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Arnel D. Bolden
MAYOR

Valerie T. Smith
CITY CLERK



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Rodriquez Brown
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Les A. Penn
Daphne Johnson Sims

September 30, 2014

Office of the State Auditor
PO Box 956
Jackson, MS 39205

RE: Annual Municipal Audit

Accompanying this letter is a copy of the annual audit of the City of Canton, Mississippi, for the fiscal year ended September 30, 2013. A separate management letter was not written to the city in connection with this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Arnel Bolden". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Arnel Bolden, Mayor

OCT 03 2014

City of Canton, Mississippi

Audited Financial Statements
For the Year Ended September 30, 2013

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Fortenberry & Ballard, P.C.
Certified Public Accountants

City of Canton, Mississippi
Audited Financial Statements
September 30, 2013
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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

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Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the City of Canton's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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 Municipal Utilities, component unit, which represent 90% of the assets, 99% of the revenues and 94% of the net position 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. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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.

In our opinion, based on our audit and the reports of other auditors, except for 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, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canton, Mississippi, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 10-21 and 66-68 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canton's basic financial statements. 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 basic financial statements.

The combining and individual nonmajor fund financial statements and the accompanying Combining Statements - Component Units are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements and the Combining Statements - Component Units are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Schedule of Surety Bonds for Municipal Employees has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
September 11, 2014

Certified Public Accountants

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MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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, 2013. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- Total net position decreased \$3,837,110 in 2013, including a prior period adjustment of (\$2,496,106), which represents a 112% decrease from fiscal year 2012. Total net position increased \$479,278 in 2012, including a prior period adjustment of \$592,929, which represents a 16% increase from fiscal year 2011.
- General revenues account for \$10,704,042, or 82% of all revenues. This amount was less than the prior year (2012), which consisted of \$11,062,115 in general revenues. Program specific revenues in the form of charges for services accounted for \$2,299,532 or 18% of total revenues compared with \$2,276,671 in 2012.
- The City had \$14,344,578 in expenses, an amount that increased when compared with the \$13,452,437 in expenses for the prior year; \$2,299,532 of these expenses were offset by program specific charges for services. General revenues of \$10,704,042 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$9,388,422 in revenues and \$9,480,076 in expenditures. In 2012 the General Fund had \$9,103,930 in revenues and \$9,022,077 in expenditures. The General Fund's fund balance decreased by \$71,738 from 2012 to 2013, and increased \$196,759 from 2011 to 2012.
- The Enterprise Fund - Landfill Fund had \$2,299,532 in revenues and \$2,338,796 in expenses. Its net loss was (\$248,834) in the current fiscal year. Last year it showed \$2,161,561 in revenues and \$2,244,302 in expenses. Its net loss for the previous year was (\$82,741).
- Capital assets, net of accumulated depreciation, decreased by \$2,065,148 in the governmental activities. This decrease in the governmental activities was primarily due to adjustments to land and recording of depreciation expense during the year.
- Capital assets decreased \$8,001 in the business-type activities mainly due to the recording of depreciation expense during the year.
- Long-term debt decreased by \$888,358 in the governmental activities from 2012 to 2013. The decrease in the governmental activities was mainly due to principal payments made on outstanding long-term debt.

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Using this Annual Financial Report

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

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements 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 Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer 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 position and the changes in net position. This change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of City capital assets will also need to be evaluated.

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

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

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

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2013

entity is governed by a separate five member board of commissioners appointed by the City.

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

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

The above-mentioned discretely 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 and the Special Obligation Bond Series 2011A Fund.

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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 Position and the Statement of Activities) and governmental funds is reconciled in the financial statements.

The City of Canton as a Whole

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Over time net position may serve as a useful indicator of a government's financial position. In the case of the City, liabilities exceeded assets by \$324,573 at September 30, 2013. The following table presents a summary of the City's Governmental Activities net position at September 30, 2013 and 2012, respectively.

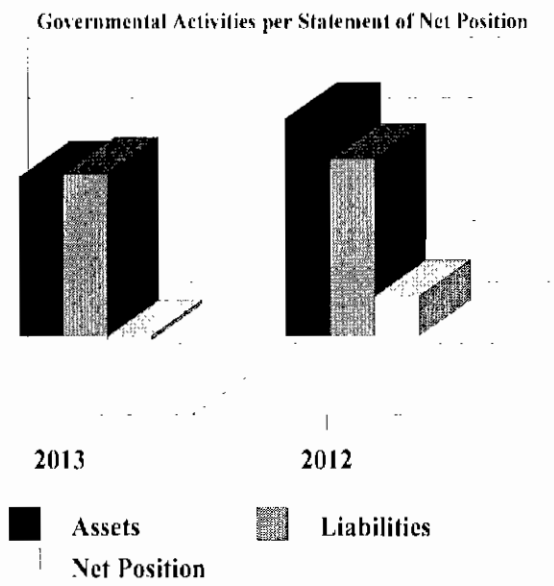
	Governmental Activities		
	2013	2012	Percentage Change
Current assets	\$ 3,688,917	6,208,555	-41%
Capital assets, net	9,240,799	11,305,947	-18%
Total Assets	12,929,716	17,514,502	-26%
Current liabilities	341,909	414,060	-17%
Long-term liabilities	12,912,380	13,836,739	-7%
Total Liabilities	13,254,289	14,250,799	-7%
Net Position:			
Net investment in capital assets	(3,391,067)	(2,210,777)	53%
Restricted	1,972,817	5,728,283	-66%
Unrestricted	1,093,677	(253,803)	-531%
Total Net Position	\$ (324,573)	3,263,703	-110%

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2013

The net investment in capital assets amount was (\$3,391,067). 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, \$1,972,817 of the City's net position is restricted as to the use of these funds. A portion of the restricted net position is expendable for general government purposes, public safety, debt service, capital projects, public works and unemployment benefits. The remainder of the City's net position had an unrestricted positive balance in the amount of \$1,093,677.

The following chart depicts the City's Governmental Activities' assets, liabilities, and net position at September 30, 2013 and 2012.

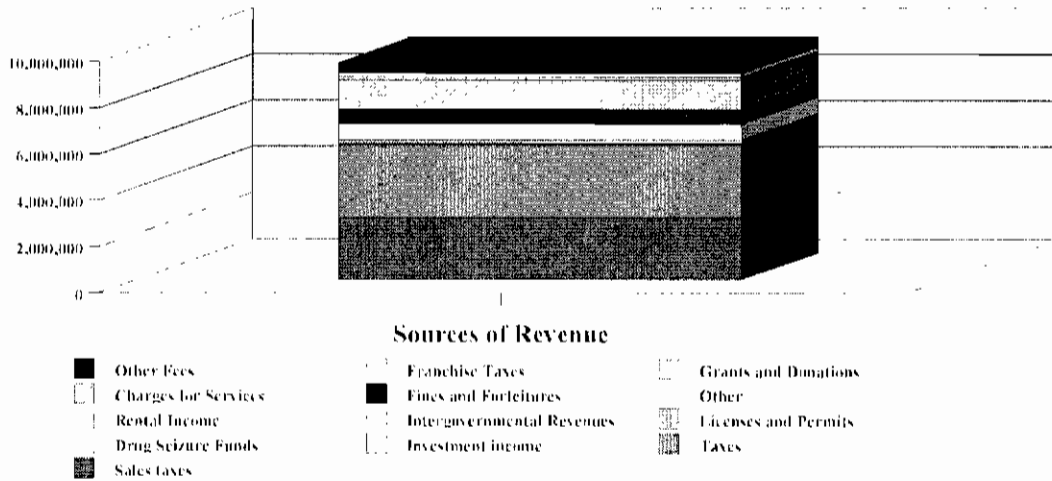


GENERAL GOVERNMENT FUNCTIONS

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, 2013

General Fund 2013 Revenue Sources



Revenues

The primary sources of General Fund revenues are property tax and sales tax. The State of Mississippi levies a general sales tax of 7% on most retail sales. Of the amount collected by the state, each municipality receives 18.5% of the amount collected within its corporate boundaries. Sales tax accounted for 28% of General Fund revenues in fiscal year 2013. When compared to the fiscal year 2012, sales tax accounted for 27%. Sales tax collections in fiscal year 2013 were \$2,667,275, an increase over the \$2,458,276 collected in 2012. Total General Fund operating revenues were \$9,388,422, an increase of \$284,492 over the prior year.

Assessed valuation within the city has slightly decelerated, decreasing 1% from fiscal year 2012.

Expenditures

General Fund operating expenditures were \$9,480,076, an increase of \$457,999 or 5% over the prior year. In the prior year, General Fund operating expenditures accounted for \$9,022,077. The following schedule presents the General Fund revenues and expenditures for the year ended September 30, 2013, and the amount and percentage of change from 2012.

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2013

GENERAL FUND (GAAP BASIS) (in thousands)

	2013 Amount	2012 Amount	Dollar Increase (Decrease) from 2011	Percent Increase (Decrease) from 2011
Revenues:				
Property Tax	\$ 3,138	\$ 3,223	(\$85)	(2.6)%
Sales Taxes	2,667	2,458	209	8.5%
Franchise Fees	157	152	5	3.3%
Licenses and Permits	156	95	61	64.2%
Other Fees	478	497	(19)	(3.8)%
Intergovernmental	682	639	43	6.7%
Charges for Services	1,280	1,280	0	0.0%
Fines	586	496	90	18.1%
Grants and Donations	126	128	(2)	(1.6)%
Interest Earned	34	37	(3)	(8.1)%
Rental Income	31	27	4	14.8%
Miscellaneous	53	72	(19)	(26.4)%
Total Revenues	\$ 9,388	\$ 9,104	\$ 284	3.1%
Expenditures:				
General Government	\$ 2,728	\$ 2,627	\$ 101	3.8%
Public Safety	4,318	4,045	273	6.7%
Public Services	818	889	(71)	(8.0)%
Culture and Recreation	451	452	(1)	(0.2)%
Economic Opportunity	129	88	41	46.6%
Economic Development	442	425	17	4.0%
Debt Service	594	496	98	19.8%
TOTAL EXPENDITURES	\$ 9,480	\$ 9,022	\$ 458	5.1%

CITY OF CANTON
 OFFICE OF THE CITY CLERK
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 CANTON, OHIO 44702
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City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2013

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 2013 ending unassigned fund balance is \$1,120,813 which means that is available for spending.

