

City of Canton, Mississippi

Audited Financial Statements
For the Year Ended September 30, 2012

Fortenberry & Ballard, P.C.
Certified Public Accountants

City of Canton, Mississippi
Audited Financial Statements
September 30, 2012
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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

We have audited the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canton, Mississippi, as of and for the year ended September 30, 2012, which collectively comprise the City of Canton's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Canton's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Canton Redevelopment Authority and Canton Municipal Utilities, component units, which represent 2% and 89%, respectively, of the assets, 0% and 99%, respectively, of the revenues and 1% and 93%, respectively, of the net assets of the component units. Those financial 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 units, is based on the report of the other auditors.

Except as discussed in the following paragraph, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

The City of Canton did not maintain adequate records documenting the existence, completeness, and valuation of the Capital Assets for both Governmental or Business Type 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. Additionally a representation from an attorney was not provided. Therefore, contingencies and liabilities could exist which were not disclosed.

In our opinion, based on our audit and the reports of other auditors, except for the effects of any attorney's response and the inadequacy of the accounting records surrounding capital assets for the City of Canton, Mississippi, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the

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aggregate remaining fund information of the City of Canton, Mississippi, as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2013 on our consideration of the City of Canton's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canton's financial statements as a whole. The combining and individual non-major fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining an individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the financial statements. Such information have been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. in our opinion, based on our audit and the report of the other auditors, the information is fairly stated in all material respects in relation to the financial statements as a whole.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 12, 2013

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2012

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, 2012. 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 assets increased \$479,278 in 2012, including a prior period adjustment of \$592,929, which represents a 16% increase from fiscal year 2011. Total net assets increased \$384,654 in 2011, which represents a 15% increase from fiscal year 2010.
- General revenues account for \$11,062,115, or 83% of all revenues. This amount was less than the prior year (2011), which consisted of \$9,628,369 in general revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$2,276,671 or 17% of total revenues compared with \$2,293,850 in 2011.
- The City had \$13,452,437 in expenses, an amount that increased when compared with the \$11,537,037 in expenses for the prior year; \$2,276,671 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$11,062,115 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$9,103,930 in revenues and \$9,022,077 in expenditures. In 2011 the General Fund had \$8,574,547 in revenues and \$8,944,874 in expenditures. The General Fund's fund balance increased by \$196,759 from 2011 to 2012, and decreased \$207,318 from 2010 to 2011.
- The Enterprise Fund - Landfill Fund had \$2,161,561 in revenues and \$2,244,302 in expenses. Its net loss was (\$82,741) in the current fiscal year. Last year it showed \$2,230,016 in revenues and \$1,675,395 in expenses. Its net income for the previous year was \$555,063 after non-operating revenues and expenses.
- Capital assets, net of accumulated depreciation, increased by \$111,651 in the governmental activities. This increase in the governmental activities was primarily due to the additions to construction in progress.
- Capital assets decreased \$445,396 in the business-type activities mainly due to the recording of depreciation expense during the year.
- Long-term debt decreased by \$2,924,759 in the governmental activities from 2011 to 2012. The decrease in the governmental activities was mainly due to the retirement of general obligation bonds and principal payments made on outstanding long-term debt.

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2012

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 Assets 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 tell 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 Assets 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 2012?" The Statement of Net Assets and the Statement of Activities answers this question.

These statements include all assets and liabilities 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 assets and the changes in those assets. This change in assets 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 condition of City capital assets will also need to be evaluated.

In the Statement of Net Assets 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.

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2012

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 reported 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

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, the Special Obligation Bond Series 2011A Fund and the CDBG Katrina Grant Sound Stage Fund.

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Governmental Funds

All of the City's 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 Assets 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

Over time net assets may serve as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$3,263,703 at September 30, 2012. The following table presents a summary of the City's Governmental Activities net assets at September 30, 2012 and 2011, respectively.

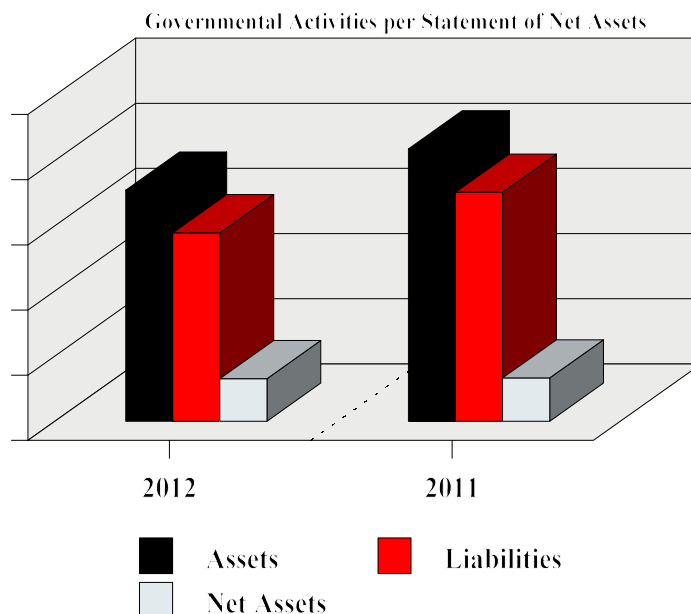
Governmental Activities			
	2012	2011	Percentage Change
Current assets	\$ 6,418,761	9,700,088	-34%
Capital assets, net	11,305,947	11,194,296	1%
Total assets	17,724,708	20,894,384	-15%
Current liabilities	624,266	869,589	-28%
Long-term debt	13,836,739	16,697,263	-17%
Total liabilities	14,461,005	17,566,852	-18%
Net assets:			
Invested in capital assets, net of related debt	(2,210,777)	(5,236,687)	-58%
Restricted	5,728,196	8,388,444	-32%
Unrestricted	(253,716)	175,775	-244%
Total net assets	\$ 3,263,703	3,327,532	-2%

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2012

A portion of the City's net assets (\$2,210,777) or (68%) reflect a negative balance in investment in capital assets less any capital related outstanding debt used to acquire those capital assets. 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, \$5,728,196, or 176% of the City's net assets are restricted as to the use of these funds. A portion of the restricted net assets is expendable for general government purposes, public safety, debt service, capital projects, public works and unemployment benefits. The remainder of the City's net assets had negative balance in the amount of (\$253,716) are unrestricted.

The following chart depicts the City's Governmental Activities' assets, liabilities, and net assets at September 30, 2012 and 2011.

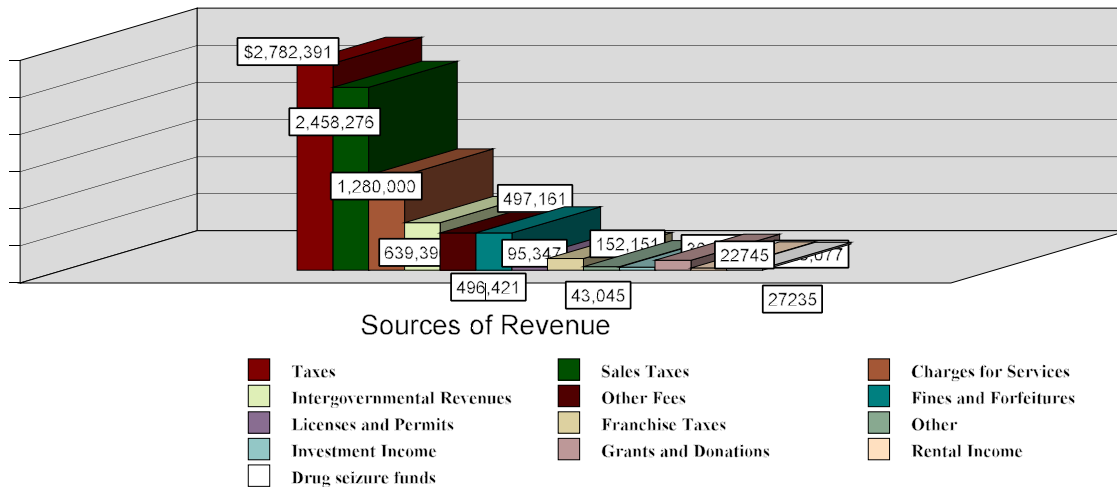


GENERAL GOVERNMENT FUNCTIONS

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 tax, intergovernmental revenues, various permit fees, franchise taxes, fines, and other sources as indicated on the accompanying graphs and schedules.

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2012

General Fund
Revenue Sources in 2012



Revenues

The primary source of General Fund revenues is 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 2012. When compared to the fiscal year 2012, sales tax accounted for 26%. Sales tax collections in fiscal year 2012 were \$2,458,276, an increase over the \$2,200,352 collected in 2011. Total General Fund operating revenues were \$9,103,930, an increase of \$529,383 over the prior year.

Assessed valuation within the city has slightly accelerated, increasing 7% from fiscal year 2011.

Expenditures

General Fund operating expenditures were \$9,022,077, an increase of \$77,203 or 1% over the prior year. In the prior year, General Fund operating expenditures accounted for \$8,944,874. The following schedule presents the General Fund revenues and expenditures for the year ended September 30, 2012, and the amount and percentage of change from 2011.

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2012

GENERAL FUND (GAAP BASIS) (in thousands)

	2012 Amount	2011 Amount	Dollar Increase (Decrease) from 2011	Percent Increase (Decrease) from 2011
Revenues:				
Property Tax	\$ 3,223	\$ 2,782	\$441	15.9%
Sales Taxes	2,458	2,200	258	11.7%
Franchise Fees	152	147	5	3.4%
Licenses and Permits	95	197	(102)	(51.8)%
Other Fees	497	498	(1)	(0.2)%
Intergovernmental	639	839	(200)	(23.8)%
Charges for Services	1,280	1,280	0	0.0%
Fines	496	372	124	33.3%
Grants and Donations	128	102	26	25.5%
Interest Earned	37	42	(5)	(11.9)%
Rental Income	27	30	(3)	(10.0)%
Miscellaneous	72	85	(13)	(15.3)%
Total Revenues	\$ 9,104	\$ 8,574	\$ 530	6.2%
Expenditures:				
General Government	\$ 2,627	\$ 2,796	\$ (169)	(6.0)%
Public Safety	4,045	4,178	(133)	(3.2)%
Public Services	889	815	74	9.1%
Culture and Recreation	452	390	62	15.9%
Economic Opportunity	88	75	13	17.3%
Economic Development	425	421	4	1.0%
Debt Service	496	269	227	84.4%
TOTAL EXPENDITURES	\$ 9,022	\$ 8,944	\$ 78	0.9%

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Status of Fund Balance

On the General Fund balance sheet, fund balance is presented showing the unassigned portion which is available for spending. The fiscal year 2012 ending unassigned fund balance is \$977,136 which means that is available for spending.

PROPRIETARY FUNDS

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

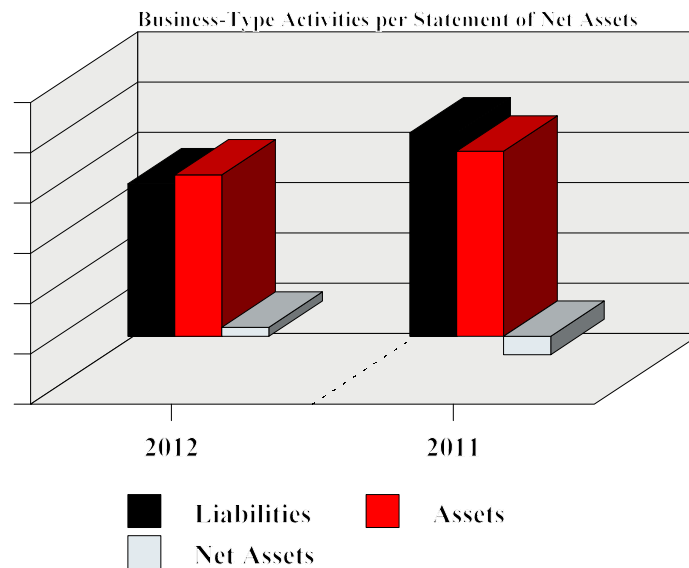
The following chart depicts the total assets, liabilities and net assets for the business-type activities from the Government-Wide Statement of Net Assets.

