

City of Canton, Mississippi

Audited Financial Statements
For the Year Ended September 30, 2016

Fortenberry & Ballard, P.C.
Certified Public Accountants

City of Canton, Mississippi
Audited Financial Statements
For the Year Ended September 30, 2016

Table of Contents

FINANCIAL SECTION

Page #

Independent Auditor's Report on the Basic Financial Statements	6
And Supplementary Information	6
Management's Discussion and Analysis (Required Supplementary Information)	10

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:

Exhibit A-1	
Statement of Net Position	24
Exhibit A-2	
Statement of Activities	25

Fund Financial Statements:

Exhibit A-3	
Balance Sheet - Governmental Funds	26
Exhibit A-4	
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	27
Exhibit A-5	
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	28
Exhibit A-6	
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	29
Exhibit A-7	
Statement of Net Position - Proprietary Funds	30
Exhibit A-8	
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	31
Exhibit A-9	
Statement of Cash Flows - Proprietary Funds	32

Notes to the Financial Statements	34
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Required Supplementary Information (Unaudited):

Exhibit B-1	
General Fund	
Budgetary Comparison Schedule	73
Schedule of the City's Proportionate Share of the Net Pension Liability	74
Schedule of the City's Contributions	75

Notes to the Required Supplementary Information	76
-------------------------------------------------------	----

**Combining Statements and Budget Comparisons as Supplementary Information
(Unaudited):**

Exhibit C-1	
Combining Balance Sheet	
Nonmajor Governmental Funds	78
Exhibit C-2	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Nonmajor Governmental Funds	79
Exhibit C-3	
Combining Balance Sheet	
Nonmajor Special Revenue Funds	82
Exhibit C-4	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Nonmajor Special Revenue Funds	86
Exhibit C-5	
Combining Balance Sheet	
Nonmajor Debt Service Funds	90
Exhibit C-6	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Nonmajor Debt Service Funds	91
Exhibit C-7	
Combining Balance Sheet	
Nonmajor Capital Project Funds	94
Exhibit C-8	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Nonmajor Capital Projects Funds	98
Exhibit C-9	
Landfill Fund	
Enterprise Fund	
Budgetary Comparison Schedule	102
Exhibit C-10	
Combining Statement of Net Position	
Component Units	104
Exhibit C-11	
Combining Statement of Revenues, Expenses, and Changes in Net Position - Component Units	105

Other Supplementary Information:

Schedule D-1: Schedule of Surety Bonds for Municipal Employees 107
Schedule D-2: Schedule of Long-term Debt 108

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards* 110

Independent Auditor's Report on Compliance with State Laws and Regulations 113

SCHEDULE OF FINDINGS AND RESPONSES

Schedule of Findings and Responses 117

FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and Board of Aldermen
City of Canton, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Canton, Mississippi, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City of Canton, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal

control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canton, Mississippi, as of September 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the City's Proportionate Share of the Net Pension Liability, and the Schedule of City Contributions on pages 10-22 and 73-76, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Canton, Mississippi's basic financial statements. The combining and individual nonmajor fund financial statements, the other schedules (D-1 to D-2), the budgetary schedules, and accompanying component unit combining statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, the other schedules (D-1 to D-2), the budgetary schedules, and the accompanying component unit combining statements are

the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual nonmajor fund financial statements, the other schedules (D-1 to D-2), the budgetary schedules, and the component units combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2017, on our consideration of the City of Canton, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Canton, Mississippi's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 7, 2017

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016

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, 2016. 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 increased \$2,043,213 in 2016, including a prior period adjustment of \$1,020,981, which represents a 16% increase from fiscal year 2015. Total net position decreased \$9,309,927 in 2015, including a prior period adjustment of (\$6,942,577), which represents a 282% decrease from fiscal year 2014. This prior period adjustment was mainly to recognize the pension liability for fiscal year 2014 as a result of GASB Statement 68 and 71 implementation.
- General revenues account for \$12,826,128, or 86% of all revenues in 2016. This amount was less than the prior year (2015), which consisted of \$12,902,233 in general revenues. Program specific revenues in the form of charges for services accounted for \$2,038,285 or 14% of total revenues compared with \$1,742,801 in 2015.
- The City had \$13,842,181 in expenses, an amount that decreased when compared with the \$17,012,384 in expenses for the prior year; \$2,038,285 of these expenses were offset by program specific charges for services. General revenues of \$12,826,128 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$10,547,361 in revenues and \$10,777,107 in expenditures. In 2015 the General Fund had \$11,108,894 in revenues and \$10,791,900 in expenditures. The General Fund's fund balance increased by \$397,194, including a prior period adjustment of \$854,897, from 2015 to 2016, and increased by \$488,739, including a prior period adjustment of (\$85,905) from 2014 to 2015.
- The Enterprise Fund - Landfill Fund had \$2,038,285 in revenues and \$1,667,568 in expenses. Its net income was \$84,745, including a prior period adjustment of (\$208,067), which was mainly due to adjustments to properly present long-term debt at year end. Last year it showed \$1,742,801 in revenues and \$2,044,170 in expenses. Its net loss for the previous year was \$174,106, including a prior period adjustment of \$204,464, which was mainly to record prior year assets and liabilities for the prior fiscal year, in the current fiscal year.
- Capital assets, net of accumulated depreciation, increased by \$2,415,517 in the governmental activities. This increase in the governmental activities was primarily due to the additions to infrastructure and mobile equipment.