PROPRIETARY FUNDS

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

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

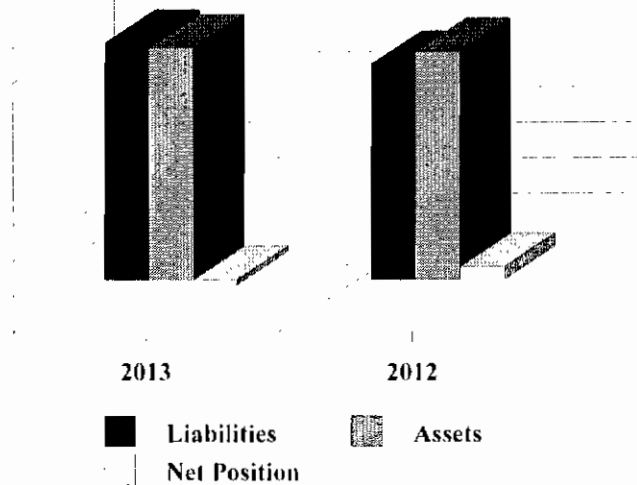
Business-Type Activities

	<u>2013</u>	<u>2012</u>	<u>Percentage Change</u>
Current assets	\$ 983,664	927,588	6%
Capital assets, net	2,273,770	2,281,771	0%
Total assets	<u>3,257,434</u>	<u>3,209,359</u>	1%
Current liabilities	1,383,470	818,859	69%
Long-term debt	1,944,623	2,212,325	-12%
Total liabilities	<u>3,328,093</u>	<u>3,031,184</u>	10%
Net position:			
Net investment in capital assets	350,831	80,716	335%
Restricted	(421,490)	97,459	-532%
Total net position	<u>\$ (70,659)</u>	<u>178,175</u>	-140%

The following chart depicts the City's Business-Type Activities assets, liabilities and net position for the fiscal years ended September 30, 2013 and 2012, respectively.

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Business-Type Activities per Statement of Net Position



Landfill Management Fund

Comparative financial data of the Landfill Management Fund for the September 30, 2013 and 2012 is presented below:

	2013	2012
Operating Revenues	\$ 2,299,532	\$ 2,161,561
Operating Expenses	2,338,796	2,244,302
Operating Income (Loss)	\$ (39,264)	\$ (82,741)

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, 2013 and 2012, respectively.

City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2013

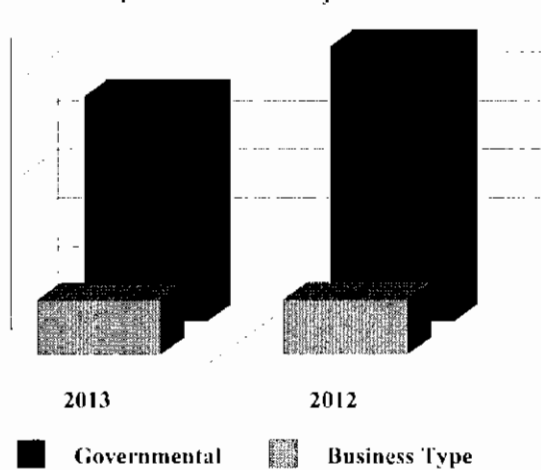
Capital Assets at September 30, 2013
Governmental Activities

	<u>September 30, 2013</u>	<u>September 30, 2012</u>	<u>Percentage Change</u>
Land	\$ 3,057,047	4,919,248	-38%
Construction in progress	1,512,317	1,220,542	24%
Buildings	5,745,699	5,211,886	10%
Infrastructure	11,611,222	11,611,222	0%
Mobile equipment	2,335,064	2,320,891	1%
Furniture and equipment	465,342	465,342	0%
Accumulated depreciation	<u>(15,485,892)</u>	<u>(14,443,184)</u>	7%
Total	\$ <u>9,240,799</u>	<u>11,305,947</u>	-18%

Capital Assets at September 30, 2013
Business-Type Activities

	<u>September 30, 2013</u>	<u>September 30, 2012</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	2,016,304	1,506,304	34%
Accumulated depreciation	<u>(3,649,323)</u>	<u>(3,131,322)</u>	17%
Total	\$ <u>2,273,770</u>	<u>2,281,771</u>	0%

Comparative Chart of the Capital Assets



City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Long-Term Debt

At September 30, 2013, the City of Canton had \$9,605,000 in outstanding General and Special Obligation Bonds, and \$3,058,074 in other long-term debt outstanding reported under the governmental activities. The City also reported \$1,840,000 in outstanding General Obligation Bonds and \$82,939 in other long-term debt reported in the business-type activities.

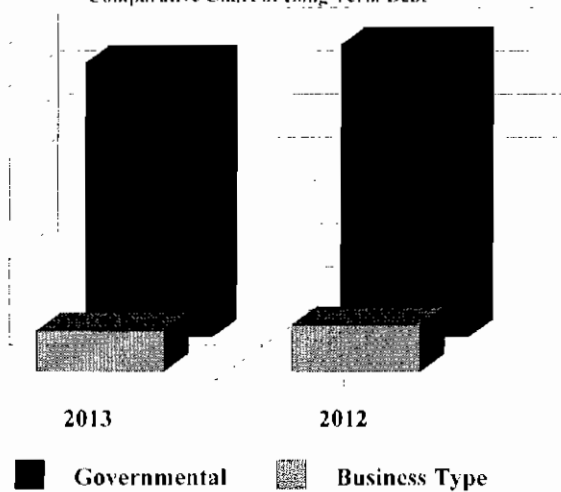
**General Obligation Bonds and Other Long-Term Debt at Year End
 Governmental Activities**

	<u>September 30, 2013</u>	<u>September 30, 2012</u>	<u>Percentage Change</u>
Bonds	\$ 9,605,000	10,345,000	-7%
Other long term debt	3,058,074	3,206,432	-5%
Total	\$ 12,663,074	13,551,432	-7%

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

	<u>September 30, 2013</u>	<u>September 30, 2012</u>	<u>Percentage Change</u>
Bonds	\$ 1,840,000	2,050,000	-10%
Other long term debt	82,939	151,055	-45%
Total	\$ 1,922,939	2,201,055	-13%

Comparative Chart of Long Term Debt



City of Canton
Management's Discussion and Analysis
For the Year Ended September 30, 2013

Current Financial Related Activities

Construction was completed 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 City has acquired funding to build a connector road from the new Highway 16 Parkway to the local private school. This will open up area for commercial development completing is expected in 2015.

Federal funding has been acquired to improve several major connector roads in the city including Union Street and Watford Parkway.

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 in Canton opened 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 POSITION
SEPTEMBER 30, 2013

EXHIBIT A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 3,134,835	\$ 60,726	\$ 3,195,561	\$ 2,379,954
Investments	--	722,938	722,938	--
Accounts receivable, net	300,704	200,000	500,704	2,496,352
Inventory	--	--	--	1,174,171
Prepaid items	--	--	--	95,034
Other assets	--	--	--	25
Restricted assets				
Cash and cash equivalents	--	--	--	13,394,677
Accrued interest receivable	--	--	--	1,316
Notes receivables, non-current	--	--	--	1,248,667
Deferred assessment charges	--	--	--	1,514,994
Deferred charges - bond issuance costs	253,378	--	253,378	--
Land held for resale	--	--	--	1,114,715
Capital assets				
Land and construction in progress	4,569,364	212,700	4,782,064	1,521,525
Other capital assets, net of accumulated depreciation	4,671,435	2,061,070	6,732,505	35,084,078
Total Assets	<u>12,929,716</u>	<u>3,257,434</u>	<u>16,187,150</u>	<u>60,025,508</u>
Liabilities:				
Accounts payable	146,303	84,965	231,268	1,594,651
Accrued liabilities	--	--	--	109,923
Wages and benefits payable	126,041	--	126,041	--
Sales tax payable	--	--	--	22,306
Interfund payables	--	--	--	55,260
Accrued Closure/Postclosure cost	--	1,265,862	1,265,862	--
Customer deposits	--	--	--	1,135,040
Interest payable	69,565	32,643	102,208	3,669
Bonds payable, current	570,000	220,000	790,000	93,882
Notes, and lease obligations, current	222,496	70,855	293,351	285,060
Bond discounts, current	(3,500)	--	(3,500)	--
Bonds payable, non-current	9,035,000	1,620,000	10,655,000	--
Notes, and lease obligations, non-current	2,835,578	12,084	2,847,662	2,580,738
Compensated absences, non-current	280,514	21,684	302,198	18,569
Bond discounts	(27,708)	--	(27,708)	--
Assessments payable	--	--	--	1,421,112
Total Liabilities	<u>13,254,289</u>	<u>3,328,093</u>	<u>16,582,382</u>	<u>7,320,210</u>
Net Position:				
Net Investment in Capital Assets	(3,391,067)	350,831	(3,040,236)	34,206,557
Restricted for:				
Health and Welfare	67,339	--	67,339	--
Unemployment Compensation	27,646	--	27,646	--
Debt Service	1,771,897	--	1,771,897	13,394,620
Capital Projects	79,662	--	79,662	1,373
Public Works	11,911	--	11,911	--
Public Safety	10,419	--	10,419	--
Court Services	919	--	919	--
General Government	3,024	--	3,024	--
Unrestricted	1,093,677	(421,490)	672,187	5,102,748
Total Net Position	<u>\$ (324,573)</u>	<u>\$ (70,659)</u>	<u>\$ (395,232)</u>	<u>\$ 52,705,298</u>

The accompanying notes are an integral part of this statement.