Business-Type Activities

	<u>2012</u>	<u>2011</u>	<u>Percentage Change</u>
Current assets	\$ 927,588	953,742	-3%
Capital assets, net	<u>2,281,771</u>	<u>2,727,167</u>	-16%
Total assets	<u>3,209,359</u>	<u>3,680,909</u>	-13%
Current liabilities	818,859	896,764	-9%
Long-term debt	<u>2,212,325</u>	<u>3,149,077</u>	-30%
Total liabilities	<u>3,031,184</u>	<u>4,045,841</u>	-25%
Net assets:			
Invested in capital assets, net of related debt	80,716	(405,217)	-120%
Restricted	<u>97,459</u>	<u>40,285</u>	142%
Total net assets	<u>\$ 178,175</u>	<u>(364,932)</u>	-149%

The following chart depicts the City's Business-Type Activities assets, liabilities and net assets for the fiscal years ended September 30, 2012 and 2011, respectively.

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2012



Landfill Management Fund

Comparative financial data of the Landfill Management Fund for the September 30, 2012 and 2011 is presented below:

	2012	2011
Operating Revenues	\$ 2,161,561	\$ 2,230,016
Operating Expenses	2,244,302	1,675,395
Operating Income	\$ (82,741)	\$ 554,621

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.

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, 2012 and 2011, respectively.

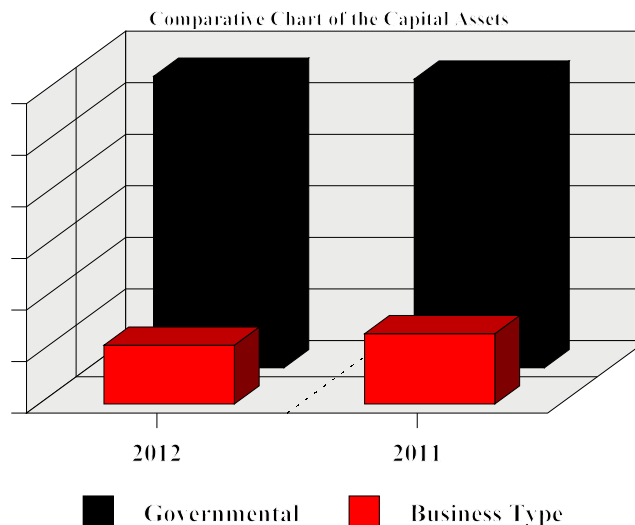
City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Capital Assets at September 30, 2012
Governmental Activities

		<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>Percentage Change</u>
Land	\$	4,919,248	4,919,248	0%
Construction in progress		1,220,542		
Buildings		5,211,886	5,211,886	0%
Infrastructure		11,611,222	11,611,222	0%
Mobile equipment		2,320,891	2,320,891	0%
Furniture and equipment		465,342	465,342	0%
Accumulated depreciation		(14,443,184)	(13,334,293)	8%
Total	\$	<u>11,305,947</u>	<u>11,194,296</u>	1%

Capital Assets at September 30, 2012
Business-Type Activities

		<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>Percentage Change</u>
Land	\$	212,700	212,700	0%
Site preparations		1,593,733	1,593,733	0%
Equipment under capital leases		2,100,356	2,100,356	0%
Vehicles and equipment		1,506,304	1,506,304	0%
Accumulated depreciation		(3,131,322)	(2,685,926)	17%
Total	\$	<u>2,281,771</u>	<u>2,727,167</u>	-16%



City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Long-Term Debt

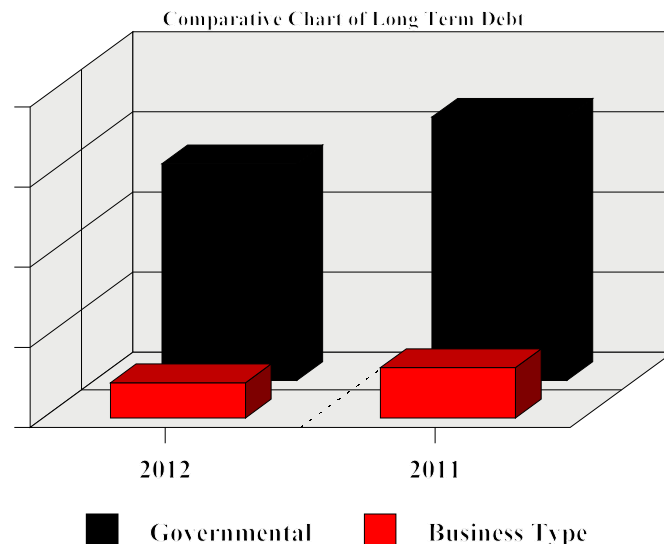
At September 30, 2012, the City of Canton had \$13,551,432 in outstanding General and Special Obligation Bonds, and \$3,206,432 in other long-term debt outstanding reported under the governmental activities. The City also reported \$2,050,000 in outstanding General Obligation Bonds and \$151,055 in other long-term debt reported with the business-type activities.

General Obligation Bonds and Other Long-Term Debt at Year End
Governmental Activities

	<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>Percentage Change</u>
Bonds	\$ 10,345,000	13,115,000	-21%
Other long term debt	3,206,432	3,361,191	-5%
Total	\$ 13,551,432	16,476,191	-18%

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

	<u>September 30, 2012</u>	<u>September 30, 2011</u>	<u>Percentage Change</u>
Bonds	\$ 2,050,000	2,250,000	-9%
Other long term debt	151,055	882,384	-83%
Total	\$ 2,201,055	3,132,384	-30%



City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2012

Current Financial Related Activities

Construction was underway on the Canton Parkway. This Parkway will connect 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 Madison County Economic Development Authority has announced a significant economic development project just outside the City of Canton corporate limits. The project consists of several parts suppliers to the Nissan Manufacturing Plant located next door. Construction was underway in September of 2013.

The new Wal-Mart Store is scheduled to open in January 2014.

Also the Canton Multipurpose & Equine Center has undergone upgrades to boost its money-generating capabilities and facilities officials have plans for more renovations in the near future. The upgrades are expected to draw \$1.3 million to \$1.8 million into the City of Canton and Madison County annually since the horse events contribute to the people spending a lot of money on hotels, restaurants, gas and retail.

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 ASSETS
SEPTEMBER 30, 2012

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets:				
Cash and cash equivalents	\$ 5,282,340	\$ 128,176	\$ 5,410,516	\$ 3,280,242
Investments	335,911	737,242	1,073,153	--
Accounts receivable, net	305,644	56,414	362,058	2,350,301
Interfund receivables	--	5,756	5,756	--
Inventory	--	--	--	1,116,930
Prepaid Items	--	--	--	32,652
Restricted Assets:				
Cash and cash equivalents	--	--	--	12,836,071
Accrued nterest receivable	--	--	--	652
Notes receivable, noncurrent	--	--	--	1,248,667
Deferred assessment charges	--	--	--	1,596,146
Deferred charges - bond issuance costs	284,660	--	284,660	49,778
Capital assets:				
Land and construction in progress	4,919,248	212,700	5,131,948	1,496,739
Other capital assets, net of accumulated depreciation	6,386,699	2,069,071	8,455,770	36,420,973
Total Assets	17,514,502	3,209,359	20,723,861	60,429,151
Liabilities:				
Accounts payable	39,656	60,159	99,815	1,431,961
Accrued liabilities	--	--	--	124,322
Wages and benefits payable	115,316	--	115,316	46
Sales tax payable	--	--	--	20,352
Interfund payables	5,756	--	5,756	58,770
Accrued Closure/Postclosure cost	--	722,235	722,235	--
Customer deposits	--	--	--	1,086,025
Interest payable	253,332	36,465	289,797	4,333
Bonds payable, current	150,000	210,000	360,000	--
Notes, leases and loans payable, current	235,963	68,116	304,079	960,949
Bond discounts, current	3,500	--	3,500	--
Compensated absences, non-current	320,015	11,270	331,285	--
Bonds payable, non-current	10,195,000	1,840,000	12,035,000	--
Notes, leases and loans payable, noncurrent	2,970,469	82,939	3,053,408	2,401,115
Bond discounts, noncurrent	(38,208)	--	(38,208)	--
Assessments payable, noncurrent	--	--	--	1,513,312
Total Liabilities	14,250,799	3,031,184	17,281,983	7,601,185
Net Assets:				
Invested in Capital Assets, Net of Related Debt	(2,210,777)	80,716	(2,130,061)	34,555,648
Restricted For:				
Health and welfare	118,979	--	118,979	--
Unemployment	27,577	--	27,577	--
Debt service	3,827,719	--	3,827,719	52,069,502
Capital projects	266,824	--	266,824	--
Public works	61,880	97,459	159,339	--
Public safety	10,419	--	10,419	--
Court Services	934	--	934	--
General government	1,413,951	--	1,413,951	--
Unrestricted	(253,803)	--	(253,803)	(33,797,184)
Total Net Assets	\$ 3,263,703	\$ 178,175	\$ 3,441,878	\$ 52,827,966

The accompanying notes are an integral part of this statement.

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

Functions/Programs	Expenses	Program Revenues		Governmental Activities	Business-type Activities	Net (Expense) Revenue and Changes in Net Assets	Component Units
		Charges for Services	Operating Grants and Contributions			Total	
Primary government:							
Governmental activities:							
General government	\$ 2,403,709	\$ --	\$ 115,110	\$ (2,288,599)		\$ (2,288,599)	
Public Safety:							
Police	2,047,067	--	--	(2,047,067)		(2,047,067)	
Fire	1,764,259	--	--	(1,764,259)		(1,764,259)	
Other	260,549	--	--	(260,549)		(260,549)	
Public services	889,871	--	--	(889,871)		(889,871)	
Culture and recreation	452,151	--	--	(452,151)		(452,151)	
Principal on long-term debt	3,062,156	--	--	(3,062,156)		(3,062,156)	
Interest on long-term debt	328,373	--	--	(328,373)		(328,373)	
Total Governmental Activities	11,208,135	--	115,110	(11,093,025)		(11,093,025)	
Business-type Activities:							
Landfill	2,244,302	2,161,561	--	--	\$ (82,741)	(82,741)	
Total Business-type Activities	2,244,302	2,161,561	--	--	(82,741)	(82,741)	
Total Primary Government	\$ 13,452,437	\$ 2,161,561	\$ 115,110	(11,093,025)	(82,741)	(11,175,766)	
COMPONENT UNITS:							
Canton Convention and Visitors Bureau	\$ 850,663	\$ 103,545	\$ --				\$ (747,118)
Canton Redevelopment Authority	374,195	--	--				(374,195)
Canton Municipal Utilities	10,058,091	10,484,737	--				426,646
Total Component Units	\$ 11,282,949	\$ 10,588,282	\$ --				(694,667)
General Revenues:							
Taxes				6,262,974	--	6,262,974	559,792
Franchise taxes(fees)				152,151	--	152,151	--
Other taxes				685,252	--	685,252	7,215
Fines and Fees				333,597	--	333,597	--
Licenses and permits				164,688	--	164,688	--
Intergovernmental				1,938,079	--	1,938,079	40,000
Unrestricted investment income				44,744	--	44,744	30
Canton Municipal Utilities				1,280,000	--	1,280,000	--
COPS Grant				--	--	--	144
Grants and donations				42,679	--	42,679	--
Miscellaneous				43,045	--	43,045	388,586
Other income				114,906	--	114,906	--
Total General Revenues				11,062,115	--	11,062,115	995,767
Change in Net Assets				(30,910)	(82,741)	(113,651)	301,100
Net Assets - Beginning				3,327,532	(364,932)	2,962,600	52,526,866
Prior Period Adjustment				(32,919)	625,848	592,929	--
Net Assets - Restated				3,294,613	260,916	3,555,529	52,526,866
Net Assets - Ending				\$ 3,263,703	\$ 178,175	\$ 3,441,878	\$ 52,827,966

The accompanying notes are an integral part of this statement.