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016

- Capital assets decreased \$144,008 in the business-type activities mainly due to the depreciation expense during the year.
- Long-term debt, including compensated absences, bond premiums and discounts, increased by \$345,279 in the governmental activities from 2015 to 2016. The increase in the governmental activities was mainly due to the issuance of the general obligation refunding debt totaling \$7,170,000.
- Long-term debt, including compensated absences, decreased by \$96,627 in the business-type activities from 2015 to 2016. The decrease in the business-type activities was mainly due to principal payments made on outstanding long-term debt.

Using this Annual Financial Report

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

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

Reporting the City of Canton as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016

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

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

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

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

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

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

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

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016

Reporting the City of Canton's Most Significant Funds

Fund Financial Statements

Fund financial statements 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 fund is General Fund.

Governmental Funds

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

The City of Canton as a Whole

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the government's financial position. In the case of the City, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$10,571,343 as of September 30, 2016. The following table presents a summary of the City's Governmental Activities net position at September 30, 2016 and 2015, respectively.

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016

**Condensed Statement of Net Position
Governmental Activities**

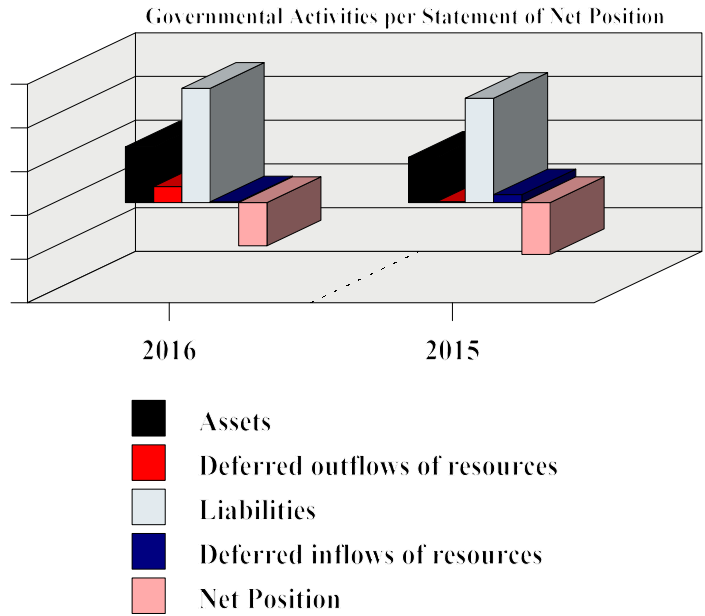
	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
Current assets	\$ 2,401,451	2,452,663	(2)%
Capital assets, net	10,300,438	7,884,921	31%
Total Assets	<u>12,701,889</u>	<u>10,337,584</u>	23%
Deferred outflows of resources	<u>3,657,485</u>	<u>1,773,193</u>	106%
Current liabilities	1,407,186	1,179,535	19%
Long-term liabilities	12,776,863	12,612,584	1%
Net pension liability	11,941,224	10,002,216	19%
Total Liabilities	<u>26,125,273</u>	<u>23,794,335</u>	10%
Deferred inflows of resources	<u>156,501</u>	<u>197,310</u>	(21)%
Net Position:			
Net investment in capital assets	(2,208,460)	(5,256,425)	58%
Restricted	235,311	608,074	(61)%
Unrestricted	(7,949,251)	(7,232,517)	(10)%
Total Net Position (deficit)	<u>\$ (9,922,400)</u>	<u>(11,880,868)</u>	16%

The net investment in capital assets amount was (\$2,208,460). 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, \$235,311 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, public works and unemployment benefits. The remainder of the City's net position had an unrestricted negative balance in the amount of \$7,949,251.