CITY OF CANTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

EXHIBIT A-2
EXHIBIT A-2

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Position		Component Units
		Charges for Services	Governmental Activities	Business-type Activities	Total	
Primary government:						
Governmental activities:						
General government	\$ 5,813,615	\$ —	\$ (5,813,615)		\$ (5,813,615)	
Public Safety:						
Police	2,259,755	—	(2,259,755)		(2,259,755)	
Fire	1,968,176	—	(1,968,176)		(1,968,176)	
Other	377,863	—	(377,863)		(377,863)	
Public services	823,331	—	(823,331)		(823,331)	
Culture and recreation	451,685	—	(451,685)		(451,685)	
Interest on long-term debt	201,787	—	(201,787)		(201,787)	
Total Governmental Activities	11,896,212	—	(11,896,212)		(11,896,212)	
Business-type Activities:						
Landfill	2,448,366	2,299,532	—	\$ (148,834)	(148,834)	
Total Business-type Activities	2,448,366	2,299,532	—	(148,834)	(148,834)	
Total Primary Government	\$ 14,344,578	\$ 2,299,532	(11,896,212)	(148,834)	(12,045,046)	
COMPONENT UNITS:						
Canton Convention and Visitors Bureau	808,567	182,660				(625,907)
Canton Redevelopment Authority	351,488	5,394				(346,094)
Canton Municipal Utilities	21,266,362	23,337,486				2,071,124
Total Component Units	\$ 22,426,417	\$ 23,525,540				1,099,123
General Revenues:						
Taxes			6,742,115	—	6,742,115	592,649
Franchise taxes/fees)			156,654	—	156,654	—
Other taxes			732,261	—	732,261	9,473
Fines and Fees			344,256	—	344,256	40,000
Licenses and permits			228,165	—	228,165	—
Intergovernmental			850,613	—	850,613	—
Unrestricted investment income			33,829	—	33,829	—
Canton Municipal Utilities			1,280,000	—	1,280,000	—
COPS Grant			51,985	—	51,985	—
Grants and donations			96,468	—	96,468	264,917
Miscellaneous			67,760	—	67,760	—
Other income			119,916	—	119,916	634,673
Total General Revenues			10,704,042	—	10,704,042	1,541,712
Transfers			100,000	(100,000)	—	(2,299,960)
Total General Revenues and Transfers			10,804,042	(100,000)	10,704,042	(758,248)
Change in Net Position			(1,092,170)	(248,834)	(1,341,004)	340,875
Net Position - Beginning, as previously reported			3,263,703	178,175	3,441,878	52,401,320
Prior Period Adjustment			(2,496,106)	—	(2,496,106)	(36,897)
Net Position - Beginning, as restated			767,597	178,175	945,772	52,364,423
Net Position - Ending			\$ (324,573)	\$ (70,659)	\$ (395,232)	\$ 52,705,298

The accompanying notes are an integral part of this statement.

CITY OF CANTON
 BALANCE SHEET - GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

	General Fund	Special Obligation Bond Series 2011A Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,135,964	\$ 1,768,892	\$ 229,979	\$ 3,134,835
Accounts receivable	300,704	--	--	300,704
Due from other funds	--	--	67,339	67,339
Total Assets	\$ 1,436,668	\$ 1,768,892	\$ 297,318	\$ 3,502,878
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 122,475	\$ 22,958	\$ 870	\$ 146,303
Wages payable	126,041	--	--	126,041
Due to other funds	67,339	--	--	67,339
	<u>315,855</u>	<u>22,958</u>	<u>870</u>	<u>339,683</u>
Fund Balances:				
Restricted:				
Debt service	--	1,745,934	95,528	1,841,462
Unemployment benefits	--	--	27,646	27,646
Health and welfare	--	--	67,339	67,339
General government	--	--	3,024	3,024
Public works	--	--	11,911	11,911
Public safety	--	--	10,419	10,419
Capital projects	--	--	79,662	79,662
Court services	--	--	919	919
Unassigned	1,120,813	--	--	1,120,813
Total Fund Balances	1,120,813	1,745,934	296,448	3,163,195
Total Liabilities and Fund Balances	\$ 1,436,668	\$ 1,768,892	\$ 297,318	\$ 3,502,878

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The accompanying notes are an integral part of this statement.

CITY OF CANTON
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 SEPTEMBER 30, 2013**

Total fund balances for governmental funds	\$ 3,163,195
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	9,240,799
Payables for bond principal which are not due in the current period are not reported in the funds.	(9,605,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(69,565)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(280,514)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(3,058,074)
Bond discounts are reported in the SNP and amortized over the life of the bond.	31,208
Bond issuance costs are capitalized and amortized in the SNP.	253,378
Net position of governmental activities	<u>\$ (324,573)</u>

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The accompanying notes are an integral part of this statement.

CITY OF CANTON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Special Obligation Bond Series 2011A Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 3,138,414	\$ --	\$ 909,153	\$ 4,047,567
Sales taxes	2,667,275	--	--	2,667,275
Franchise taxes (fees)	156,654	--	--	156,654
Other taxes	12,474	--	--	12,474
Licenses and permits	156,331	--	68,063	224,394
Other fees	478,341	--	--	478,341
Fines and forfeitures	585,702	--	--	585,702
Investment income	33,735	3	91	33,829
Grants and donations	125,943	--	--	125,943
Charges for services	1,280,000	--	--	1,280,000
Rental income	31,044	--	--	31,044
Drug seizure funds	22,530	--	--	22,530
Intergovernmental programs	682,219	--	168,394	850,613
Other	17,760	50,000	--	67,760
Total Revenues	9,388,422	50,003	1,145,701	10,584,126
Expenditures:				
General Government	2,728,111	1,742,362	355,537	4,826,010
Public safety:				
Police	2,092,079	--	--	2,092,079
Fire	1,848,058	--	--	1,848,058
Other	377,607	--	--	377,607
Public services	818,444	--	--	818,444
Culture and recreation	451,461	--	--	451,461
Economic development and assistance	442,412	--	58,741	501,153
Economic opportunity	128,620	--	--	128,620
Debt Service:				
Principal	91,776	--	796,582	888,358
Interest	--	--	390,273	390,273
Miscellaneous	501,508	376,971	203,472	1,081,951
Total Expenditures	9,480,076	2,119,333	1,804,605	13,404,014
Excess of Revenues Over (Under) Expenditures	(91,654)	(2,069,330)	(658,904)	(2,819,888)
Other Financing Sources (Uses):				
Transfers from other funds	100,000	--	200,000	300,000
Transfers to other funds	(200,000)	--	--	(200,000)
Insurance recovery	43,121	--	--	43,121
Other Income	76,795	--	--	76,795
Total Other Financing Sources (Uses)	19,916	--	200,000	219,916
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(71,738)	(2,069,330)	(458,904)	(2,599,972)
Fund Balances:				
Fund balances - Beginning	1,192,551	3,815,264	755,352	5,763,167
Fund balances - Ending	\$ 1,120,813	\$ 1,745,934	\$ 296,448	\$ 3,163,195

The accompanying notes are an integral part of this statement.

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, 2013*


Net change in fund balances - total governmental funds	\$ (2,599,972)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,526,490
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,095,532)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	740,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	148,358
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(31,283)
(Increase) decrease in accrued interest from beginning of period to end of period.	183,767
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	39,501
Bond discounts are amortized in the SOA.	(3,500)
Rounding difference	<u>1</u>
Change in net position of governmental activities	<u>\$ (1,092,170)</u>

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The accompanying notes are an integral part of this statement.

CITY OF CANTON
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
SEPTEMBER 30, 2013

	Enterprise Fund	Landfill Fund
Assets:		
Cash and cash equivalents	\$ 60,726	
Investments	722,938	
Accounts Receivable	200,000	
Capital Assets:		
Land	212,700	
Other capital assets, net of accumulated depreciation	2,061,070	
Total Assets	<u>3,257,434</u>	
Liabilities:		
Accounts payable	84,965	
Accrued Closure/Postclosure care cost	1,265,862	
Interest payable	32,643	
Bonds payable, current	220,000	
Notes and lease obligations, current	70,855	
Bonds payable, noncurrent	1,620,000	
Notes and lease obligations, noncurrent	12,084	
Compensated absences, noncurrent	21,684	
Total Liabilities	<u>3,328,093</u>	
Net Position:		
Net Investment in Capital Assets	350,831	
Unrestricted	(421,490)	
Total Net Position	<u>\$ (70,659)</u>	


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The accompanying notes are an integral part of this statement.

CITY OF CANTON
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
 NET POSITION - ENTERPRISE FUNDS
 FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Enterprise Fund
	Landfill Fund
Operating Revenues:	
Charges for Services	\$ 2,299,532
Total Operating Revenues	<u>2,299,532</u>
Operating Expenses:	
Personal services - salaries and wages	246,291
Personal services - employee benefits	98,910
Purchased professional and technical services	681,363
Supplies	2,178
Landfill expenses	216,557
Depreciation	518,001
Miscellaneous	575,496
Total Operating Expenses	<u>2,338,796</u>
Operating Income (Loss)	<u>(39,264)</u>
Non-Operating Revenues (Expenses):	
Debt Service Interest	(109,570)
Total Non-Operating Revenues (Expenses)	<u>(109,570)</u>
Net Income (Loss) before Transfers	<u>(148,834)</u>
Transfers to other funds	(100,000)
Total transfers	<u>(100,000)</u>
Net Income (Loss)	<u>(248,834)</u>
Net Position:	
Net Position - Beginning	178,175
Net Position - Ending	<u>\$ (70,659)</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, 2013

	Enterprise Fund Landfill Fund
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 2,155,946
<i>Cash Payments to Employees for Services</i>	(355,615)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(1,468,531)
<i>Other Operating Cash Receipts (Payments)</i>	582,198
Net Cash Provided (Used) by Operating Activities	<u>913,998</u>
Cash Flows from Non-capital Financing Activities:	
<i>Transfers From (To) Primary Government</i>	(100,000)
<i>Transfers From (To) Other Funds</i>	5,756
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(94,244)</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Principal and Interest Paid</i>	(391,508)
<i>Acquisition or Construction of Capital Assets</i>	(510,000)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(901,508)</u>
Cash Flows from Investing Activities:	
<i>Purchase of Investment Securities</i>	14,304
Net Cash Provided (Used) for Investing Activities	<u>14,304</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(67,450)
Cash and Cash Equivalents at Beginning of Year	128,176
Cash and Cash Equivalents at End of Year	<u>\$ 60,726</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (39,264)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	518,001
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(143,586)
<i>Increase (Decrease) in Accounts Payable</i>	24,806
<i>Increase (Decrease) in Compensated Absences</i>	10,414
<i>Increase (Decrease) in Accrued Closure/Postclosure cost</i>	543,627
Total Adjustments	953,262
Net Cash Provided (Used) by Operating Activities	<u>\$ 913,998</u>

The accompanying notes are an integral part of this statement.