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CITY OF CANTON

*BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012*

	General Fund	Special Obligation Bond Series 2011A Fund
Assets:		
Cash and cash equivalents	\$ 1,166,614	\$ 3,479,353
Investments	--	335,911
Accounts receivable	305,644	--
Due from other funds	90,927	--
Total Assets	\$ 1,563,185	\$ 3,815,264
Liabilities and Fund Balances:		
Liabilities:		
Accounts payable	\$ 39,656	\$ --
Due to other funds	215,662	--
Wages payable	115,316	--
	<u>370,634</u>	<u>--</u>
Fund Balances:		
Restricted:		
Debt service	--	3,815,264
Unemployment benefits	215,415	--
Health and welfare	--	--
General govenment	--	--
Public works	--	--
Public safet	--	--
Capital projects	--	--
Court services	--	--
Unassigned	977,136	--
Total Fund Balances	<u>1,192,551</u>	<u>3,815,264</u>
Total Liabilities and Fund Balances	\$ 1,563,185	\$ 3,815,264

The accompanying notes are an integral part of this statement.

CDBG Katrina Grant Sound Stage Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 636,373	\$ 5,282,340
--	--	335,911
--	--	305,644
--	119,279	210,206
<u>\$ --</u>	<u>\$ 755,652</u>	<u>\$ 6,134,101</u>
\$ --	\$ --	\$ 39,656
--	300	215,962
--	--	115,316
<u>--</u>	<u>300</u>	<u>370,934</u>
--	265,787	4,081,051
--	27,577	242,992
--	118,979	118,979
--	2,952	2,952
--	61,880	61,880
--	10,419	10,419
--	266,824	266,824
--	934	934
--	--	977,136
<u>--</u>	<u>755,352</u>	<u>5,763,167</u>
<u>\$ --</u>	<u>\$ 755,652</u>	<u>\$ 6,134,101</u>

CITY OF CANTON

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012*

Total fund balances - governmental funds balance sheet	\$ 5,763,167
Amounts reported for governmental activities in the Statement of Net Assets ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	11,305,947
Payables for bond principal which are not due in the current period are not reported in the funds.	(10,345,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(253,332)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(320,015)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(3,206,432)
Bond discounts are reported in the funds but not in the SOA.	34,708
Bond issuance costs are capitalized and amortized in the SNA.	284,660
Net assets of governmental activities - Statement of Net Assets	<u>\$ 3,263,703</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, 2012

	General Fund	Special Obligation Bond Series 2011A Fund
Revenues:		
Property taxes	\$ 3,223,291	\$ --
Sales taxes	2,458,276	--
Franchise taxes (fees)	152,151	--
Other taxes	4,176	--
Licenses and permits	95,347	--
Other fees	497,161	--
Fines and forfeitures	496,421	--
Investment income	36,609	3
Grants and donations	128,077	--
Charges for services	1,280,000	--
Rental income	27,235	--
Drug seizure funds	22,745	--
Intergovernmental programs	639,396	--
Other	43,045	--
Total Revenues	9,103,930	3
Expenditures:		
General Government	2,627,287	90,000
Public safety:		
Police	2,021,459	--
Fire	1,763,633	--
Other	260,361	--
Public services	889,035	--
Culture and recreation	451,809	--
Economic development and assistance	425,146	--
Economic opportunity	87,747	--
Debt Service:		
Principal	81,126	2,650,354
Interest	--	--
Miscellaneous	414,474	171,344
Total Expenditures	9,022,077	2,911,698
Excess of Revenues Over (Under) Expenditures	81,853	(2,911,695)
Other Financing Sources (Uses):		
Insurance recovery	64,696	--
Other Income	50,210	--
Total Other Financing Sources (Uses)	114,906	--
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	196,759	(2,911,695)
Fund Balances:		
Fund balances - Beginning	995,792	6,726,959
Fund balances - Ending	\$ 1,192,551	\$ 3,815,264

The accompanying notes are an integral part of this statement.

CDBG Katrina Grant Sound Stage Fund	Other Governmental Funds	Total Governmental Funds
\$ --	\$ 554,781	\$ 3,778,072
--	--	2,458,276
--	--	152,151
--	--	4,176
--	68,732	164,079
--	21,091	518,252
--	--	496,421
--	8,132	44,744
--	6,966	135,043
--	--	1,280,000
--	--	27,235
--	--	22,745
1,220,542	78,141	1,938,079
--	--	43,045
<u>1,220,542</u>	<u>737,843</u>	<u>11,062,318</u>
1,220,542	200,892	4,138,721
--	16,284	2,037,743
--	--	1,763,633
--	--	260,361
--	--	889,035
--	--	451,809
--	49,312	474,458
--	--	87,747
--	215,698	2,947,178
--	328,373	328,373
--	55,748	641,566
<u>1,220,542</u>	<u>866,307</u>	<u>14,020,624</u>
--	(128,464)	(2,958,306)
--	--	64,696
--	--	50,210
<u>--</u>	<u>--</u>	<u>114,906</u>
--	(128,464)	(2,843,400)
--	883,816	8,606,567
<u>\$ --</u>	<u>\$ 755,352</u>	<u>\$ 5,763,167</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, 2012*

Net change in fund balances - total governmental funds	\$ (2,843,400)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,220,542
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,108,891)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,770,000
Repayment of other long-term principal is an expenditure in the funds but is not an expense in the SOA.	180,678
(Increase) decrease in accrued interest from beginning of period to end of period.	(177,622)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(53,735)
Bond discounts are reported in the funds but not in the SOA.	(3,500)
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(14,982)
Change in net assets of governmental activities - Statement of Activities	\$ <u>(30,910)</u>

The accompanying notes are an integral part of this statement.

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

Enterprise Fund
Landfill Fund

Assets:

Cash and cash equivalents	\$ 128,176
Investments	737,242
Accounts Receivable	56,414
Interfund receivables	5,756
Capital Assets:	
Land and construction in progress	212,700
Other capital assets, net of accumulated depreciation	2,069,071
Total Assets	<u>\$ 3,209,359</u>

Liabilities:

Accounts payable	\$ 60,159
Accrued Closure/Postclosure care cost	722,235
Interest payable	36,465
Bonds payable, current	210,000
Notes and lease obligations, current	68,116
Compensated absences, noncurrent	11,270
Bonds payable, noncurrent	1,840,000
Notes and lease obligations, noncurrent	82,939
Total Liabilities	<u>3,031,184</u>

Net Assets:

Invested in capital assets, net of related debt	80,716
Restricted for Public Works	97,459
Total Net Assets	<u>178,175</u>

The accompanying notes are an integral part of this statement.

CITY OF CANTON

*STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET ASSETS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012*

	Enterprise Fund
	Landfill Fund
Operating Revenues:	
Charges for services	\$ 2,161,561
Total Operating Revenues	<u>2,161,561</u>
Operating Expenses:	
Personal services - salaries and wages	237,875
Personal services - employee benefits	78,427
Purchased professional and technical services	758,351
Supplies	3,149
Landfill expenses	150,279
Depreciation	445,396
Miscellaneous	570,825
Total Operating Expenses	<u>2,244,302</u>
Operating Income (Loss)	<u>(82,741)</u>
Net Assets:	
Net Assets - Beginning, as previously reported	(364,932)
Prior Period Adjustment	625,848
Net Assets - Beginning, as restated	<u>260,916</u>
Net Assets - Ending	<u>\$ 178,175</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, 2012

	Enterprise Fund
	Landfill Fund
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 2,311,890
<i>Cash Payments to Employees for Services</i>	(323,968)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(703,423)
<i>Other Operating Cash Receipts (Payments)</i>	(702,002)
Net Cash Provided (Used) by Operating Activities	582,497
Cash Flows from Non-capital Financing Activities:	
<i>Transfers From (To) Other Funds</i>	(149,200)
Net Cash Provided (Used) by Non-capital Financing Activities	(149,200)
Cash Flows from Capital and Related Financing Activities:	
<i>Principal and Interest Paid</i>	(309,122)
Net Cash Provided (Used) for Capital & Related Financing Activities	(309,122)
Cash Flows from Investing Activities:	
<i>Purchase of Investment Securities</i>	(30,198)
Net Cash Provided (Used) for Investing Activities	(30,198)
Net Increase (Decrease) in Cash and Cash Equivalents	93,977
Cash and Cash Equivalents at Beginning of Year	34,199
Cash and Cash Equivalents at End of Year	\$ 128,176
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (82,741)
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Depreciation</i>	445,396
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	150,329
<i>Increase (Decrease) in Accounts Payable</i>	55,834
<i>Increase (Decrease) in Accrued Closure/Postclosure care cost</i>	19,102
<i>Increase (Decrease) in Compensated Absences</i>	(5,423)
Total Adjustments	665,238
Net Cash Provided (Used) by Operating Activities	\$ 582,497

The accompanying notes are an integral part of this statement.

CITY OF CANTON

COMBINING STATEMENT OF NET ASSETS - COMPONENT UNITS
 SEPTEMBER 30, 2012

	Canton Convention and Visitors Bureau	Canton Redevelopment Authority
Assets:		
Cash and cash equivalents	\$ 25,424	\$ 10,558
Accounts receivable	300	--
Inventories	4,569	--
Prepaid items		
Restricted assets:		
Cash and cash equivalents	1,372	4,277
Accrued interest receivable		
Notes receivable	--	--
Land and Construction in Progress	1,000,000	47,697
Capital assets, net of accumulated depreciation	4,548,941	964,544
Deferred assessment charges	--	--
Unamortized bond issuance cost	--	--
Total Assets	<u>\$ 5,580,606</u>	<u>\$ 1,027,076</u>
Liabilities and Net Assets:		
Liabilities:		
Accounts payable	\$ 88,034	\$ 7,276
Accrued liabilities	4,584	4,608
Due to other funds	--	--
Interest payable	--	4,333
Wages payable	--	46
Sales taxes payables		
Notes, lease and loan payable, current	215,323	329,238
Notes, lease and loan payable, noncurrent	2,198,000	203,115
Assessments payables		
Customer deposits		
Total Liabilities	<u>2,505,941</u>	<u>548,616</u>
Net Assets:		
Invested in capital assets, net of related debt	3,135,618	479,888
Restricted	1,372	4,277
Unrestricted	(62,325)	(5,705)
Total Net Assets	<u>3,074,665</u>	<u>478,460</u>
 Total Liabilities and Fund Balances	 <u>\$ 5,580,606</u>	 <u>\$ 1,027,076</u>

The accompanying notes are an integral part of this statement.