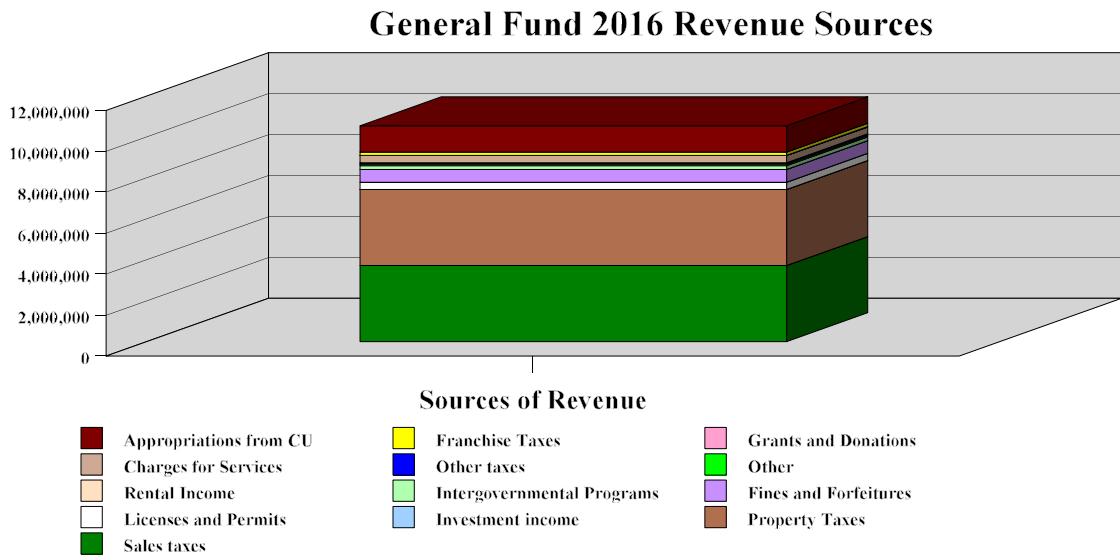
The following chart depicts the City's Governmental Activities' assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at September 30, 2016 and 2015.

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016



GENERAL GOVERNMENT FUNCTIONS

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



City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016

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 35% of General Fund revenues in fiscal year 2016. When compared to the fiscal year 2015, sales tax revenue increased from prior year. Sales tax collections in fiscal year 2016 were \$3,718,393, an increase over the \$2,994,752 collected in 2015. Total General Fund operating revenues were \$10,547,361, a decrease of \$561,533 over the prior year.

Expenditures

General Fund operating expenditures were \$10,777,107, a decrease of \$14,793 or 0.14% over the prior year. In the prior year, General Fund operating expenditures accounted for \$10,791,900. The following schedule presents the General Fund revenues and expenditures for the year ended September 30, 2016, and the amount and percentage of change from 2015.

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016

GENERAL FUND (GAAP BASIS) (in thousands)

	2016 Amount	2015 Amount	Dollar Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Revenues:				
Property Tax	\$ 3,705	\$ 3,511	\$194	5.5%
Sales Taxes	3,718	2,995	723	24.1%
Franchise Fees	160	221	(61)	(27.6)%
Other Taxes	8	11	(3)	(27.3)%
Licenses and Permits	341	222	119	53.6%
Other Fees	70	585	(515)	(88.0)%
Intergovernmental	186	732	(546)	(74.6)%
Charges for Services	348	1,280	(932)	(72.8)%
Fines	634	961	(327)	(34.0)%
Grants and Donations	12	430	(418)	(97.2)%
Investment Income	14	31	(17)	(54.8)%
Rental Income	56	17	39	229.4%
Drug Seizure Funds		1	(1)	(100.0)%
Appropriations from Component Units	1,295		1,295	N/A
Miscellaneous		112	(112)	(100.0)%
Total Revenues	\$ 10,547	\$ 11,109	\$ (562)	(5.1)%
Expenditures:				
General Government	\$ 3,210	\$ 3,906	\$ (696)	(17.8)%
Public Safety	4,663	4,492	171	3.8%
Public Services	955	935	20	2.1%
Culture and Recreation	855	848	7	0.8%
Economic Opportunity	174	166	8	4.8%
Economic Development	230	225	5	2.2%
Debt Service	690	219	471	215.1%
TOTAL EXPENDITURES	\$ 10,777	\$ 10,791	\$ (14)	(0.1)%

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016

Status of Fund Balance in General Fund

On the General Fund balance sheet, fund balance is presented showing the unassigned portion which is available for spending. The fiscal year 2016 ending unassigned fund balance is \$1,850,882 which means that is available for spending.