City of Canton, Mississippi

Notes to the Financial Statements
September 30, 2013

CITY OF CANTON, MISSISSIPPI

Notes to the Financial Statements
September 30, 2013

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City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

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, 2013.

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

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

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

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

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

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

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

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

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

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

A. FINANCIAL REPORTING ENTITY

COMPONENT UNITS

As required by accounting principles generally accepted in the United States of America, the financial statements of the reporting entity include those of the City of Canton (the primary government) and any component units thereof. Component units must either be (1) a legally separate organization for which the elected officials of the primary government are financially

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

accountable or (2) another organization for which the nature and significance of its relationship with the primary government is such that exclusion would cause the City of Canton's financial statements to be misleading or incomplete. Based upon the application of these criteria, those component units are discretely presented in these financial statements are as follows:

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

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

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

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

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

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. In the financial reporting model the focus is on either the City as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental type. In the Government-wide Statement of Net Position, the governmental activities column is presented on a full accrual, 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.).

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

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

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

C. BASIS OF PRESENTATION

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

1. Major Governmental Funds

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

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

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

Special Obligation Bond Series 2011A Fund- This is a 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.

2. Proprietary Funds

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

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

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

3. Non-Current Governmental Assets/Liabilities

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

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet in the fund statements. Long-term assets and long-

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

term liabilities are included in the government-wide statements. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

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

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

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

Franchise and utility taxes, state revenue sharing, charges for services, and fines and forfeitures associated with the current period are considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period.

Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims, and judgments, are recorded only when payment is due.

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, 2013.

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.

City of Canton, Mississippi

OCT 03 2014

Notes to the Financial Statements
For the Year Ended September 30, 2013

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

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

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

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

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

G. UNEARNED REVENUE

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

RECEIVED

H. FUND BALANCES

OCT 03 2014

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 provi-

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2013

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

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

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

I. CASH AND OTHER DEPOSITS AND CASH EQUIVALENTS

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

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

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

J. INVESTMENTS

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

K. INVENTORIES AND PREPAID ITEMS

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

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

L. ACCOUNT RECEIVABLE

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

M. INTERFUND TRANSACTIONS AND BALANCES

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

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

The following is a summary of interfund transactions and balances:

A. Due To/From Other Funds:

	<u>Due from</u>	<u>Due to</u>
Governmental Funds:		
Proprietary Funds	\$	67,339
Other Governmental Funds	<u>67,339</u>	
Total	<u>\$ 67,339</u>	<u>67,339</u>

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

B. Transfers In and Transfers Out:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 100,000	200,000
Proprietary Funds		100,000
Other Governmental Funds	<u>200,000</u>	
Total	<u>\$ 300,000</u>	<u>300,000</u>

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

N. RESTRICTED NET POSITION

Certain proceeds from bonds, notes, and loans, as well as resources for debt service payments, court services, and public improvements monies are classified as restricted net position reported on the government-wide Statement of Net Position because their use is limited by applicable bond covenants and restrictions.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

The following is a summary of restricted net position:

Restricted for:

Health and Welfare	\$	67,339
Unemployment		27,646
Debt service		1,771,897
Capital projects		79,662
Public works		11,911
Public safety		10,419
Court services		919
General government		3,024
Total	\$	<u>1,972,817</u>

O. CAPITAL ASSETS AND LONG - TERM LIABILITIES

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

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

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

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

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

In accordance with GASB Statement No. 34, governmental infrastructure has been capitalized.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset account) and estimated useful lives of capital assets are reported in the government-wide statements and proprietary funds. Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

Capital asset thresholds are as follows:

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

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

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

P. COMPENSATED ABSENCES

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

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

2. CASH, OTHER DEPOSITS, AND INVESTMENTS

A. Cash and Other Deposits

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

The carrying amount of the city's deposits with financial institutions in the governmental funds was \$3,134,835 and \$60,726 in the business-type activities. The bank balance was \$3,553,839.

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, 2013, none of the city's bank balance of \$3,553,839 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 investment contracts and money market investments that had a remaining maturity at the time of purchase of one year or less are reported at amortized cost.

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

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments. As of September 30, 2013, the city had the following investments:

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2013

Investment Type	Fair Value	Credit Ratings	Percentage of Investments	Interest Rates
Federal Agricultural Mortgage Corporation	\$ 126,741	Unrated	17.53%	2.10-4.16%
Federal Home Loan Banks	226,500	Aaa	31.33%	3.0-4.75%
Federal Home Loan Mortgage	102,327	Aaa	14.15%	2.00%
Federal National Mortgage Association	253,828	Aaa	35.11%	2.4
Renasant Trust Money Market	13,542	Unrated	1.87%	
Total Investments	\$ 722,938		100%	

Investment Maturities in Years

Investment Type	Less Than 1	1-5	6-10
Mississippi Development Bank			
Federal Agricultural Mortgage Corporation			126,741
Federal Home Loan Banks		112,466	114,034
Federal Home Loan Mortgage		102,327	
Federal National Mortgage Association		253,828	
Fannie Mae			
Renasant Trust Money Market	13,542		

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, 2013, \$0 of the city's investment balance was insured and was exposed to custodial credit risk as follows:

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

Uninsured and Uncollateralized	\$	0
Uninsured and collateral held by pledging bank's department not in city's name		<u>722,938</u>
Total	\$	<u>722,938</u>

3. RECEIVABLES

A. Accounts Receivable

Accounts receivable at September 30, 2013, consisted of the following:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Accounts Receivable</u>
Property Taxes	\$ 36,816		36,816
Sales & Tourism Tax	263,888		263,888
Customers		200,000	<u>200,000</u>
Total	<u>\$ 300,704</u>	<u>200,000</u>	<u>500,704</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 \$76,297,821. The taxes thus assessed are due and payable as follows:

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

If taxes remain unpaid, the property subject to a tax lien is sold for taxes on the fourth Monday of August. Property taxes receivable reported in the government-wide Statement of Net Position and the governmental funds Balance Sheet represent amounts due for unpaid delinquent property taxes at September 30, 2013. Property taxes that are not considered "available" have been reported as deferred revenues in the governmental funds Balance Sheet.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

5. CAPITAL ASSETS

	Balance 10-1-2012	Additions	Completed Construction	Adjustments	Balance 9-30-2013
<u>Non-depreciable capital assets:</u>					
Land	\$ 4,919,248			(1,862,201)	3,057,047
Construction in progress	1,220,542	1,512,317	(1,220,542)		1,512,317
Total non-depreciable capital assets	<u>6,139,790</u>	<u>1,512,317</u>	<u>(1,220,542)</u>	<u>(1,862,201)</u>	<u>4,569,364</u>
<u>Depreciable capital assets:</u>					
Buildings	5,211,886		1,220,542	(686,729)	5,745,699
Infrastructure	11,611,222				11,611,222
Mobile equipment, including equipment under capital lease	2,320,891	14,173			2,335,064
Furniture and equipment	465,342				465,342
Total depreciable capital assets	<u>19,609,341</u>	<u>14,173</u>	<u>1,220,542</u>	<u>(686,729)</u>	<u>20,157,327</u>
<u>Less accumulated depreciation for:</u>					
Buildings	(3,385,979)	(114,913)		52,824	(3,448,068)
Infrastructure	(8,860,999)	(580,561)			(9,441,560)
Mobile equipment	(1,905,829)	(333,581)			(2,239,410)
Furniture and equipment	(290,377)	(66,477)			(356,854)
Total accumulated depreciation	<u>(14,443,184)</u>	<u>(1,095,532)</u>	<u>0</u>	<u>52,824</u>	<u>(15,485,892)</u>
Total depreciable capital assets, net	<u>5,166,157</u>	<u>1,109,705</u>	<u>1,220,542</u>	<u>(739,553)</u>	<u>4,671,435</u>
Governmental activities capital assets, net	\$ <u>11,305,947</u>	<u>430,958</u>	<u>0</u>	<u>(2,496,106)</u>	<u>9,240,799</u>

Adjustments were made to properly present capital assets at year end.

The following are the amounts spent to September 30, 2013 on a project of the governmental activities of the City of Canton:

Sound Stage \$ 1,512,317

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

6. LONG - TERM OBLIGATIONS

A. Changes in Long - Term Obligations

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

	Balance 10-1-2012	Reductions	Balance 9-30-2013	Amounts due within one year
General Obligation Bonds	\$ 3,165,000	150,000	3,015,000	200,000
Special Obligation Bond, Series 2011A	4,000,000		4,000,000	
Special Obligation Bond, Series 2011B	600,000	350,000	250,000	125,000
Special Obligation Bond, Series 2011C	2,580,000	240,000	2,340,000	245,000
Total	<u>10,345,000</u>	<u>740,000</u>	<u>9,605,000</u>	<u>570,000</u>
<u>Other Long - Term Debt</u>				
Urban Renewal Bonds	1,087,395	30,795	1,056,600	27,147
Allison Wells Note	48,671	32,207	16,464	16,464
Pierce Contender	80,962	18,759	62,203	19,714
Multipurpose & Equine Ctr. Construction	623,316	43,136	580,180	34,205
Canton Municipal Utilities	1,216,667		1,216,667	100,000
Fire Truck	132,260	14,113	118,147	17,153
Breathing Air Compressor	17,161	9,348	7,813	7,813
Total Other Long - Term Debt	<u>3,206,432</u>	<u>148,358</u>	<u>3,058,074</u>	<u>222,496</u>
Total General Long - Term Debt	<u>13,551,432</u>	<u>888,358</u>	<u>12,663,074</u>	<u>792,496</u>
Compensated Absences	\$ 320,015	39,501	280,514	0

	Balance 10-1-2012	Change	Balance 9-30-2013	Amounts due within one year
Bond Discounts	\$ (34,708)	3,500	(31,208)	3,500

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

B. Currently Outstanding Long-Term Obligations

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

	<u>Date of Obligation</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance 9-30-2013</u>
<u>General Obligation Bonds</u>					
General Obligation Bonds	1/1/08	7/1/22	4.75-5.00%	\$ 3,500,000	3,015,000
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	250,000
Special Obligation Bond, Series 2011C	8/10/11	10/1/21	4.59%	2,580,000	2,340,000
Total				<u>\$ 10,680,000</u>	<u>9,605,000</u>
<u>Other Long - Term Debt</u>					
Urban Renewal Bonds	3/24/00	3/24/35	5.130%	\$ 1,299,200	1,056,600
Allison Wells Note	12/15/93	12/15/13	3.0%	500,000	16,464
Pierce Cuntender	6/22/06	2/22/16	5.09%	178,750	62,203
Fire Truck	9/5/10	9/5/19	3.30%	173,460	118,147
Multipurpose & Equine Ctr Construction	6/9/08	6/1/28	2.00%	750,000	580,180
Breathing Air Compressor	4/15/11	12/15/13		28,190	7,813
Canton Municipal Utilities	9/30/00	9/30/19	0%	1,375,000	1,216,667
Total Other Long - Term Debt				<u>\$ 4,304,600</u>	<u>3,058,074</u>

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

General Obligation Bonds

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

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 570,000	267,852	837,852
2015	630,000	243,739	873,739
2016	670,000	217,581	887,581
2017	605,000	190,693	795,693
2018	645,000	162,043	807,043
2019 - 2023	3,160,000	540,699	3,700,699
2024 - 2028	1,815,000	813,194	2,628,194
2029 - 2032	1,510,000	223,963	1,733,963
Total	<u>\$ 9,605,000</u>	<u>2,659,764</u>	<u>12,264,764</u>

This debt is to be retired from the Sinking Fund.