Canton Municipal Utilities	Total Component Units
\$ 3,244,260	\$ 3,280,242
2,350,001	2,350,301
1,112,361	1,116,930
32,652	32,652
12,830,422	12,836,071
652	652
1,248,667	1,248,667
449,042	1,496,739
30,907,488	36,420,973
1,596,146	1,596,146
49,778	49,778
<u>\$ 53,821,469</u>	<u>\$ 60,429,151</u>
\$ 1,336,651	\$ 1,431,961
115,130	124,322
58,770	58,770
--	4,333
--	46
20,352	20,352
416,388	960,949
	2,401,115
1,513,312	1,513,312
1,086,025	1,086,025
<u>4,546,628</u>	<u>7,601,185</u>
30,940,142	34,555,648
12,831,074	12,836,723
5,503,625	5,435,595
<u>49,274,841</u>	<u>52,827,966</u>
<u>\$ 53,821,469</u>	<u>\$ 60,429,151</u>

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN NET ASSETS - COMPONENT UNITS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Canton Convention and Visitors Bureau	Canton Redevelopment Authority
Operating Revenues:		
Unpledged revenues	\$ --	\$ 18,459
Fair and festivals	84,560	--
Welcome Center	18,985	--
Other	--	--
Total Operating Revenues	<u>103,545</u>	<u>18,459</u>
Operating Expenses:		
Cost of goods sold	--	--
Advertising	90,021	--
General administrative	271,492	26,633
Chemicals	--	--
Dues & subscriptions	--	--
Education	--	--
Payroll	185,256	175,697
Professional services	31,047	6,826
Material and supplies	--	--
Repairs and maintenance	11,042	27,583
Travel	7,575	2,480
Promotion and special events	32,836	--
Vehicle expense	--	--
Telephone	--	--
Utilities	38,562	9,969
Rent	70,900	--
Depreciation	91,668	42,919
Insurance	--	51,086
Total Operating Expenses	<u>830,399</u>	<u>343,193</u>
Operating Income (Loss)	<u>(726,854)</u>	<u>(324,734)</u>
Non-Operating Revenues (Expenses):		
Tourism tax revenue	559,792	--
Investment income	144	30
Other income	--	259
Interest expense	(20,264)	(31,002)
Total Other Financing Sources (Uses)	<u>539,672</u>	<u>(30,713)</u>
Transfers	40,000	377,083
Change in Net Assets	(147,182)	21,636
Net Assets - Beginning	3,221,847	456,824
Rounding difference		
Net Assets - Restated	<u>3,221,847</u>	<u>456,824</u>
Net Assets - Ending	<u>3,074,665</u>	<u>478,460</u>

The accompanying notes are an integral part of this statement.

Canton Municipal Utilities	Total Component Units
\$ 20,269,804	\$ 20,288,263
--	84,560
--	18,985
1,322,205	1,322,205
<u>21,592,009</u>	<u>21,714,013</u>
11,107,272	11,107,272
--	90,021
114,931	413,056
133,553	133,553
34,583	34,583
27,712	27,712
3,509,271	3,870,224
810,707	848,580
772,090	772,090
380,159	418,784
4,929	14,984
--	32,836
287,073	287,073
41,129	41,129
682,615	731,146
62,586	133,486
2,014,569	2,149,156
140,524	191,610
<u>20,123,703</u>	<u>21,297,295</u>
1,468,306	416,718
--	559,792
--	174
562,846	563,105
--	(51,266)
<u>562,846</u>	<u>1,071,805</u>
(1,606,500)	(1,189,417)
424,652	299,106
48,848,195	52,526,866
(3)	(3)
<u>48,848,192</u>	<u>52,526,863</u>
<u>49,272,844</u>	<u>52,825,969</u>

City of Canton, Mississippi

Notes to the Financial Statements
September 30, 2012

CITY OF CANTON, MISSISSIPPI

Notes to the Financial Statements

September 30, 2012

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City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2012

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, 2012.

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 February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

GASB Statement No. 34 creates basic financial statements for reporting on the City's financial activities. The financial statements include government-wide financial statements prepared on the accrual basis of accounting, and fund financial statements prepared on the modified accrual basis of accounting, which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

GASB Interpretation No. 6 clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or potentially could arise, in interpretation and practice.

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 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 Assets - The Statement of Net Assets is designed to display the financial

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

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 Assets and will report depreciation expense - the cost of “using up” capital assets - in the Statement of Activities. The net assets of a government will be broken down into three categories - 1) invested in capital assets, net of related debt; 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).

Budgetary Comparison Schedules - Many governments revise their original budgets over the course of the year for a variety of reasons. Under the new reporting model, governments will continue to provide budgetary comparison information in their annual reports. An important change, however, is a requirement to add the government’s original budget to the current comparison of 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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2012

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.

The above-mentioned discretely reported 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:

Canton/Madison County Library - 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 Municipal Separate School District - The separate 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.

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

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-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental type. In the Government-wide Statement of Net Assets, the governmental activities column is presented on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well as long-term debt 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.). 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 revenue (property, sales or gas taxes, intergovernmental revenues, interest income, etc.). Historically, the previous financial reporting model did not summarize or present net cost by function or activity.

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 statement's emphasis is on the major funds. Non-major funds (by category) are summarized into a single column.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and 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 experience 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 statement, which briefly explains the adjustments

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

The focus of the Statement No. 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.

C. BASIS OF PRESENTATION

Statement No. 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.

The City reports the following funds:

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 2012A - This is a debt service fund that accounts for the accumulation of financial resources for the payment of principal and interest on the City's special obligation bond.

CDBG Katrina Grant Sound Stage Fund - This is a construction fund that is funded with a CDBG Grant.

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

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

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.

3. Non-Current Governmental Assets/Liabilities

GASB Statement No. 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 Assets.

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. Capital 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 Assets, Statement of Activities, and proprietary fund are accounted for using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The City of Canton's enterprise funds and business-type activities apply all applicable GASB pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

The governmental 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

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

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.

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, 2012.

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.

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 amend, 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 stature, 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.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2012

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 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. Currently there is no committed fund balance for this city.

Assigned fund balance includes amounts that are constraints 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.

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2012

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 with maturities of 12 months or less. 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.

K. ACCOUNT RECEIVABLE

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

L. INTERFUND TRANSACTIONS AND BALANCES

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

The following is a summary of interfund transactions and balances:

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2012

A. Due To/From Other Funds

	Due from	Due to
Governmental Funds:		
General Fund	\$ 90,927	215,662
Proprietary Funds	5,756	
Other Governmental Funds	119,279	300
Total	\$ 215,962	215,962

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.

M. RESTRICTED NET ASSETS

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

The following is a summary of restricted net assets:

Restricted for:

Health and Welfare	\$ 118,979
Unemployment	27,577
Debt service	3,827,719
Capital projects	266,824
Public works	61,880
Public safety	10,419
Court services	934
General government	1,413,951
Total	\$ 5,728,283

N. 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. Contributed assets are reported at estimated fair value at the time received.

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

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 propriety funds are accounted for on an economic measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included in net assets. The city has chosen to follow FASB statements and interpretations, APB Opinions, and Accounting Research Bulletins issued on or before November 30, 1989, except those that conflict with GASB pronouncements. 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.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) 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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2012

O. 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 Funds is reported in the Long-term Debt as "Compensated Absences." Similar amounts related to the Proprietary Fund are accrued in the Enterprise Funds.

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 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.

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 was \$5,410,516 and the bank balance was \$5,777,158.

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, 2012, none of the city's bank balance of \$5,777,158 was exposed to custodial credit risk.

B. 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 invest-

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

ment 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, 2012, the city had the following investments:

Investment Type	Fair Value	Credit Ratings	Percentage of Investments	Interest Rates
Mississippi Development Bank	\$ 335,911	Unrated	31.30%	5%
Federal Agricultural Mortgage Corporation	135,649	Unrated	12.64%	2.10-4.16%
Federal Home Loan Banks	241,332	Aaa	22.49%	3.0-4.75%
Federal Home Loan Mortgage	80,533	Aaa	7.50%	2.00%
Federal National Mortgage Association	160,931	Aaa	15.00%	2.4
Fannie Mae	100,107	Aaa	9.33%	4.00
Merchants & Farmers Trust Money Market	18,690	Unrated	1.74%	
Total Investments	\$ 1,073,153		100%	

Investment Maturities in Years

Investment Type	Less Than 1	1-5	6-10
Mississippi Development Bank	335,911		
Federal Agricultural Mortgage Corporation			135,649
Federal Home Loan Banks		117,329	124,003
Federal Home Loan Mortgage			80,533
Federal National Mortgage Association		160,931	
Fannie Mae			100,107
Merchants & Farmers Trust Money Market	18,690		

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

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, 2012, \$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		1,073,153
Total	\$	<u>1,073,153</u>

3. RECEIVABLES

A. Accounts Receivable

Accounts receivable at September 30, 2012, consisted of the following:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Accounts Receivable</u>
Property Taxes	\$ 30,260		30,260
Sales & Tourism Tax	268,743		268,743
Customers		56,414	56,414
Other	<u>6,641</u>	<u></u>	<u>6,641</u>
Total	\$ <u>305,644</u>	<u>56,414</u>	<u>362,058</u>

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, 2012, upon which the levy was based, was \$75,391,788. The taxes thus assessed are due and payable as follows:

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

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 Assets and the governmental funds Balance Sheet represent amounts due for unpaid delinquent property taxes at September 30, 2012. Property taxes that are not considered “available” have been reported as deferred revenues in the governmental funds Balance Sheet.

5. CAPITAL ASSETS

	Balance 10-1-2011	Additions	Balance 9-30-2012
<u>Non-depreciable capital assets:</u>			
Land	\$ 4,919,248		4,919,248
Construction in progress		1,220,542	1,220,542
Total non-depreciable capital assets	4,919,248	1,220,542	6,139,790
<u>Depreciable capital assets:</u>			
Buildings	5,211,886		5,211,886
Infrastructure	11,611,222		11,611,222
Mobile equipment, including equipment under capital lease	2,320,891		2,320,891
Furniture and equipment	465,342		465,342
Total depreciable capital assets	19,609,341	0	19,609,341
<u>Less accumulated depreciation for:</u>			
Buildings	(3,255,682)	(130,297)	(3,385,979)
Infrastructure	(8,280,438)	(580,561)	(8,860,999)
Mobile equipment	(1,574,273)	(331,556)	(1,905,829)
Furniture and equipment	(223,900)	(66,477)	(290,377)
Total accumulated depreciation	(13,334,293)	(1,108,891)	(14,443,184)
Total depreciable capital assets, net	6,275,048	(1,108,891)	5,166,157
Governmental activities capital assets, net	\$ 11,194,296	111,651	11,305,947

The following are the amounts spent to September 30, 2012 on a project of the governmental activities of the City of Canton:

Sound Stage	\$ 1,220,542
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City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2012

6. LONG - TERM OBLIGATIONS

A. Changes in Long - Term Obligations

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

	Balance 10-1-2011	Additions	Reductions	Adjustments	Balance 9-30-2012	Amounts due within one year
General Obligation Bonds	\$ 125,000		125,000		0	
General Obligation Bonds	215,000		215,000		0	
Refunding Bonds, Series 2002	2,305,000		2,305,000		0	
General Obligation Bonds	3,290,000		125,000		3,165,000	150,000
Special Obligation Bond, Series 2011A	4,000,000				4,000,000	
Special Obligation Bond, Series 2011B	600,000				600,000	
Special Obligation Bond, Series 2011C	2,580,000				2,580,000	
Total	13,115,000	0	2,770,000	0	10,345,000	150,000
<u>Other Long - Term Debt</u>						
Urban Renewal Bonds	1,109,525		22,130		1,087,395	25,823
Allison Wells Note	79,933		31,262		48,671	32,207
Pierce Contender	98,812		17,850		80,962	18,759
Street Sweeper	11,461		11,461		0	
Multipurpose & Equine Ctr. Construction	688,550		65,234		623,316	33,412
Canton Municipal Utilities	1,216,667				1,216,667	100,000
Bush Hog 510000021900	4,038		4,038		0	
John Deere 510000021906	2,389		2,389		0	
Fire Truck	149,816		17,556		132,260	16,258
Breathing Air Compressor			8,758	25,919	17,161	9,504
Total Other Long - Term Debt	3,361,191	0	180,678	25,919	3,206,432	235,963
Total General Long - Term Debt	16,476,191	0	2,950,678	25,919	13,551,432	385,963
Compensated Absences	\$ 266,280	53,735			320,015	0

An adjustment was needed to accurately present debt balance erroneously reported in the prior year.

	Balance 7-1-2010	Change	Adjustments	Balance 6-30-2011	Amounts due within one year
* Bond Discounts	\$ (45,208)	3,500	7,000	(34,708)	3,500

* General obligation bonds total prior year amount does not agree with prior year report due to the discount of bonds amount is now presented separately from the long-term debt schedule.