PROPRIETARY FUNDS

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

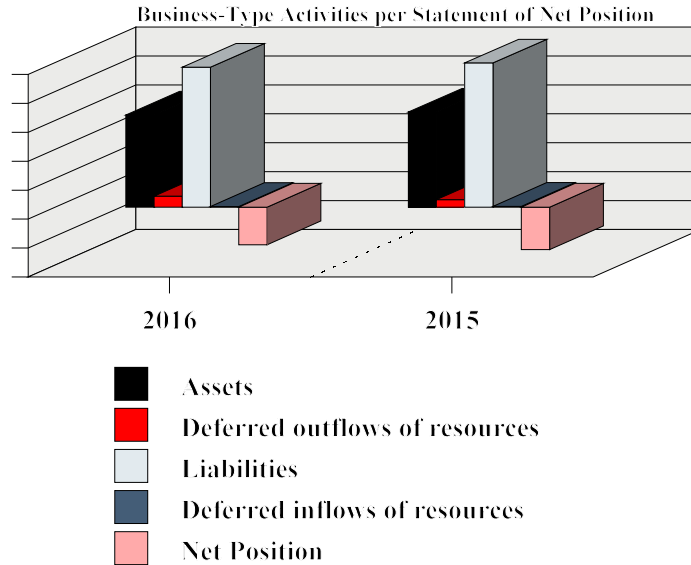
The following chart depicts the total assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position for the business-type activities from the Government-Wide Statement of Net Position.

**Condensed Statement of Net Position
Business-Type Activities**

	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
Current assets	\$ 952,226	859,787	11%
Capital assets, net	640,547	784,555	(18)%
Total assets	<u>1,592,773</u>	<u>1,644,342</u>	(3)%
Deferred outflows of resources	<u>190,357</u>	<u>129,630</u>	47%
Current liabilities	524,970	595,588	(12)%
Long-term debt	1,022,688	1,166,427	(12)%
Net pension liability	872,973	731,220	19%
Total liabilities	<u>2,420,631</u>	<u>2,493,235</u>	(3)%
Deferred inflows of resources	<u>11,442</u>	<u>14,425</u>	(21)%
Net position:			
Net investment in capital assets	(666,232)	(617,301)	8%
Restricted:			
Public works	17,289		N/A
Unrestricted		(116,387)	(100)%
Total net position (deficit)	<u>\$ (648,943)</u>	<u>(733,688)</u>	(12)%

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016

The following chart depicts the City's Business-Type Activities assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position for the fiscal years ended September 30, 2016 and 2015, respectively.



Landfill Management Fund

Comparative financial data of the Landfill Management Fund for the September 30, 2016 and 2015 is presented below:

	2016	2015
Operating Revenues	\$ 2,038,285	\$ 1,742,801
Operating Expenses	1,667,568	2,044,170
Operating Income (Loss)	\$ 370,717	\$ (301,369)

General Fund Budgeting Highlights

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

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016

Capital Assets and Long-Term Debt

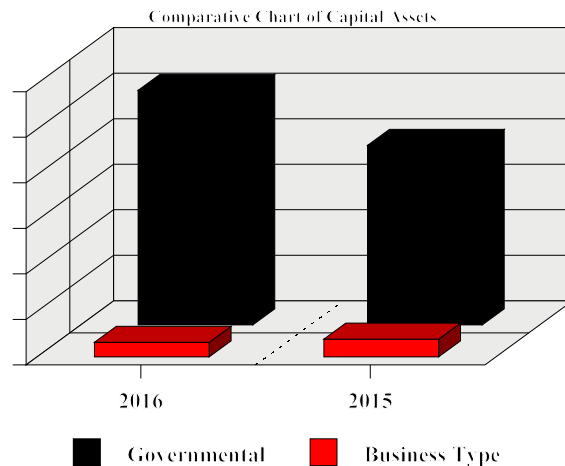
The following section shows what the capital assets consist of for both the Governmental and Business-Type Activities at September 30, 2016 and 2015, respectively.

Capital Assets at September 30, 2016
Governmental Activities

	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 2,987,827	2,987,827	0%
Buildings	6,345,669	6,345,669	0%
Infrastructure	5,972,287	3,400,380	76%
Mobile equipment	2,331,654	2,194,478	6%
Furniture and equipment	584,180	612,718	(5)%
Accumulated depreciation	(7,921,179)	(7,656,151)	(3)%
Total	\$ 10,300,438	7,884,921	31%

Capital Assets at September 30, 2016
Business-Type Activities

	<u>September 30, 2016</u>	<u>September 30, 2015</u>	<u>Percentage Change</u>
Land	\$ 38,380	38,380	0%
Site preparations	1,013,723	1,013,723	0%
Vehicles and equipment	866,945	874,288	(1)%
Accumulated depreciation	(1,278,501)	(1,141,836)	(12)%
Total	\$ 640,547	784,555	(18)%



