioned Costs

The results of our tests did not disclose any findings and questioned costs related to the federal awards.



AUDITEE'S CORRECTIVE ACTION PLAN



Arnel D. Bolden
MAYOR

Valerie T. Smith
CITY CLERK



ALDERMEN:
Rodriguez Brown
Eric Gilkey
Andrew Grant
Olivia Harrell
Vickie McNeill
Les A. Penn
Daphne Johnson Sims

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section 315 (c) of OMB Circular A-133, the City of Canton has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended September 30, 2015.

Finding

2015-001

Corrective Action Plan Details

a. Name of contact person Responsible for Corrective Action

David Overby – 601-859-4331

b. Corrective Action Planned

A recommendation of a compilation of infrastructure will be Presented to the Governing Authorities by February 28, 2017.

c. Anticipated Completion Date

September 30, 2017

Finding

2015-002

a. Name of contact person Responsible for Corrective Action

David Overby – 601-859-4331

b. Corrective Action Planned

Year- end closing procedures will include a complete review of cumulative balances of assets and liabilities with corrective action made as required.

c. Anticipated Completion Date

To be completed for the 09-30-16 audit.

P.O. Box 1605 – 226 East Peace Street – Canton, MS 39046
601/859-4331 – Fax: 601/859-4379



Arnel D. Bolden
MAYOR

Valerie T. Smith
CITY CLERK



ALDERMEN:
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Daphne Johnson Sims

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section 315 (c) of OMB Circular A-133, the City of Canton has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Cost for the year ended September 30, 2015.

Finding

2015-003

Corrective Action Plan Details

a. Name of contact person Responsible for Corrective Action

David Overby – 601-859-4331

b. Corrective Action Planned

Recording of receivables and payable will be completed by use of Journal entries.

c. Anticipated Completion Date

To be completed for the 09-30-16 audit.