B. Currently Outstanding Long-Term Obligations

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

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

	Date of Obligation	Date of Maturity	Interest Rate	Original Amount	Balance 9-30-2012
General Obligation Bonds					
General Obligation Bonds	12/1/92	12/1/12	5.0-7.1%	\$ 800,000	0
General Obligation Bonds	6/1/96	6/1/16	varying	600,000	0
Refunding Bonds, Series 2002	3/1/02	3/1/23	4.95-5.20%	3,355,000	0
General Obligation Bonds	1/1/08	7/1/22	4.75-5.00%	3,500,000	3,165,000
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	600,000
Special Obligation Bond, Series 2011C	8/10/11	10/1/21	4.59%	2,580,000	2,580,000
Total				<u>\$ 15,435,000</u>	<u>10,345,000</u>
Other Long - Term Debt					
Urban Renewal Bonds	3/24/00	3/24/35	5.130%	\$ 1,299,200	1,087,395
Allison Wells Note	12/15/93	12/15/13	3.0%	500,000	48,671
Pierce Contender	6/22/06	2/22/16	5.09%	178,750	80,962
Fire Truck	9/5/10	9/5/19	3.30%	173,460	132,260
Street Sweeper				90,142	0
Multipurpose & Equine Ctr. Construction	6/9/08	6/1/28	2.00%	750,000	623,316
Bush Hog			3.9%	15,451	0
John Deere			3.9%	9,016	0
Breathing Air Compressor	4/15/11	12/15/13		28,190	17,161
Canton Municipal Utilities	9/30/00	9/30/19	0%	1,375,000	1,216,667
Total Other Long - Term Debt				<u>\$ 4,419,209</u>	<u>3,206,432</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:

Year Ending September 30,	Principal	Interest	Total
2013	\$ 150,000	155,175	305,175
2014	790,000	267,852	1,057,852
2015	630,000	243,739	873,739
2016	670,000	217,581	887,581
2017	605,000	190,693	795,693
2018 - 2022	3,500,000	481,511	3,981,511
2023 - 2027	1,715,000	914,681	2,629,681
2028 - 2032	2,285,000	343,706	2,628,706
Total	<u>\$ 10,345,000</u>	<u>2,814,938</u>	<u>13,159,938</u>

This debt is to be retired from the Sinking Fund.

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

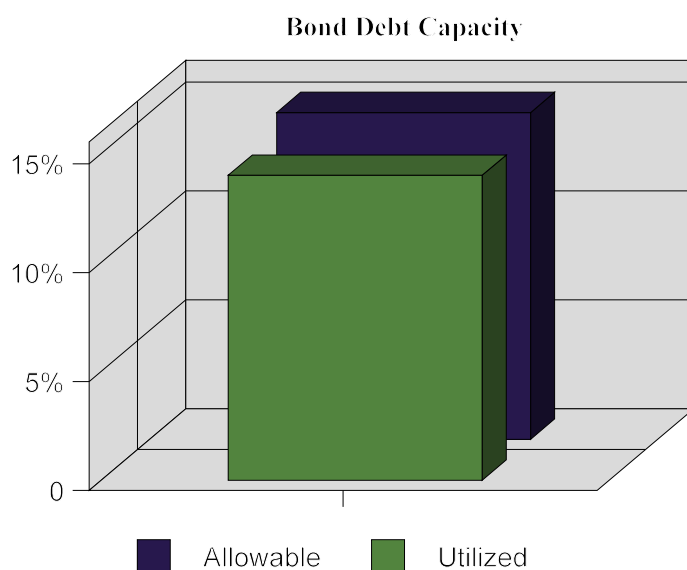
The amount of general obligation bonded debt that can be incurred by the City is limited by state statute. Total outstanding bonded debt during a year can be no greater than 15% of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, 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, 2012, the amount of outstanding bonded debt was equal to 14% of property assessments of \$75,391,788, computed as follows:

Bonded Debt:

General Obligation Bonds	\$	10,345,000
Enterprise Funds		2,050,000

Less Excludable Debt:

Enterprise Funds		<u>(2,050,000)</u>
Total Debt Subject to Limitation		<u>10,345,000</u>
Assessed Valuation	\$	75,391,788
Percentage		13.72%



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

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

Year Ending June 30		Principal	Interest	Total
2013	\$	25,823	55,663	81,486
2014		27,147	54,339	81,486
2015		28,538	52,948	81,486
2016		30,001	51,485	81,486
2017		31,538	49,948	81,486
2018 - 2022		183,657	223,773	407,430
2023 - 2027		235,796	171,634	407,430
2028 - 2032		302,738	104,692	407,430
2033 - 2035		222,157	23,593	245,750
Total	\$	1,087,395	788,075	1,875,470

This debt is to be retired from the Sinking Fund.

Allison Wells Note

A maturity schedule for the loan is as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	
\$500,000	12/15/1993	12/15/2013	
Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 32,207	1,220	33,427
2014	16,464	247	16,711
Total	\$ 48,671	1,467	50,138

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	2/22/2016

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

Year Ending June 30		Principal	Interest	Total
2013	\$	18,759	4,121	22,880
2014		19,714	3,166	22,880
2015		20,717	2,163	22,880
2016		21,772	1,108	22,880
Total	\$	80,962	10,558	91,520

This debt is to be retired from the General Fund.

Street Sweeper

This debt was retired and paid off from the General Fund during the fiscal year.

Multipurpose & Equine Center Construction

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

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

Year Ending June 30		Principal	Interest	Total
2013	\$	33,412	12,456	45,868
2014		34,205	11,206	45,411
2015		34,896	10,615	45,511
2016		35,600	9,911	45,511
2017		36,319	9,193	45,512
2018 - 2022		192,890	34,667	227,557
2023 - 2027		213,159	14,398	227,557
2028		42,835	283	43,118
Total	\$	623,316	102,729	726,045

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

Bush Hog #510000021900

This debt was retired and paid off from the General Fund during the fiscal year.

John Deere #510000021906

This debt was retired and paid off from the General Fund during the fiscal year.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2012

Canton Municipal Utilities

A maturity schedule for the loan is as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
\$1,375,000	9/30/2000	9/30/2019
Year Ending		
<u>June 30</u>	<u>Principal</u>	
2013	\$ 100,000	
2014	100,000	
2015	191,667	
2016	191,667	
2017	191,667	
2018 - 2019	441,666	
Total	\$ 1,216,667	

This debt is to be retired 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	
Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 16,258	7,392	23,650
2014	17,153	6,498	23,651
2015	18,096	5,555	23,651
2016	19,091	4,559	23,650
2017	20,141	3,509	23,650
2018 - 2019	41,521	3,635	45,156
Total	\$ 132,260	31,148	163,408

This debt is to be retired from the General Fund.

Breathing Air Compressor

A maturity schedule for the loan is as follows:

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	
\$28,190	4/15/2011	12/15/2013	
Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 9,504	1,056	10,560
2014	7,657	264	7,921
Total	\$ 17,161	1,320	18,481

This debt is to be retired from the General Fund.

7. BUSINESS - TYPE ACTIVITIES, CAPITAL ASSETS

The following is a summary of the capital assets of the Enterprise Funds at September 30, 2012.

	<u>Landfill Management Balance 10-01-2011</u>	<u>Additions</u>	<u>Landfill Management Balance 9-30-2012</u>
<u>Non-depreciable capital assets:</u>			
Land	\$ 212,700		212,700
Total non-depreciable capital assets	212,700	0	212,700
<u>Depreciable capital assets:</u>			
Site Preparations	1,593,733		1,593,733
Equipment Under Capital Lease	2,100,356		2,100,356
Vehicles and Equipment	1,506,304		1,506,304
Total depreciable capital assets	5,200,393	0	5,200,393
<u>Less accumulated depreciation for:</u>			
Site Preparations	(620,558)	(20,174)	(640,732)
Equipment Under Capital Lease	(992,144)	(210,036)	(1,202,180)
Vehicles and Equipment	(1,073,224)	(215,186)	(1,288,410)
Total accumulated depreciation	(2,685,926)	(445,396)	(3,131,322)
Total depreciable capital assets, net	2,514,467	(445,396)	2,069,071
Governmental activities capital assets, net	\$ 2,727,167	(445,396)	2,281,771

8. BUSINESS - TYPE ACTIVITIES, LONG - TERM DEBT

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

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

	Balance 10-1-2011	Retirements	Adjustments	Balance 9-30-2012	Amounts due within one year
<u>Special Obligation Bonds</u>					
Special Obligation Bonds	\$ 2,250,000	200,000		2,050,000	210,000
Total	<u>2,250,000</u>	<u>200,000</u>		<u>2,050,000</u>	<u>210,000</u>
<u>Other Long - Term Debt</u>					
Caterpillar Tractor #566112	137,059		(137,059)	0	
Caterpillar Tractor #566111	137,059		(137,059)	0	
Caterpillar Tractor #566110	136,161		(136,161)	0	
Caterpillar Tractor #588503	215,569		(215,569)	0	
John Deer Tractor	216,536	65,481		151,055	68,116
Caterpillar 416E Backhoe Loader	40,000	40,000		0	
Total Other Long - Term Debt	<u>882,384</u>	<u>105,481</u>	<u>(625,848)</u>	<u>151,055</u>	<u>68,116</u>
Total Enterprise Fund Debt	<u>3,132,384</u>	<u>305,481</u>	<u>(625,848)</u>	<u>2,201,055</u>	<u>278,116</u>

Compensated Absences \$ 16,693 5,423 11,270

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, 2012, the amount borrowed and payable on this obligation was \$2,050,000.

A maturity schedule for the loan is as follows:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
	\$3,020,000	6/2008	9/2020
<u>Year Ending</u>			
<u>June 30</u>		<u>Principal</u>	<u>Interest</u>
2013	\$	210,000	108,650
2014		220,000	97,520
2015		240,000	85,860
2016		250,000	73,140
2017		260,000	59,890
2018 - 2020		870,000	93,280
Total	\$	<u>2,050,000</u>	<u>518,340</u>
			<u>2,568,340</u>

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

Other Long - Term Debt

John Deere Tractor 001-0065864

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2012

Annual debt service requirements to maturity for the CAT tractor are as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
\$331,166	12/17/2009	12/17/2014

<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2013	\$	68,116	4,742	72,858
2014		70,855	2,002	72,857
2015		12,084	60	12,144
Total	\$	151,055	6,804	157,859

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

Caterpillar 416E Backhoe Loader

This debt was retired and paid off during the fiscal year.

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, 2012, \$828,414 of the refunding bonds, outstanding were defeased.

At September 30, 2012, City management believes that the City has complied with all requirements of its various debt agreements.

10. DEFINED BENEFIT 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 public employee 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 report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2012

Funding Policy

PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The contribution rate is 12.93% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2012, 2011 and 2010 were \$540,810, \$471,035, and \$484,055, respectively, which equaled the required contributions for each year.

11. INDUSTRIAL REVENUE BONDS

The Long-term Debt does not include industrial revenue bonds issued under the provisions of Mississippi law to provide financing assistance to local industries. The City has no primary or contingent liability for payment of such bonds, and, accordingly, no provision is made for their payment in these financial statements. At September 30, 2012, bonds were outstanding but the amount was not ascertainable from City records.

12. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains one Enterprise Fund. Segment information for the year ended September 30, 2012 follows:

		Solid Waste
Operating Revenues	\$	2,161,561
Operating Expenses		2,244,302
Operating Income		(82,741)
Net Assets		178,175

13. 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 carried commercial insurance for these risks through the Mississippi Municipal Liability Insurance Plan until they were dropped from coverage in 2003. Subsequent to that time the City obtained liability insurance through another carrier. However, several lawsuits were filed in the interim during which the City was not covered by any liability insurance. The outcome and even the probability of these litigations is unknown at the date of this report. 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, 2012

14. MUNICIPAL SOLID WASTE LANDFILL (MSWLF)

The City has operated a solid waste landfill in its current location since 1987. Since 1987, the City has disposed of solid waste 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 Solid Waste 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 Solid Waste 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 solid waste 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 solid waste management services. These costs are allocated to solid waste management by actual costs methods.
- c. Landfill Closure and Postclosure Care Costs - The October 9, 1991, Environmental Protection Agency (EPA) rule, "Solid Waste Disposal Facility Criteria", established closure requirements for all municipal solid waste landfills that receive solid waste after requirements for all municipal solid waste landfills that receive solid waste after October 9, 1991. The EPA rule also establishes thirty-one Postclosure care requirements for landfills that accept solid waste after October 9, 1993. The effect of the EPA rule is to commit landfill owners to perform certain closing functions and postclosure monitoring and maintenance functions as a condition for the right to operate the landfill in the current period. Certain costs of meeting the EPA rule will be paid during the active current operation of the landfill. However, some of the requirements for closure and postclosure care will result in payments after the landfill stops accepting solid waste or after the landfill is closed (during the thirty-year postclosure period).

Closure and postclosure care costs are recognized as current costs while the landfill is operating, regardless of when cash disbursements are made. Accordingly, a portion of the estimated total current cost of closure and postclosure care is recognized as an expense and as a liability in each period that the landfill accepts solid waste. Recognition begins on the date that the landfill begins accepting solid waste, continues in each period that accepts waste, and is fully recognized by the time it stops accepting waste. Recognition is based on a systematic and rational method that assigns estimated total current cost to each period based on landfill

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2012

use (capacity filled) rather than on the passage of time. Current costs are adjusted each year for the effects of inflation or deflation and changes in operation conditions which increase or decrease estimated total closure/postclosure care costs.

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

Total capacity (current estimates)	7,187,468 tons
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Capacity used:

Capacity used at 10-01-11	626,242 tons
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Capacity used in the current year	49,091 tons
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Total capacity filled (9.40%)	675,333 tons
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Capacity remaining (current estimates)	6,512,135 tons
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Estimated total closure/postclosure care costs	\$ 1,484,645
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Liability for closure/postclosure care costs at September 30, 2012, based on landfill capacity used to date:

Liability as previously reported	\$ 703,133
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Liability for current year net of adjustment

for prior year closure cost	\$ 19,102
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Total liability	\$ 722,235
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Remaining closure/postclosure care to be recognized	\$ 762,410
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Estimated remaining landfill life based on current usage	133 years
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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 Solid Waste Management Fund. All assets were transferred at cost along with any related accumulated depreciation.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2012

15. TRANSFERS BETWEEN PRIMARY GOVERNMENT AND SOME COMPONENT UNITS

The component units transferred money to the City of Canton during the fiscal year ended September 30, 2012. 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, 2012.

16. UNBUDGETED FUNDS

The following funds budget were not budgeted for the year ended September 30, 2012:

Funds:

General Funds:

- Police for Better Law Enforcement
- Payroll Clearing

Special Revenue Funds:

- Police Communication Fund
- CDBG 1995 Project Grant
- 1996 Home Rehab Grant
- Levi Economic Development Grant
- Multi Purpose Complex Arena
- Court Services
- Police MCPP Fund

Capital Projects Funds:

- CDBG
- General Obligation Bonds 96 Construction

The unbudgeted funds are in violation of state law. However, the city has no liability associated with the violation.

17. INSURANCE LOSS RECOVERIES

The City received \$64,696 in insurance loss recoveries related to worker's compensation refund during the 2011-2012 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as expenditures.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2012

18. PRIOR PERIOD ADJUSTMENTS

A summary of significant net assets adjustments are as follows:

Exhibit A-2 - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
<u>Governmental Activities</u>	
Adjustments were made to properly present long-term debt at year end.	\$ (32,919)
Total Governmental Activities	<u>\$ (32,919)</u>

<u>Explanation(s)</u>	<u>Amount</u>
<u>Business-Type Activities</u>	
Adjustments were made to properly present long-term debt at year end.	\$ 625,848
Total Business-Type Activities	<u>\$ 625,848</u>

19. DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

The following funds had an excess of actual expenditures over budget for the year ended September 30, 2012:

	<u>Amount</u>
<u>Capital Project Funds</u>	
Energy Efficiency/Conservation Fund	\$ <u>300</u>

20. SUBSEQUENT EVENT

Events that occur after the Statement of Net Assets 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 assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Assets date require disclosure in the accompanying notes. Management of City of Canton evaluated the activity of the district through the date the report was available to be issued, and determined that the following subsequent event occurred that requires disclosure in the notes to the financial statements:

On October 16, 2012, the City approved of the Hickory Street Improvement Project at the estimated cost of \$48,000. On November 20, 2012, the City authorized payment from the 2007 General Obligation Bond to be used to complete the Hickory Street Improvement Project.

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, 2012

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 2,757,500	\$ 2,757,500	\$ 3,223,291	\$ 3,223,291
Sales taxes	2,900,000	2,900,000	2,458,276	2,458,276
Franchise taxes (fees)	--	--	152,151	152,151
Other taxes	--	--	4,176	4,176
Licenses and permits	290,000	290,000	95,347	95,347
Other fees	--	--	497,161	497,161
Fines and forfeitures	400,000	400,000	496,421	(496,421)
Investment income	--	--	36,609	36,609
Grants and donations	--	--	128,077	128,077
Charges for services	94,000	94,000	1,280,000	1,280,000
Rental income	--	--	27,235	27,235
Drug seizure funds	--	--	22,745	22,745
Intergovernmental programs	--	--	639,396	639,396
Other	2,511,200	2,511,200	43,045	43,045
Total Revenues	8,952,700	8,952,700	9,103,930	9,103,930
Expenditures:				
General Government	2,751,789	2,751,789	2,627,287	(2,627,287)
Public safety:				
Police	1,842,602	1,842,602	2,021,459	(2,021,459)
Fire	1,965,248	1,965,248	1,763,633	(1,763,633)
Other	469,991	469,991	260,361	(260,361)
Public services	862,194	862,194	889,035	(889,035)
Culture and recreation	431,556	431,556	451,809	(451,809)
Economic development and assistance	498,233	498,233	425,146	(425,146)
Economic opportunity	131,087	131,087	87,747	(87,747)
Debt Service:				
Principal	--	--	81,126	(81,126)
Miscellaneous	--	--	414,474	(414,474)
Total Expenditures	8,952,700	8,952,700	9,022,077	9,022,077
Excess of Revenues Over (Under) Expenditures	--	--	81,853	81,853
Other Financing Sources (Uses):				
Insurance recovery	--	--	64,696	64,696
Other Income	--	--	50,210	50,210
Total Other Financing Sources (Uses)	--	--	114,906	(114,906)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	--	--	196,759	196,759
Fund Balances:				
Fund balances - Beginning	--	--	995,792	995,792
Fund balances - Ending	\$ --	\$ --	\$ 1,192,551	\$ 1,192,551

City of Canton, Mississippi

Notes to the Required Supplementary Information
For the Year Ended September 30, 2012

Budgetary Comparison Schedule

(1) Basis of Presentation.

The Budgetary Comparison Schedule presents the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(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 each major fund consistent with accounting principles generally accepted in the United States of America.

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*COMBINING BALANCE SHEET**NONMAJOR GOVERNMENTAL FUNDS**SEPTEMBER 30, 2012*

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
Assets:				
Cash and cash equivalents	\$ 103,762	\$ 265,787	\$ 266,824	\$ 636,373
Due from other funds	119,279	--	--	119,279
Total Assets	\$ 223,041	\$ 265,787	\$ 266,824	\$ 755,652
Liabilities and Fund Balances:				
Liabilities:				
Due to other funds	\$ 300	\$ --	\$ --	\$ 300
	300	--	--	300
Fund Balances:				
Restricted				
Debt service	--	265,787	--	265,787
Unemployment benefits	27,577	--	--	27,577
Health and welfare	118,979	--	--	118,979
General government	2,952	--	--	2,952
Public works	61,880	--	--	61,880
Public safety	10,419	--	--	10,419
Capital projects	934	--	--	934
Court services	--	--	--	--
Capital projects	--	--	266,824	266,824
Total Fund Balances	222,741	265,787	266,824	755,352
Total Liabilities and Fund Balances	\$ 223,041	\$ 265,787	\$ 266,824	\$ 755,652

CITY OF CANTON

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

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Property taxes	\$ --	\$ 554,789	\$ --	\$ 554,789
Licenses and permits	68,732	--	--	68,732
Other fees	21,091	--	--	21,091
Investment income	101	8,030	1	8,132
Grants and donations	6,966	--	--	6,966
Intergovernmental programs	78,141	--	--	78,141
Total Revenues	<u>175,031</u>	<u>562,819</u>	<u>1</u>	<u>737,851</u>
Expenditures:				
General Government	26,366	--	166,896	193,262
Public safety:				
Police	16,284	--	--	16,284
Economic development and assistance	--	49,312	--	49,312
Debt Service:				
Principal	--	215,698	--	215,698
Interest	--	327,631	--	327,631
Miscellaneous	64,128	--	--	64,128
Total Expenditures	<u>106,778</u>	<u>592,641</u>	<u>166,896</u>	<u>866,315</u>
Excess of Revenues Over (Under) Expenditures	68,253	(29,822)	(166,895)	(128,464)
Fund Balances:				
Fund balances - Beginning	154,488	295,609	433,719	883,816
Fund balances - Ending	<u>\$ 222,741</u>	<u>\$ 265,787</u>	<u>\$ 266,824</u>	<u>\$ 755,352</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. CDBG Katrina Grant Sound Stage Fund
2. Police Communication Fund
3. MS Victims of Crime Grant
4. Energy Efficiency/Conservation
5. Urban/Youth Transportation Grant
6. Municipal Fire Rebate Fund
7. Delores Blackmon Escrow Fund
8. CDBG 1995 Project Grant
9. 1996 Home Rehabilitation Grant
10. Bertha Ratcliff Housing
11. Levi Economic Development Fund
12. Multi Purpose Complex Arena
13. Court Services Fund
14. Task Force Drug Seizure Fund
15. Employment Insurance Revolving
16. Police MCPP Fund

CITY OF CANTON

CDBG KATRINA GRANT SOUND STAGE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental programs	\$ --	\$ --	\$ 1,220,542	\$ 1,220,542
Total Revenues	--	--	1,220,542	1,220,542
Expenditures:				
DUMMY General Government	--	--	1,220,542	(1,220,542)
Public safety:				
Debt Service:				
Total Expenditures	--	--	1,220,542	1,220,542
Excess of Revenues Over (Under) Expenditures	--	--	--	--
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	--	--	--	--
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	--	--	--	--
Fund balances - Beginning	--	--	--	--
Fund balances - Ending	\$ --	\$ --	\$ --	\$ --

CITY OF CANTON**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS**

SEPTEMBER 30, 2012

	Police Communication Fund	MS Victims of Crime Grant	Energy Efficiency/ Conservation	Urban/Youth Transportation Grant
Assets:				
Cash and cash equivalents	\$ 276	\$ --	\$ --	\$ --
Due from other funds	--	6,944	--	22,512
Total Assets	\$ 276	\$ 6,944	\$ --	\$ 22,512
Liabilities and Fund Balances:				
Liabilities:				
Due to other funds	\$ --	\$ --	\$ 300	\$ --
	--	--	300	--
Fund Balances:				
Restricted:				
Unemployment benefits	--	--	--	--
Health and welfare	--	6,944	(300)	22,512
General government	--	--	--	--
Public works	--	--	--	--
Public safety	276	--	--	--
Court services	--	--	--	--
Total Fund Balances	276	6,944	(300)	22,512
Total Liabilities and Fund Balances	\$ 276	\$ 6,944	\$ --	\$ 22,512