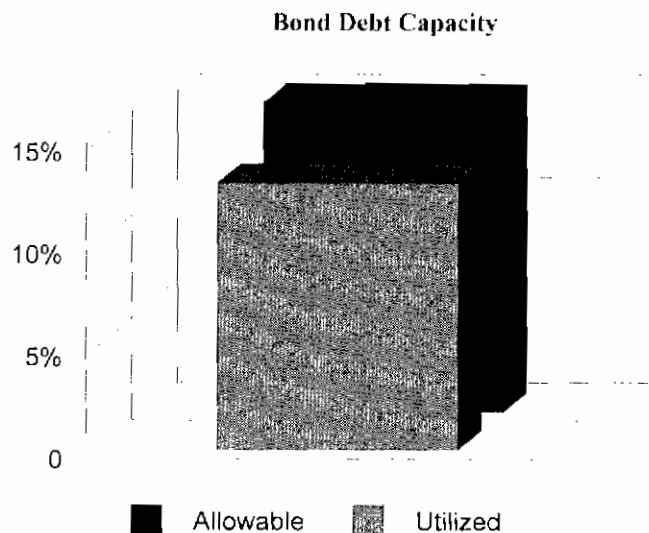
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City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

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, 2013, the amount of outstanding bonded debt was equal to 13% of property assessments of \$76,297,821, computed as follows:

Bonded Debt:	
General Obligation Bonds	\$ 9,605,000
Enterprise Funds	1,840,000
Less Excludable Debt:	
Enterprise Funds	<u>(1,840,000)</u>
Total Debt Subject to Limitation	<u>9,605,000</u>
Assessed Valuation	\$ 76,297,821
Percentage	12.59%



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

Other Long - term Debt

Urban Renewal Bonds

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

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	
	\$1,299,200	3/24/2000	3/24/2035	
Year Ending				
June 30		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		33,154	48,332	81,486
2019 - 2023		193,069	214,361	407,430
2024 - 2028		247,881	159,549	407,430
2029 - 2033		318,253	89,176	407,429
2034 - 2036		147,019	12,274	159,293
Total	\$	<u>1,056,600</u>	<u>732,412</u>	<u>1,789,012</u>

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				
June 30		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$	16,464	247	16,711

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, 2013

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	
Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 19,714	3,166	22,880
2015	20,717	2,163	22,880
2016	21,772	1,108	22,880
Total	\$ 62,203	6,437	68,640

This debt is to be retired from the General Fund.

Multipurpose & Equine Center Construction

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

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	
\$750,000	6/09/2008	6/01/2028	
Year Ending			
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	37,052	8,460	45,512
2019 - 2023	196,783	30,773	227,556
2024 - 2028	205,325	10,115	215,440
Total	\$ 580,180	90,273	670,453

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

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

<u>Year Ending</u>		<u>Principal</u>
<u>June 30</u>		
2014	\$	100,000
2015		191,667
2016		191,667
2017		191,667
2018		220,833
2019		320,833
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

<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
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		21,249	2,402	23,651
2019		22,417	1,233	23,650
Total	\$	118,147	23,756	141,903

This debt is to be retired from the General Fund.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

Breathing Air Compressor

A maturity schedule for the loan is as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	
\$28,190	4/15/2011	12/15/2013	
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2014	\$ 7,813	264	8,077

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, 2013.

	<u>Landfill Management Balance 10-01-2012</u>	<u>Additions</u>	<u>Landfill Management Balance 9-30-2013</u>
<u>Non-depreciable capital assets:</u>			
Land	\$ 212,700		212,700
Total non-depreciable capital assets	<u>212,700</u>	<u>0</u>	<u>212,700</u>
<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	510,000	2,016,304
Total depreciable capital assets	<u>5,200,393</u>	<u>510,000</u>	<u>5,710,393</u>
<u>Less accumulated depreciation for:</u>			
Site Preparations	(640,732)	(19,922)	(660,654)
Equipment Under Capital Lease	(1,202,180)	(210,036)	(1,412,216)
Vehicles and Equipment	(1,288,410)	(288,043)	(1,576,453)
Total accumulated depreciation	<u>(3,131,322)</u>	<u>(518,001)</u>	<u>(3,649,323)</u>
Total depreciable capital assets, net	<u>2,069,071</u>	<u>(8,001)</u>	<u>2,061,070</u>
Governmental activities capital assets, net	\$ <u>2,281,771</u>	<u>(8,001)</u>	<u>2,273,770</u>

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

8. BUSINESS - TYPE ACTIVITIES, LONG - TERM DEBT

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

	Balance 10-1-2012	Additions	Retirements	Balance 9-30-2013	Amounts due within one year
<u>Special Obligation Bonds</u>					
Special Obligation Bonds	\$ 2,050,000		210,000	1,840,000	220,000
Total	2,050,000	0	210,000	1,840,000	220,000
<u>Other Long - Term Debt</u>					
John Deer Tractor	151,055		68,116	82,939	70,855
Total Enterprise Fund Debt	151,055	0	68,116	82,939	70,855

Compensated Absences \$ 11,270 10,414 21,684

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, 2013, the amount borrowed and payable on this obligation was \$1,840,000.

A maturity schedule for the loan is as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	
\$3,020,000	6/1/2008	9/30/2020	
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>			
2014	\$ 220,000	97,520	317,520
2015	240,000	85,860	325,860
2016	250,000	73,140	323,140
2017	260,000	59,890	319,890
2018	280,000	23,055	303,055
2019 - 2020	590,000	47,170	637,170
Total	\$ 1,840,000	386,635	2,226,635

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

Other Long - Term Debt

John Deere Tractor 001-0065864

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		
Year Ending				
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2014	\$ 70,855	2,002	72,857	
2015	12,084	60	12,144	
Total	\$ 82,939	2,062	85,001	

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

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, 2013, \$783,914 of the refunding bonds, outstanding were defeased.

At September 30, 2013, 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, 2013

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 15.75% 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, 2013, 2012 and 2011 were \$608,303, \$540,810, and \$471,035, respectively, which equaled the required contributions for each year.

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains one Enterprise Fund. Segment information for the year ended September 30, 2013 follows:

	Landfill
Operating Revenues	\$ 2,299,532
Operating Expenses	2,338,796
Operating Income	(39,264)
Net Position	(70,659)

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City 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, 2013

13. MUNICIPAL LANDFILL (MSWLF)

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

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

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

- a. Direct Costs - Those costs incurred for a specific purpose which are uniquely traceable to that purpose.
- b. Indirect Costs - Those governmental expenditures that support general service and are directly related to the cost of providing Landfill management services. These costs are allocated to Landfill management by actual costs methods.
- c. Landfill Closure and Postclosure Care Costs - The October 9, 1991, Environmental Protection Agency (EPA) rule, "Landfill Disposal Facility Criteria", established closure requirements for all municipal Landfill landfills that receive Landfill after requirements for all municipal Landfill landfills that receive Landfill after October 9, 1991. The EPA rule also establishes thirty-one Postclosure care requirements for landfills that accept Landfill 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 Landfill 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 Landfill. Recognition begins on the date that the landfill begins accepting Landfill, 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 use

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

(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)	10,960,997	tons
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Capacity used:

Capacity used at 10-01-12	675,333	tons
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Capacity used in the current year	<u>354,557</u>	tons
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Total capacity filled (9.40%)	1,029,890	tons
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Waste received in current year 2012-2013	<u>47,144</u>	
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Total capacity filled at	<u>1,077,034</u>	
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Capacity remaining (current estimates)	9,883,963	tons
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Estimated total closure/postclosure care costs	\$ 1,479,314	
--	--------------	--

Liability for closure/postclosure care costs at September 30, 2013, based on landfill capacity used to date:

Liability as previously reported	\$ 722,235	
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Liability for current year net of adjustment		
--	--	--

for prior year closure cost	<u>\$ 543,627</u>	
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Total liability	<u>\$ 1,265,862</u>	
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Remaining closure/postclosure care to be recognized	<u>\$ 213,452</u>	
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Estimated remaining landfill life based on current usage	210	years
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As of the end of the current year closure and postclosure care financial assurance requirements have been met.

(Signature)

OCT 03 2014

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

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

14. TRANSFERS BETWEEN PRIMARY GOVERNMENT AND SOME COMPONENT UNITS

The component units transferred money to the City of Canton during the fiscal year ended September 30, 2013. 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, 2013.

15. UNBUDGETED FUNDS

The following funds budget were not budgeted for the year ended September 30, 2013:

Funds:

General Funds:

- Police for Better Law Enforcement
- Payroll Clearing

Special Revenue Funds:

- Municipal Fire Rebate Fund
- Delores Blackmon Escrow Fund
- Levi Economic Development Fund
- Multi Purpose Complex Arena
- Court Services
- CDBG Katrina Grant Sound Stage Fund

Capital Projects Funds:

- 2006 Fulton Street Sewer Improvement Fund
- 2007 GO PI Bond Series Fund

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2013

16. INSURANCE LOSS RECOVERIES

The City received \$43,121 in insurance loss recoveries related to worker's compensation refund during the 2012-2013 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as expenditures.