<u>Municipal Fire Rebate Fund</u>	<u>Delores Blackmon Escrow Fund</u>	<u>CDBG 1995 Project Grant</u>	<u>1996 HOME Rehabilitation Grant</u>	<u>Bertha Ratcliff Housing</u>
\$ --	\$ 2,750	\$ 1	\$ --	\$ 202
89,823	--	--	--	--
<u>\$ 89,823</u>	<u>\$ 2,750</u>	<u>\$ 1</u>	<u>\$ --</u>	<u>\$ 202</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
--	--	--	--	--
89,823	--	--	--	--
--	2,750	--	--	202
--	--	--	--	--
--	--	1	--	--
--	--	--	--	--
<u>89,823</u>	<u>2,750</u>	<u>1</u>	<u>--</u>	<u>202</u>
<u>\$ 89,823</u>	<u>\$ 2,750</u>	<u>\$ 1</u>	<u>\$ --</u>	<u>\$ 202</u>

CITY OF CANTON**COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS**

SEPTEMBER 30, 2012

	Levi Econ. Development Fund	Multi Purpose Complex Arena	Court Services Fund
Assets:			
Cash and cash equivalents	\$ 8,851	\$ 53,029	\$ 934
Due from other funds	--	--	--
Total Assets	\$ 8,851	\$ 52,942	\$ 934
Liabilities and Fund Balances:			
Liabilities:			
Due to other funds	\$ --	\$ --	\$ --
	--	--	--
Fund Balances:			
Restricted:			
Unemployment benefits	--	--	--
Health and welfare	--	--	--
General government	--	--	--
Public works	8,851	53,029	--
Public safety	--	--	--
Court services	--	--	934
Total Fund Balances	8,851	52,942	934
Total Liabilities and Fund Balances	\$ 8,851	\$ 52,942	\$ 934

Task Force Drug Seizure Fund	Employment Insurance Revolving	Police MCPD Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 9,835	\$ 27,577	\$ 307	\$ 103,762
--	--	--	119,279
<u>\$ 9,835</u>	<u>\$ 27,577</u>	<u>\$ 307</u>	<u>\$ 223,041</u>
\$ --	\$ --	\$ --	\$ 300
--	--	--	300
--	27,577	--	27,577
--	--	--	--
--	--	--	--
--	--	--	61,880
9,835	--	307	10,142
--	--	--	934
<u>9,835</u>	<u>27,577</u>	<u>307</u>	<u>222,741</u>
<u>\$ 9,835</u>	<u>\$ 27,577</u>	<u>\$ 307</u>	<u>\$ 223,041</u>

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Police Communication Fund	MS Victims of Crime Grant	Energy Efficiency/ Conservation	Urban/Youth Transportation Grant
Revenues:				
Licenses and permits	\$ --	\$ --	\$ --	\$ --
Other fees	--	--	--	--
Investment income	--	--	--	--
Grants and donations	--	--	--	--
Intergovernmental programs	--	29,563	26,066	22,512
Total Revenues	--	29,563	26,066	22,512
Expenditures:				
DUMMY General Government	--	--	26,366	--
Public safety:				
Police	--	16,284	--	--
Debt Service:				
Miscellaneous	--	6,335	--	--
Total Expenditures	--	22,619	26,366	--
Excess of Revenues Over (Under) Expenditures	--	6,944	(300)	22,512
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	--	--	--	--
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	--	6,944	(300)	22,512
Fund Balances:				
Fund balances - Beginning	276	--	--	--
Fund balances - Ending	\$ 276	\$ 6,944	\$ (300)	\$ 22,512

Municipal Fire Rebate Fund	Delores Blackmon Escrow Fund	CDBG 1995 Project Grant	Bertha Ratcliff Housing	Levi Econ. Development Fund
\$ 68,732	\$ --	\$ --	\$ --	\$ --
21,091	--	--	--	--
--	--	--	--	21
--	--	--	--	--
--	--	--	--	--
89,823	--	--	--	21
--	--	--	--	--
--	--	--	--	--
--	(38,806)	--	--	--
--	(38,806)	--	--	--
89,823	38,806	--	--	21
--	--	--	--	--
89,823	38,806	--	--	21
--	(36,056)	1	289	8,830
\$ 89,823	\$ 2,750	\$ 1	\$ 289	\$ 8,851

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Multi Purpose Complex Arena	Court Services Fund
Revenues:		
Licenses and permits	\$ --	\$ --
Other fees	--	--
Investment income	--	--
Grants and donations	--	--
Intergovernmental programs	--	--
Total Revenues	<u>--</u>	<u>--</u>
Expenditures:		
DUMMY General Government	--	--
Public safety:		
Police	--	--
Debt Service:		
Miscellaneous	94,088	--
Total Expenditures	<u>94,088</u>	<u>--</u>
Excess of Revenues Over (Under) Expenditures	(94,088)	--
Other Financing Sources (Uses):		
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(94,088)	--
Fund Balances:		
Fund balances - Beginning	147,030	934
Fund balances - Ending	<u>\$ 52,942</u>	<u>\$ 934</u>

Task Force Drug Seizure Fund	Employment Insurance Revolving	Police MCP Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ 68,732
--	--	--	21,091
--	80	--	101
6,966	--	--	6,966
--	--	--	78,141
<u>6,966</u>	<u>80</u>	<u>--</u>	<u>175,031</u>
--	--	--	26,366
--	--	--	16,284
2,511	--	--	96,599
<u>2,511</u>	<u>--</u>	<u>--</u>	<u>139,249</u>
4,455	80	--	68,253
--	--	--	--
4,455	80	--	(89,553)
5,380	27,497	307	154,488
<u>\$ 9,835</u>	<u>\$ 27,577</u>	<u>\$ 307</u>	<u>\$ 222,741</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 to accomplish the afore stated purposes:

1. Special Obligation Bond Series 2011A Fund
2. Sinking Fund
3. Industrial Bond Retirement

City of Canton

Special Obligation Bond Series 2011A Fund

Budgetary Comparison Schedule

For the year ended September 30, 2012

Exhibit C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Investment income			3	3
Total Revenues	-	-	3	3
Expenditures:				
General Government			90,000	(90,000)
Debt Service:				
Principal			2,650,354	(2,650,354)
Miscellaneous			171,344	(171,344)
Total Expenditures	-	-	2,911,698	(2,911,698)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(2,911,695)	(2,911,695)
Non-Operating Revenues (Expenses):				
Issuance of bonds	4,242,600	4,242,600		(4,242,600)
Interest Revenue	(4,242,600)	(4,242,600)		4,242,600
Total Other Financing Sources (Uses)	-	(4,242,600)	-	4,242,600
Net Change in Fund Balances	-	(4,242,600)	(2,911,695)	1,330,905
Fund Balances - Beginning			6,726,959	6,726,959
Fund Balances - Ending	\$ -	(4,242,600)	3,815,264	8,057,864

CITY OF CANTON*COMBINING BALANCE SHEET**NONMAJOR DEBT SERVICE FUNDS**SEPTEMBER 30, 2012*

	Sinking Fund	Industrial Bond Retirement	Total Nonmajor Debt Service Funds (See Exhibit C-1)
Assets:			
Cash and cash equivalents	\$ 254,345	\$ 11,442	\$ 265,787
Total Assets	<u>\$ 254,345</u>	<u>\$ 11,442</u>	<u>\$ 265,787</u>
Liabilities and Fund Balances:			
Liabilities:			
	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:			
Restricted:			
Debt service	\$ 254,345	\$ 11,442	\$ 265,787
Total Fund Balances	<u>254,345</u>	<u>11,442</u>	<u>265,787</u>
Total Liabilities and Fund Balances	<u>\$ 254,345</u>	<u>\$ 11,442</u>	<u>\$ 265,787</u>

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Sinking Fund	Industrial Bond Retirement	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Property taxes	\$ 554,789	\$ --	\$ 554,789
Investment income	8,030	--	8,030
Total Revenues	<u>562,819</u>	<u>--</u>	<u>562,819</u>
Expenditures:			
Economic development and assistance	49,312	--	49,312
Debt Service:			
Principal	215,698	--	215,698
Interest	327,623	--	327,623
Miscellaneous	--	8	8
Total Expenditures	<u>592,633</u>	<u>8</u>	<u>592,641</u>
Excess of Revenues Over (Under) Expenditures	(29,814)	(8)	(29,822)
Fund Balances:			
Fund balances - Beginning	284,159	11,450	295,609
Fund balances - Ending	<u>\$ 254,345</u>	<u>\$ 11,442</u>	<u>\$ 265,787</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 to accomplish the afore stated purposes:

1. CDBG Fund
2. 2006 Fulton Street Sewer Improvement Fund
3. Connector Road Fund
4. 2007 GO PI Bond Series Fund
5. GOB 96 Construction Fund

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CITY OF CANTON
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2012

	<u>CDBG Fund</u>	<u>2006 Fulton Street Sewer Improvement</u>
Assets:		
Cash and cash equivalents	\$ 1,270	\$ 78,240
Total Assets	<u>\$ 1,270</u>	<u>\$ 78,240</u>
Liabilities and Fund Balances:		
Liabilities:		
	<u>--</u>	<u>--</u>
Fund Balances:		
Restricted:		
Capital projects fund	\$ 1,270	\$ 78,240
Total Fund Balances	<u>1,270</u>	<u>78,240</u>
Total Liabilities and Fund Balances	<u>\$ 1,270</u>	<u>\$ 78,240</u>

EXHIBIT C-,

Connector Road Fund	2007 GO PI Bond Series Fund	GOB 96 Construction Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 87	\$ 187,143	\$ 84	\$ 266,824
\$ 87	\$ 187,143	\$ 84	\$ 266,824
--	--	--	--
\$ 87	\$ 187,143	\$ 84	\$ 266,824
87	187,143	84	266,824
\$ 87	\$ 187,143	\$ 84	\$ 266,824

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	CDBG Fund	2006 Fulton Street Sewer Improvement
Revenues:		
Investment income	\$ 1	\$ --
Total Revenues	1	--
Expenditures:		
General Government	--	--
Total Expenditures	--	--
Excess of Revenues Over (Under) Expenditures	1	--
Fund Balances:		
Fund balances - Beginning	1,269	78,240
Fund balances - Ending	\$ 1,270	\$ 78,240

EXHIBIT C--

Connector Road Fund	2007 GO PI Bond Series Fund	GOB 96 Construction Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ 1
--	--	--	1
--	166,896	--	166,896
--	166,896	--	166,896
--	(166,896)	--	(166,895)
87	354,039	84	433,719
\$ 87	\$ 187,143	\$ 84	\$ 266,824

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.

Solid Waste Fund- This fund is used to account for the solid waste 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, 2012

Exhibit C-10

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Operating Revenues:				
Charges for services	\$ 2,449,215	2,449,215	2,161,561	(287,654)
Total Operating Revenues	2,449,215	2,449,215	2,161,561	(287,654)
Operating Expenses:				
Personal services - salaries and wages	387,027	387,027	237,875	149,152
Personal services - employee benefits			78,427	(78,427)
Purchased professional and technical services			758,351	(758,351)
Other purchased services	1,167,650	1,167,650		1,167,650
Supplies	142,800	142,800	3,149	139,651
Landfill expenses			150,279	(150,279)
Depreciation			445,396	(445,396)
Miscellaneous			570,825	(570,825)
Debt service:				
Principal	751,738	751,738		751,738
Total Operating Expenses	2,449,215	2,449,215	2,244,302	204,913
	-	-	(82,741)	(82,741)
Non-Operating Revenues (Expenses):				
Interest Revenue	400	400		(400)
Total Non-Operating Revenues (Expenses)	400	400	-	(400)
Net Change in Net Assets	400	400	(82,741)	(83,141)
Net Assets - Beginning			(364,932)	(364,932)
Prior Period Adjustment			625,848	625,848
Net Assets - Restated			260,916	260,916
Net Assets - Ending	\$ 400	400	178,175	177,775

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
 Surety Bond Information
 For the Year Ended September 30, 2012

NAME	EXPIRATION DATE	POSITION	COMPANY	BOND AMOUNT
Eric Gilkey	7/6/2013	Alderman	Great River	\$ 100,000
Charles Weems	7/6/2013	Alderman	Great River	\$ 100,000
Alice M. Scott	7/6/2013	Alderman	Great River	\$ 100,000
Louis Smith	7/6/2013	Alderman	Great River	\$ 100,000
Billy Myers	7/1/2013	Alderman	Great River	\$ 100,000
Reuben Myers	7/6/2014	Alderman	Brierfield	\$ 100,000
Rodriguez Brown	7/6/2013	Alderman	Brierfield	\$ 100,000
Donald W. Bates Jr.	3/21/2014	Alderman	Brierfield	\$ 100,000
Valerie Smith	11/5/2012	City Clerk	Great River	\$ 75,000
Demsa King				\$ -
Debra Brown				\$ -
William Truly	7/7/2013	Mayor	Western Surety	\$ 100,000
Joycette Nichols	8/21/2014	Municipal Clerk	Brierfield	\$ 5,000
Gwen Miles				\$ -
Vatteria M. Martin				\$ -
Vickie McNeill	7/7/2013	Police Chief	Brierfield	\$ 50,000
Juan Cloy		Deputy Police Chief		\$ -
Melon Garrett		Landfill Management		\$ -
Donald Lawrence		Building Development		\$ -

City of Canton, Mississippi
Schedule of Long-Term Debt
For the Year Ended September 30, 2012

Schedule D-2

	Date of Obligation	Date of Maturity	Interest Rate	Original Amount	Balance October 1, 2011	Current Year Transactions			Balance September 30, 2012
						Additions	Restatements	Retirements	
Governmental Activities									
General Obligation Bonds									
General Obligation	12-01-1992	12-01-2012	5.0-7.1%	\$ 800,000	\$ 125,000			125,000	-
General Obligation	06-01-1996	06-16-2016	varies	\$ 600,000	215,000			215,000	-
Refunding Bonds, Series 2002	03-01-2002	03-01-2023	4.95-5.2%	\$ 3,355,000	2,305,000			2,305,000	-
GOB Public Improvement	08-14-2007	09-30-2022	4.75-5.0%	\$ 3,500,000	3,290,000			125,000	3,165,000
Discount on Bonds Issued				\$ (52,500)	(45,208)		7,000	3,500	(34,708)
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	600,000				600,000
Special Obligation Bond, Series 2011C	8/10/2011	10/1/2021	4.590%	\$ 2,580,000	2,580,000				2,580,000
Total General Obligation Bonds					13,069,792	-	7,000	2,773,500	10,310,292
Other Long-Term Debt									
Urban Renewal Bonds	03-24-2000	03-24-2035	5.13%	\$ 1,299,200	1,109,525			22,130	1,087,395
Allison Wells Note	12-15-1993	12-15-2013	3%	\$ 500,000	79,933			31,262	48,671
Canton Municipal Utilities	09-30-2000	09-30-18	0.000%	\$ 1,375,000	1,216,667				1,216,667
Pierce Contender	06-22-06	06-22-16	5.09%	\$ 178,750	98,812			17,850	80,962
Street Sweeper	04-05-07	04-10-12	3.98%	\$ 90,142	11,461			11,461	-
Multipurpose & Equine Center Construction	06-09-08	06-01-28	2%	\$ 750,000	688,550			65,234	623,316
John Deere	6/5/2012	6/5/2012	3.90%	\$ 16,455	4,038			4,038	-
John Deere	6/5/2012	6/5/2012	3.90%	\$ 9,569	2,389			2,389	-
Fire Truck	9/5/2010	9/5/2019	3.30%	\$ 173,460	149,816			17,556	132,260
Breathing Air Compressor						28,190	(2,271)	8,758	17,161
Total Other Long-Term Debt					3,361,191	28,190	(2,271)	180,678	3,206,432
Total General Long-Term Debt					\$ 16,430,983	28,190	4,729	2,954,178	13,516,724
Business-Type Activities									
Special Obligation Bonds									
Special Obligation Revenue Bond	11-06-07	09-30-20	5.300%	\$ -	\$ 2,250,000			200,000	2,050,000
Other Long-Term Debt									
CAT Tractor	11-15-07	12-15-10	4.280%	\$ 189,827	-				-
John Deere Tractor 001-0065864	12/17/2009	12/17/2014	3.950%	\$ 331,166	216,536			65,481	151,055
Caterpillar 416E Backhoe Loader	8/5/2008	9/5/2011	3.190%	\$ 79,517	40,000			40,000	-
Total Enterprise Fund					\$ 2,506,536	-	-	305,481	2,201,055

City of Canton, Mississippi
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2012

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	\$ 1,220,542
Total passed-through Mississippi Development Authority		<u>1,220,542</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION/</u>		
Passed-through Mississippi Department of Transportation/		
Highway Planning and Construction	20.205	22,512
Total passed-through Mississippi Department of Transportation		<u>22,512</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>		
Passed-through Mississippi Department of Public Safety		
Public Safety Partnership and Community Policing Grants	16.710	115,110
Edward Byrne Memorial Justice Assistance Grant Program	16.738	29,563
Total passed-through Mississippi Department of Public Safety		<u>144,673</u>
<u>U.S. DEPARTMENT OF ENERGY</u>		
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG), Recovery Act	81.128	\$ 26,066
Total US Department of Energy		<u>26,066</u>
Total for all Federal Awards		<u>\$ 1,413,793</u>

Notes to Schedule

1. 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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Mayor and Board of Aldermen
City of Canton, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discrete 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, 2012, and have issued our report thereon dated December 12, 2013. Our report differed from the standard report because the City of Canton did not maintain adequate records documenting the existence, completeness, and valuation of the Capital Assets for both Governmental or Business Type Activities. We did not audit the financial statements of the Canton Redevelopment Authority and Canton Municipal Utilities, component units, which represent 91%, respectively of the assets, 99% of the revenues and 91% of the net assets of the aforementioned component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, is based on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 to be material weaknesses. [Finding **2012-1**, **2012-2** and **2012-3**].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Canton, Mississippi's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain material instances of noncompliance or other matters that we reported to management of the City of Canton, Mississippi, in the Independent Auditor's Report on Compliance with State Laws and Regulations dated December 12, 2013, included within this document.

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

This report is intended solely for the information and use of the Mayor, the Board of Aldermen, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 12, 2013

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and Board of Aldermen
City of Canton, Mississippi

Compliance

We have audited the 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 each of its major federal programs for the year ended September 30, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the city's management. Our responsibility is to express an opinion on the city's compliance based on our audit.

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

In our opinion, the City of Canton, Mississippi complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2012.

Internal Control Over Compliance

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

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opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the city's internal control over compliance.

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

Our consideration of 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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Mayor, the Board of Aldermen, management, others within the entity, entities with accreditation overview and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 12, 2013

Certified Public Accountants

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 governmental activities, each major fund and the aggregate remaining fund information of the City of Canton, Mississippi as of and for the year ended September 30, 2012, which collectively comprise the City of Canton's basic financial statements and have issued our report thereon dated December 12, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion of the city's compliance with these requirements. 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

As stated in the prior years, in accordance with Section 21-35-5, Mississippi Code Annotated (1972), the governing authorities of the municipality shall, no later than September 15 of each year, prepare a complete budget of municipal revenues, expenses and working cash balances estimated for the next fiscal year. The city of Canton did not prepare a budget for the following fund:

Special Revenue Funds:

- Police Communication Fund
- CDBG 1995 Project Grant Fund
- 1996 Home Rehabilitation Grant Fund
- Levi Economic Development Fund
- Multi-Purpose Complex Arena Fund
- Court Services Fund

Capital Project Funds:

- Connector Fund
- General Obligation Bonds 96 Construction Fund

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Recommendation:

The City should establish compliance with Section 21-35-5 by ensuring that the City prepares budgets for all municipal revenues, expenses/expenditures and working cash balances.

Response:

The City accepts the recommendation of the auditor.

Finding #2

Section 21-15-23, Mississippi Code Annotated (1972), states that different individuals should be properly bonded. We found seven (7) individuals that were not properly bonded.

Recommendation:

The City should comply with Section 21-15-23, Mississippi Code Annotated (1972).

Response:

The City accepts the recommendation of the auditor.

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 insure that corrective action has been taken.

This report is intended solely for the information and use of the Mayor, the Board and management, 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 12, 2013

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, 2012

Section 1: Summary of Auditor's Results

Financial Statements:

- | | | |
|----|---|----------------|
| 1. | Type of auditor's report issued: | Qualified. |
| 2. | Internal control over financial reporting: | |
| | a. Material weakness(es) identified? | Yes. |
| | b. Significant deficiency(ies) identified? | None reported. |
| 3. | Noncompliance material to financial statements noted? | No. |

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: | Unqualified. |
| 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: | |
| | a) CFDA 14.228 - Community Development Block Grant - State's Program | |
| 8. | Dollar threshold used to distinguish between Type A and Type B programs: | |
| | \$300,000. | |
| 9. | Auditee qualified as a 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 Weakness

2012-1 Finding

The City did not maintain the records of capital assets during the fiscal year.

Recommendation

The City should maintain the records of capital assets in accordance with the *Municipal Audit and Accounting Guide* as mandated by the Office of the State Auditor. This prescribed policy includes records 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.

Response:

The City will maintain the records of capital assets in accordance with the *Municipal Audit and Accounting Guide* as mandated by the Office of the State Auditor. This prescribed policy will include records of asset additions and deletions as well as annual inventories and the reconciliation of that inventory with the City's records.

Material Weakness

2012-2 Finding

Claim dockets were approved during the fiscal year but not paid until after the fiscal year ended. The financial software to report the amount of this liability was either not operating or not utilized. 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.

Recommendation

The City could contact the software vendor in order to implement and use a "payable" system in order for the City to manage these payables.

Response

The City will contact the software vendor in order to implement and use a "payable" system in order for the City to manage these payables.

Material Weakness

2012-3 Finding

City administrators and department heads are charged with the responsibility for establishing a network of processes with the objective of controlling the operations in a manner which provide the Board of Aldermen reasonable assurance that data and information published either internally or externally is accurate, reliable, complete, and timely. Thus the city's internal controls should promote the achievement of city plans, programs, goals, and objectives.

A monitoring process has been placed into effect in most areas of the City including financial reporting, collections, purchasing, federal grant administration, and board

minutes. However, the City does not have these controls in a written format for maintenance, review and monitoring aspects of the internal control system. In the event of personnel changes or departure or during periods of heavy workload, valuable review procedures could be neglected resulting in reporting misstatements, inefficiencies or non-compliance.

In addition, an adequate review process was not in place where personnel reviewed or systems corroborated certain account balances reported by the City. The City has one position, the City Clerk, who is responsible for the presentation of numerous accounts without review support.

Audit adjustments were made to record receivables and payables that were not recorded in the City's books. These accounts included the recognition of sales, tourism and vehicle tax receivable, the recognition of the Landfill accounts receivable, etc. Lacking an adequate review process, these accounts could be incorrectly reported.

Recommendation:

The City should identify in writing the controls utilized. After these controls have been approved by the Board as part of the policies and procedures, a checklist should be created to facilitate the routine monitoring process resulting in an ongoing evaluation of each control's effectiveness.

In addition, the City should have a level of personnel trained to monitor and report variances in the above mentioned account balances similar to what is already being done in key account areas such as cash accounts. This function could be performed internally or by an outside source.

Response:

The City will identify in writing the controls utilized. After these controls have been approved by the Board as part of the policies and procedures, a checklist will be created to facilitate the routine monitoring process resulting in an ongoing evaluation of each control's effectiveness.

In addition, the City will layer a provide of personnel trained in the presentation requirement to monitor and report variances in the above mentioned account balances similar to what is already being done in key account areas such as cash accounts. This function will be performed internally or by an outside source.

Section 3: Federal Award Findings and Questioned Costs

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