17. PRIOR PERIOD ADJUSTMENTS

A summary of significant Net Position/Fund Balance adjustments is 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 capital assets at year end,	\$ (2,496,106)
Total Governmental Activities	\$ <u>(2,496,106)</u>

18. SUBSEQUENT EVENT

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the City of Canton, Mississippi evaluated the activity of the city through the date the financial statements were available to be issued, and determined that no subsequent events have occurred that require disclosure in the notes to the financial statements.

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, 2013

Exhibit B-1

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Revenues:				
Property taxes	\$ 2,950,000	2,950,000	3,138,414	188,414
Sales taxes	2,457,000	2,457,000	2,667,275	210,275
Franchise taxes (fees)			156,654	156,654
Other taxes			12,474	12,474
Licenses and permits	297,000	297,000	156,331	(140,669)
Other fees	6,000	6,000	478,341	472,341
Fines and forfeitures	837,837	837,837	585,702	(252,135)
Investment income			33,735	33,735
Grants and donations			125,943	125,943
Charges for services	1,380,000	1,380,000	1,280,000	(100,000)
Rental income			31,044	31,044
Drug seizure funds			22,530	22,530
Intergovernmental programs	464,000	464,000	682,219	218,219
Other			17,760	17,760
Total Revenues	8,391,837	8,391,837	9,388,422	996,585
Expenditures:				
General Government	2,644,671	3,134,671	2,728,111	406,560
Public safety:				
Police	1,854,492	2,139,492	2,092,079	47,413
Fire	2,050,944	2,050,944	1,848,058	202,886
Other	510,502	511,102	377,607	133,495
Public services	708,954	894,454	818,444	76,010
Culture and recreation	493,667	553,667	451,461	102,206
Economic development and assistance	480,051	508,051	442,412	65,639
Economic opportunity	109,056	144,056	128,620	15,436
Debt Service:				
Principal			91,776	(91,776)
Miscellaneous			501,508	(501,508)
Total Expenditures	8,852,337	9,936,437	9,480,076	(501,508)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(460,500)	(1,544,600)	(91,654)	1,452,946
Other Financing Sources (Uses):				
Transfers from other funds	460,000	460,000	100,000	(360,000)
Transfers to other funds			(200,000)	(200,000)
Insurance recovery			43,121	43,121
Other income			76,795	76,795
Total Other Financing Sources (Uses)	460,000	460,000	19,916	(440,084)
Net Change in Fund Balances	(500)	(1,084,600)	(71,738)	1,012,862
Fund Balances - Beginning			1,192,551	1,192,551
Fund Balances - Ending	\$ (500)	(1,084,600)	1,120,813	2,205,413

City of Canton, Mississippi

Notes to the Required Supplementary Information
For the Year Ended September 30, 2013

Budgetary Comparison Schedule

(1) **Basis of Presentation.**

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

(2) **Budget amendments and revisions.**

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

SUPPLEMENTARY INFORMATION

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

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CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2013

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
Assets:				
Cash and cash equivalents	\$ 53,919	\$ 96,398	\$ 79,662	\$ 229,979
Due from other funds	67,339	--	--	67,339
Total Assets	\$ 121,258	\$ 96,398	\$ 79,662	\$ 297,318
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ --	\$ 870	\$ --	\$ 870
	--	870	--	870
Fund Balances:				
Restricted:				
Debt service	--	95,528	--	95,528
Unemployment benefits	27,646	--	--	27,646
Health and welfare	67,339	--	--	67,339
General government	3,024	--	--	3,024
Public works	11,911	--	--	11,911
Public safety	10,419	--	--	10,419
Capital projects	--	--	79,662	79,662
Court services	919	--	--	919
Total Fund Balances	121,258	95,528	79,662	296,448
Total Liabilities and Fund Balances	\$ 121,258	\$ 96,398	\$ 79,662	\$ 297,318

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Property taxes	\$ --	\$ 909,153	\$ --	\$ 909,153
Licenses and permits	68,063	--	--	68,063
Investment income	90	--	1	91
Intergovernmental programs	168,394	--	--	168,394
Total Revenues	236,547	909,153	1	1,145,701
Expenditures:				
General Government	168,394	--	187,143	355,537
Economic development and assistance	--	58,741	--	58,741
Debt Service:				
Principal	--	796,582	--	796,582
Interest	--	390,273	--	390,273
Miscellaneous	169,635	33,817	20	203,472
Total Expenditures	338,029	1,279,413	187,163	1,804,605
Excess of Revenues Over (Under) Expenditures	(101,482)	(370,260)	(187,162)	(658,904)
Other Financing Sources (Uses):				
Transfers from other funds	--	200,000	--	200,000
Total Other Financing Sources (Uses)	--	200,000	--	200,000
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(101,482)	(170,260)	(187,162)	(458,904)
Fund Balances:				
Fund balances - Beginning	222,740	265,788	266,824	755,352
Fund balances - Ending	\$ 121,258	\$ 95,528	\$ 79,662	\$ 296,448

SPECIAL REVENUE FUNDS

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

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

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

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CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2013

	Police Communication Fund	Municipal Fire Rebate Fund	Delores Blackmon Escrow Fund	CDBG 1995 Project Grant
Assets:				
Cash and cash equivalents	\$ 276	\$ --	\$ 2,735	\$ 1
Due from other funds	--	67,339	--	--
Total Assets	\$ 276	\$ 67,339	\$ 2,735	\$ 1
Liabilities and Fund Balances:				
Liabilities:				
	--	--	--	--
Fund Balances:				
Restricted:				
Unemployment benefits	\$ --	\$ --	\$ --	\$ --
Health and welfare	--	67,339	--	--
General government	--	--	2,735	--
Public works	--	--	--	--
Public safety	276	--	--	1
Court services	--	--	--	--
Total Fund Balances	276	67,339	2,735	1
Total Liabilities and Fund Balances	\$ 276	\$ 67,339	\$ 2,735	\$ 1

Bertha Ratcliff Housing	Levi Econ. Development Fund	Multi Purpose Complex Arena	Court Services Fund	Task Force Drug Seizure Fund
\$ 289	\$ 8,858	\$ 3,053	\$ 919	\$ 9,835
--	--	--	--	--
<u>\$ 289</u>	<u>\$ 8,858</u>	<u>\$ 3,053</u>	<u>\$ 919</u>	<u>\$ 9,835</u>
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
289	--	--	--	--
--	8,858	3,053	--	--
--	--	--	--	9,835
--	--	--	919	--
<u>289</u>	<u>8,858</u>	<u>3,053</u>	<u>919</u>	<u>9,835</u>
<u>\$ 289</u>	<u>\$ 8,858</u>	<u>\$ 3,053</u>	<u>\$ 919</u>	<u>\$ 9,835</u>

CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2013

	Employment Insurance Revolving	Police MCP Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
Assets:			
Cash and cash equivalents	\$ 27,646	\$ 307	\$ 53,919
Due from other funds	--	--	67,339
Total Assets	\$ 27,646	\$ 307	\$ 121,258
Liabilities and Fund Balances:			
Liabilities:			
	--	--	--
Fund Balances:			
Restricted:			
Unemployment benefits	\$ 27,646	\$ --	\$ 27,646
Health and welfare	--	--	67,339
General government	--	--	3,024
Public works	--	--	11,911
Public safety	--	307	10,419
Court services	--	--	919
Total Fund Balances	27,646	307	121,258
Total Liabilities and Fund Balances	\$ 27,646	\$ 307	\$ 121,258


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CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Police Communication Fund	Municipal Fire Rebate Fund	Delores Blackmon Escrow Fund	CDBG 1995 Project Grant
Revenues:				
Licenses and permits	\$ --	\$ 68,063	\$ --	\$ --
Investment income	--	--	--	--
Intergovernmental programs	--	--	--	--
Total Revenues	<u>--</u>	<u>68,063</u>	<u>--</u>	<u>--</u>
Expenditures:				
General Government	--	--	--	--
Debt Service:				
Miscellaneous	--	119,701	15	--
Total Expenditures	<u>--</u>	<u>119,701</u>	<u>15</u>	<u>--</u>
Excess of Revenues Over (Under) Expenditures	--	(51,638)	(15)	--
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	--	(51,638)	(15)	--
Fund Balances:				
Fund balances - Beginning	276	118,977	2,750	1
Fund balances - Ending	<u>\$ 276</u>	<u>\$ 67,339</u>	<u>\$ 2,735</u>	<u>\$ 1</u>

Bertha Ratcliff Housing	Levi Econ. Development Fund	Multi Purpose Complex Arena	Court Services Fund	Task Force Drug Seizure Fund
\$ --	\$ --	\$ --	\$ --	\$ --
--	21	--	--	--
--	--	--	--	--
<u>--</u>	<u>21</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	--	--	--	--
--	15	49,889	15	--
<u>--</u>	<u>15</u>	<u>49,889</u>	<u>15</u>	<u>--</u>
--	6	(49,889)	(15)	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
--	6	(49,889)	(15)	--
289	8,852	52,942	934	9,835
<u>\$ 289</u>	<u>\$ 8,858</u>	<u>\$ 3,053</u>	<u>\$ 919</u>	<u>\$ 9,835</u>

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Employment Insurance Revolving	Police MCP Fund	CDBG Katrina Grant Sound Stage Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:				
Licenses and permits	\$ --	\$ --	\$ --	\$ 68,063
Investment income	69	--	--	90
Intergovernmental programs	--	--	168,394	168,394
Total Revenues	69	--	168,394	236,547
Expenditures:				
General Government	--	--	168,394	168,394
Debt Service:				
Miscellaneous	--	--	--	169,635
Total Expenditures	--	--	168,394	338,029
Excess of Revenues Over (Under) Expenditures	69	--	--	(101,482)
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	--	--	--	--
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	69	--	--	(101,482)
Fund Balances:				
Fund balances - Beginning	27,577	307	--	222,740
Fund balances - Ending	\$ 27,646	\$ 307	\$ --	\$ 121,258

DEBT SERVICE FUNDS

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

The City maintains the following debt service funds:

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

CITY OF CANTON
SPECIAL OBLIGATION BOND SERIES 2011A FUND
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Exhibit C-5

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Investment income			3	3
Other			50,000	50,000
Total Revenues	-	-	50,003	50,003
Expenditures:				
General Government	3,569,400	3,569,400	1,742,362	1,827,038
Debt Service:				
Miscellaneous		25,000	376,971	(351,971)
Total Expenditures	3,569,400	3,594,400	2,119,333	1,475,067
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,569,400)	(3,594,400)	(2,069,330)	1,525,070
Non-Operating Revenues (Expenses):				
Other financing sources	3,569,400	3,569,400		(3,569,400)
Total Other Financing Sources (Uses)	3,569,400	3,569,400	-	(3,569,400)
Net Change in Fund Balances	-	(25,000)	(2,069,330)	(2,044,330)
Fund Balances - Beginning			3,815,264	3,815,264
Fund Balances - Ending	\$ -	(25,000)	1,745,934	1,770,934

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CITY OF CANTON

COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 SEPTEMBER 30, 2013

	Sinking Fund	Industrial Bond Retirement	Total Nonmajor Debt Service Funds (See Exhibit C-1)
Assets:			
Cash and cash equivalents	\$ 84,971	\$ 11,427	\$ 96,398
Total Assets	\$ 84,971	\$ 11,427	\$ 96,398
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 870	\$ --	\$ 870
Total Liabilities	870	--	870
Fund Balances:			
Restricted:			
Debt service	84,101	11,427	95,528
Total Fund Balances	84,101	11,427	95,528
Total Liabilities and Fund Balances	\$ 84,971	\$ 11,427	\$ 96,398

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Sinking Fund	Industrial Bond Retirement	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Property taxes	\$ 909,153	\$ --	\$ 909,153
Total Revenues	<u>909,153</u>	<u>--</u>	<u>909,153</u>
Expenditures:			
Economic development and assistance	58,741	--	58,741
Debt Service:			
Principal	796,582	--	796,582
Interest	390,273	--	390,273
Miscellaneous	33,801	16	33,817
Total Expenditures	<u>1,279,397</u>	<u>16</u>	<u>1,279,413</u>
Excess of Revenues Over (Under) Expenditures	(370,244)	(16)	(370,260)
Other Financing Sources (Uses):			
Transfers from other funds	200,000	--	200,000
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>--</u>	<u>200,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(170,244)	(16)	(170,260)
Fund Balances:			
Fund balances - Beginning	254,345	11,443	265,788
Fund balances - Ending	<u>\$ 84,101</u>	<u>\$ 11,427</u>	<u>\$ 95,528</u>

CAPITAL PROJECT FUNDS

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

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

1. 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

CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2013

	<u>CDBG Fund</u>	<u>2006 Fulton Street Sewer Improvement</u>
Assets:		
Cash and cash equivalents	\$ 1,271	\$ 78,225
Total Assets	<u>\$ 1,271</u>	<u>\$ 78,225</u>
Liabilities and Fund Balances:		
Liabilities:		
	--	--
Fund Balances:		
Restricted:		
General government	--	--
Capital projects	\$ 1,271	\$ 78,225
Total Fund Balances	<u>1,271</u>	<u>78,225</u>
Total Liabilities and Fund Balances	<u>\$ 1,271</u>	<u>\$ 78,225</u>

Connector Road Fund	2007 GO PI Bond Series Fund	GOB 96 Construction Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ 87	\$ (5)	\$ 84	\$ 79,662
\$ 87	\$ (5)	\$ 84	\$ 79,662
--	--	--	--
\$ 87	\$ (5)	\$ 84	\$ 79,662
87	(5)	84	79,662
\$ 87	\$ (5)	\$ 84	\$ 79,662

CITY OF CANTON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	CDBG Fund	2006 Fulton Street Sewer Improvement
Revenues:		
Investment income	\$ 1	\$ --
Total Revenues	<u>1</u>	<u>--</u>
Expenditures:		
General Government	--	--
Public safety:		
Debt Service:		
Miscellaneous	--	15
Total Expenditures	<u>--</u>	<u>15</u>
Excess of Revenues Over (Under) Expenditures	1	(15)
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	1	(15)
Fund Balances:		
Fund balances - Beginning	1,270	78,240
Fund balances - Ending	<u>\$ 1,271</u>	<u>\$ 78,225</u>

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Connector Road Fund	2007 GO PI Bond Series Fund	GOB 96 Construction Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
\$ --	\$ --	\$ --	\$ 1
--	--	--	1
--	187,143	--	187,143
--	5	--	20
--	187,148	--	187,163
--	(187,148)	--	(187,162)
--	--	--	--
--	(187,148)	--	(187,162)
87	187,143	84	266,824
<u>\$ 87</u>	<u>\$ (5)</u>	<u>\$ 84</u>	<u>\$ 79,662</u>

ENTERPRISE FUND

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

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

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

CITY OF CANTON
 LANDFILL FUND
 ENTERPRISE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED SEPTEMBER 30, 2013

Exhibit C-10

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Operating Revenues:				
Charges for services	\$ 2,338,839	2,338,839	2,299,532	(39,307)
Total Operating Revenues	<u>2,338,839</u>	<u>2,338,839</u>	<u>2,299,532</u>	<u>(39,307)</u>
Operating Expenses:				
Personal services - salaries and wages	396,679	396,679	246,291	150,388
Personal services - employee benefits			98,910	(98,910)
Purchased professional and technical services	1,103,800	1,103,800	681,363	422,437
Supplies			2,178	(2,178)
Landfill expenses	140,800	145,800	216,557	(70,757)
Depreciation			518,001	(518,001)
Miscellaneous	697,960	722,960	575,496	147,464
Total Operating Expenses	<u>2,339,239</u>	<u>2,369,239</u>	<u>2,338,796</u>	<u>30,443</u>
Operating Income (Loss)	<u>(400)</u>	<u>(30,400)</u>	<u>(39,264)</u>	<u>(8,864)</u>
Non-Operating Revenues (Expenses):				
Debt Service Interest			(109,570)	(109,570)
Total Non-Operating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>(109,570)</u>	<u>(109,570)</u>
Net Income (Loss) before Transfers	<u>(400)</u>	<u>(30,400)</u>	<u>(148,834)</u>	<u>(118,434)</u>
Transfers to other funds	400	400	(100,000)	(100,400)
Total Transfers	<u>400</u>	<u>400</u>	<u>(100,000)</u>	<u>(100,400)</u>
Net Change in Net Position	<u>-</u>	<u>(30,000)</u>	<u>(248,834)</u>	<u>(218,834)</u>
Net Position - Beginning			178,175	178,175
Net Position - Ending	\$ <u>-</u>	<u>(30,000)</u>	<u>(70,659)</u>	<u>(40,659)</u>

COMPONENT UNITS

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

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

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CITY OF CANTON

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS
 SEPTEMBER 30, 2013

	Canton Convention and Visitors Bureau	Canton Redevelopment Authority
Assets:		
Cash and cash equivalents	\$ 8,484	\$ 1,335
Accounts receivable	--	173
Inventories	4,069	32,531
Prepaid items	--	--
Other assets	--	25
Restricted assets:		
Cash and cash equivalents	1,373	4,277
Accrued interest receivable	--	--
Notes receivable, non-current	--	--
Deferred assessment charges	--	--
Land held for resale	--	1,114,715
Capital assets:		
Land and construction in progress	1,001,850	--
Other capital assets, net of accumulated depreciation	3,661,938	166,713
Total Assets	<u>4,677,714</u>	<u>1,319,769</u>
Liabilities:		
Accounts payable	56,940	2,393
Accrued liabilities	4,306	--
Sales tax payable	--	--
Interfund payables	--	--
Customer deposits	--	--
Interest payable	--	3,669
Bonds payable, current	--	--
Notes, and lease obligations, current	154,738	130,322
Notes, and lease obligations, non-current	2,150,426	430,312
Compensated absences, non-current	--	18,569
Assessments payable	--	--
Total Liabilities	<u>2,366,410</u>	<u>585,265</u>
Net Position:		
Net Investment in Capital Assets	2,358,624	166,713
Restricted for:		
Debt Service	--	4,277
Capital projects	1,373	--
Unrestricted	(48,693)	563,514
Total Net Position	<u>\$ 2,311,304</u>	<u>\$ 734,504</u>

Canton Municipal Utilities	Total Component Units
\$ 2,370,135	\$ 2,379,954
2,496,179	2,496,352
1,137,571	1,174,171
95,034	95,034
--	25
13,389,027	13,394,677
1,316	1,316
1,248,667	1,248,667
1,514,994	1,514,994
--	1,114,715
	--
519,675	1,521,525
31,255,427	35,084,078
<u>54,028,025</u>	<u>60,025,508</u>
1,535,318	1,594,651
105,617	109,923
22,306	22,306
55,260	55,260
1,135,040	1,135,040
--	3,669
93,882	93,882
--	285,060
--	2,580,738
--	18,569
1,421,112	1,421,112
<u>4,368,535</u>	<u>7,320,210</u>
31,681,220	34,206,557
13,390,343	13,394,620
--	1,373
4,587,927	5,102,748
<u>\$ 49,659,490</u>	<u>\$ 52,705,298</u>

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CITY OF CANTON

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN NET POSITION - COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

	Canton Convention and Visitors Bureau	Canton Redevelopment Authority
Operating Revenues:		
Connection charges and other sales	\$ --	\$ --
Fairs and festivals	109,106	--
Fuel adjustment electric	--	--
Fuel adjustment gas	--	--
Generation charges - pledged as security for Revenue bonds	--	--
Management fee	40,000	--
Parking tax revenues	--	9,443
Rent	--	5,100
Revenue from Madison County Waste Water Authority	--	--
Train museum	--	294
Unpledged revenues	--	--
Welcome center	73,554	--
Total Operating Revenues	<u>222,660</u>	<u>14,837</u>
Operating Expenses:		
Cost of goods sold	--	--
Advertising	77,049	--
Chemicals	--	--
Dues and subscriptions	--	--
Education	--	--
General administrative	25,881	--
Insurance	--	40,001
IT cost and supplies	--	--
Material and supplies	--	--
Office expenses	--	39,425
Outside services	--	--
Payroll	173,212	--
Postage and printing	--	--
Professional services	67,740	45,923
Promotion and special events	222,654	--
Rent	20,350	--
Repairs and maintenance	20,428	36,777
Salaries, payroll taxes, fringe benefits	--	136,754
Telephone	--	--
Travel	13,391	3,252
Utilities	57,969	13,511
Vehicle	--	--
Depreciation	116,882	6,859
Total Operating Expenses	<u>795,556</u>	<u>322,502</u>
Operating Income (Loss)	(572,896)	(307,665)
Non-Operating Revenues (Expenses):		
Grants	--	264,917
Interest expense	(13,011)	(28,986)
Interest and investment revenue	18	12
Tourism tax revenue	592,649	--
Other income	--	24,528
Other expense	--	(5,339)
Total Other Financing Sources (Uses)	<u>579,656</u>	<u>255,132</u>
Transfers	--	--
Change in Net Position	6,760	(52,533)
Net Position - Beginning, as previously reported	3,074,665	478,460
Prior Period Adjustment	(770,121)	308,577
Net Position - Beginning, as restated	<u>2,304,544</u>	<u>787,037</u>
Net Position - Ending	<u>\$ 2,311,304</u>	<u>\$ 734,504</u>

The accompanying notes are an integral part of this statement.

Canton Municipal Utilities	Total Component Units
\$ 173,577	\$ 173,577
--	109,106
523,326	523,326
(590,054)	(590,054)
379,845	379,845
--	40,000
--	9,443
--	5,100
1,477,033	1,477,033
--	294
21,373,759	21,373,759
--	73,554
<u>23,337,486</u>	<u>23,574,983</u>
12,036,328	12,036,328
--	77,049
112,782	112,782
42,175	42,175
12,034	12,034
--	25,881
133,475	173,476
11,060	11,060
862,750	862,750
--	39,425
860,312	860,312
--	173,212
76,165	76,165
3,507,745	3,621,408
--	222,654
56,627	76,977
444,251	501,456
--	136,754
50,611	50,611
6,844	23,487
722,157	793,637
270,226	270,226
2,060,820	2,184,561
<u>21,266,362</u>	<u>22,384,420</u>
2,071,124	1,190,563
--	264,917
--	(41,997)
--	30
--	592,649
615,484	640,012
--	(5,339)
<u>615,484</u>	<u>1,450,272</u>
(2,299,960)	(2,299,960)
386,648	340,875
48,848,195	52,401,320
424,647	(36,897)
<u>49,272,842</u>	<u>52,364,423</u>
<u>\$ 49,659,490</u>	<u>\$ 52,705,298</u>

OTHER SUPPLEMENTARY INFORMATION

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

City of Canton, Mississippi
 Schedule of Surety Bonds for Municipal Employees
 For the Year Ended September 30, 2013

NAME	EXPIRATION DATE	POSITION	COMPANY	BOND AMOUNT
Eric Gilkey	7/6/2017	Alderman	Brierfield	\$ 100,000
Daphne Sims	6/30/2017	Alderman	Western Surety	\$ 100,000
Les Pen	6/30/2017	Alderman	Brierfield	\$ 100,000
Andrew Grant	6/30/2017	Alderman	Western Surety	\$ 100,000
Olivia Harrell	6/30/2017	Alderman	Brierfield	\$ 100,000
Reuben Myers	7/6/2017	Alderman	Brierfield	\$ 100,000
Rodriguez Brown	6/30/2017	Alderman	Western Surety	\$ 100,000
Donald W. Bates Jr.	3/21/2014	Alderman	Brierfield	\$ 100,000
Arnel Boulden	6/30/2017	Mayor	Brierfield	\$ 100,000
Valerie Smith	11/5/2014	City Clerk	Brierfield	\$ 75,000
Otha Brown	10/1/2014	Police Chief	Brierfield	\$ 50,000
Demsa King	8/12/2014	Deputy Municipal Clerk	Western Surety	\$ 5,000
Debra Brown	8/12/2014	Deputy Municipal Clerk	Western Surety	\$ 5,000
Kelvin McKenzie	4/4/2015	Deputy Municipal Clerk	Brierfield	\$ 5,000
Gwen Miles	8/12/2014	Deputy Municipal Clerk	Western Surety	\$ 5,000
Vaterrria M. Martin	8/12/2014	Deputy Municipal Clerk	Western Surety	\$ 5,000
Melon Garrett	8/12/2014	Deputy Municipal Clerk	Western Surety	\$ 5,000
Donald Lawrence	8/12/2014	Deputy Municipal Clerk	Western Surety	\$ 5,000
Charles Henderson	2/24/2015	Deputy Municipal Clerk	Brierfield	\$ 5,000
Linda Lockett	2/24/2015	Deputy Municipal Clerk	Brierfield	\$ 5,000
Annett Johnson	8/13/2014	Deputy Municipal Clerk	Brierfield	\$ 5,000
Joycette Nichols	8/21/2014	Municipal Clerk	Brierfield	\$ 5,000
Juan Cloy	8/12/2014	Deputy Police Chief	Western Surety	\$ 5,000
Chris Jackson	8/12/2014	Deputy Municipal Clerk	Western Surety	\$ 5,000
Tori Ratliff	8/12/2014	Deputy Municipal Clerk	Western Surety	\$ 5,000
Schealeria Taylor	8/12/2014	Deputy Municipal Clerk	Western Surety	\$ 5,000
Ashley lacey	8/12/2014	Deputy Municipal Clerk	Western Surety	\$ 5,000
Rilanda Reaves	8/12/2014	Deputy Municipal Clerk	Western Surety	\$ 5,000
Lisa Ward	8/12/2014	Deputy Municipal Clerk	Western Surety	\$ 5,000
Alvin Davis	8/12/2014	Deputy Municipal Clerk	Western Surety	\$ 5,000
RickyPratt	8/12/2014	Deputy Municipal Clerk	Western Surety	\$ 5,000

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City of Canton, Mississippi
Schedule of Long-Term Debt
For the Year Ended September 30, 2013

Schedule D-2

	Date of Obligation	Date of Maturity	Interest Rate	Original Amount	Balance	<u>Current Year Transactions</u>	Balance
					October 1, 2012	Retirements	September 30, 2013
Governmental Activities							
General Obligation Bonds							
GOB Public Improvement	1/1/2008	7/1/2022	4.75-5.0%	\$ 3,500,000	\$ 3,165,000	150,000	3,015,000
Discount on Bonds Issued				\$ (52,500)	(34,708)	3,500	(31,208)
Special Obligation Bond, Series 2011A	8/10/2011	10/1/2031	5.750%	\$ 4,000,000	4,000,000		4,000,000
Special Obligation Bond, Series 2011B	8/10/2011	10/1/2015	1.4-1.9%	\$ 600,000	600,000	350,000	250,000
Special Obligation Bond, Series 2011C	8/10/2011	10/1/2021	4.590%	\$ 2,580,000	2,580,000	240,000	2,340,000
Total General Obligation Bonds					<u>10,310,292</u>	<u>743,500</u>	<u>9,573,792</u>
Other Long-Term Debt							
Urban Renewal Bonds	03-24-2000	03-24-2035	5.13%	\$ 1,299,200	1,087,395	30,795	1,056,600
Allison Wells Note	12-15-1993	12-15-2013	3%	\$ 500,000	48,671	32,207	16,464
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	80,962	18,759	62,203
Multipurpose & Equine Center Constructio	06-09-08	06-01-28	2%	\$ 750,000	623,316	43,136	580,180
Fire Truck	9/5/2010	9/5/2019	3.30%	\$ 173,460	132,260	14,113	118,147
Breathing Air Compressor	4/15/2011	12/15/2013		\$ 28,190	17,161	9,348	7,813
Total Other Long-Term Debt					<u>3,206,432</u>	<u>148,358</u>	<u>3,058,074</u>
Total General Long-Term Debt					<u>\$ 13,516,724</u>	<u>891,858</u>	<u>12,631,866</u>
Business-Type Activities							
Special Obligation Bonds							
Special Obligation Revenue Bond	6/1/2008	09-30-20	5.300%	\$ 3,020,000	\$ 2,050,000	210,000	1,840,000
Other Long-Term Debt							
John Deere Tractor 001-0065864	12/17/2009	12/17/2014	3.950%	\$ 331,166	151,055	68,116	82,939
Total Enterprise Fund					<u>\$ 2,201,055</u>	<u>278,116</u>	<u>1,922,939</u>

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

GCT 03 2013

FORTENBERRY BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and Board of Aldermen
City of Canton, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate 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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 11, 2014. 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 Municipal Utilities, component unit, which represent 90% of the assets, 99% of the revenues and 94% of the net position of the 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.

Internal Control Over Financial Reporting

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

Our consideration of 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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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 Responses to be material weaknesses. [Finding 2013-1 and 2013-2].

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Canton, Mississippi's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. 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 September 11, 2014, 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 Responses. 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
September 11, 2014

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, the business-type 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, 2013, which collectively comprise the City of Canton's basic financial statements and have issued our report thereon dated September 11, 2014. 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*.

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 funds:

Special Revenue Funds:

- Municipal Fire Rebate Fund
- Delores Blackmon Escrow Fund
- Levi Economic Development Fund
- Multi-Purpose Complex Arena Fund
- Court Services Fund
- CDBG Katrina Grant Sound Stage Fund

Capital Project Funds:

- 2006 Fulton Street Sewer Improvement Fund
- 2007 GO PI Bond Series 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 21-3-5, Mississippi Code Annotated (1972), states that different individuals should be properly bonded. We found twenty (20) 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
September 11, 2014

Certified Public Accountants

SCHEDULE OF FINDINGS AND RESPONSES

City of Canton, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2013

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. |

Section 2: Financial Statements Findings

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

Material Weaknesses:

Finding 2013-1:

Criteria:

Management is responsible for establishing an internal control system that ensures capital assets are recorded 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.

Condition:

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

Cause:

Controls were not in place to ensure the accurate and timely recording of capital assets as well as annual inventories.

Effect:

The lack of internal controls on capital assets could result in misstatement of capital assets.

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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.

Finding 2013-2:

Criteria:

Management is responsible for establishing an internal control system that ensures strong financial accountability and safeguarding of assets.

Condition:

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.

Cause:

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

Effect:

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

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.