City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016

Long-Term Debt

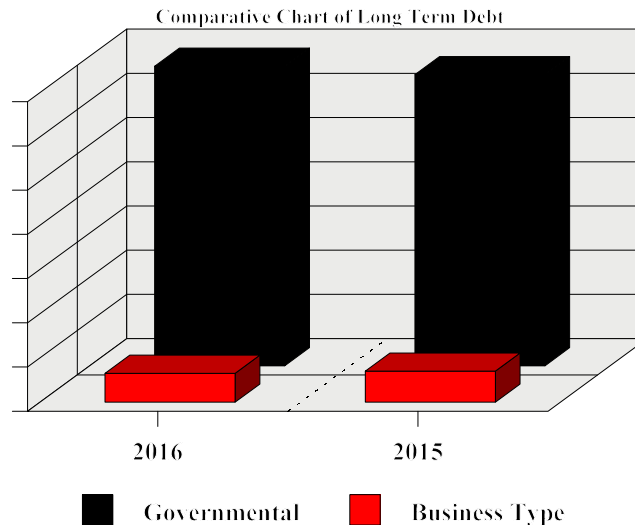
At September 30, 2016, the City of Canton had \$11,575,000 in outstanding General, Special Obligation Bonds, Tax Increment Financing Bond, \$86,836 in premiums, \$70,420 in bond discounts and \$1,971,103 in other long-term debt outstanding reported under the governmental activities. The City also reported \$1,130,000 in outstanding Special Obligation Bonds and \$176,779 in other long-term debt reported in the business-type activities.

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

	<u>September 30, 2016</u>	<u>September 30, 2015</u>	Percentage Change
Bonds	\$ 11,575,000	11,095,000	4%
Other long term debt	1,971,103	2,070,554	(5)%
Total	\$ 13,546,103	13,165,554	3%

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

	<u>September 30, 2016</u>	<u>September 30, 2015</u>	Percentage Change
Bonds	\$ 1,130,000	1,380,000	(18)%
Other long term debt	176,779	21,856	709%
Total	\$ 1,306,779	1,401,856	(7)%



City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2016

Current Financial Related Activities

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

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

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

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

Contacting the City's Finance Department

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

FINANCIAL STATEMENTS

CITY OF CANTON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

EXHIBIT A-1

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 891,536	\$ 141,868	\$ 1,033,404	\$ 3,356,467
Cash with fiscal agents	--	93,813	93,813	--
Investments	--	668,161	668,161	--
Accounts receivable, net	1,408,739	48,384	1,457,123	3,359,817
Inventory	--	--	--	1,109,844
Prepaid Items	101,176	--	101,176	41,694
Restricted Assets:				
Cash and cash equivalents	--	--	--	1,217,506
Temporary cash investments	--	--	--	8,945,132
Deferred assessment charges	--	--	--	1,229,536
Land and properties held for resale	--	--	--	1,118,691
Other investments	--	--	--	3,246
Other assets	--	--	--	1,333
Capital assets:				
Land	2,987,827	38,380	3,026,207	3,341,394
Other capital assets, net of accumulated depreciation	7,312,611	602,167	7,914,778	28,716,842
Total Assets	<u>12,701,889</u>	<u>1,592,773</u>	<u>14,294,662</u>	<u>52,441,502</u>
Deferred Outflows of Resources				
Deferred outflows related to pension	2,603,864	190,357	2,794,221	1,923,403
Deferred outflows from advance refunding of debt	1,053,621	--	1,053,621	--
Total Deferred Outflows of Resources	<u>3,657,485</u>	<u>190,357</u>	<u>3,847,842</u>	<u>1,923,403</u>
Liabilities:				
Accounts payable	25,601	4,732	30,333	1,607,044
Accrued liabilities	--	--	--	8,428
Accrued salaries and related benefits	--	--	--	20,906
Wages and benefits payable	101,779	8,018	109,797	--
Other payables	6,870	--	6,870	305,718
Accrued Closure/Postclosure cost	--	177,375	177,375	--
Solid waste collected for the City of Canton	--	--	--	50,347
Unearned revenues	--	--	--	50,000
Customer deposits	--	--	--	1,293,573
Other accrued expenses	--	--	--	66,859
Interest payable	181,008	21,714	202,722	--
Bonds payable, current	890,000	260,000	1,150,000	--
Notes, and lease obligations, current	183,944	51,679	235,623	162,015
Bond premiums, current	10,950	--	10,950	--
Bond discounts, current	(8,280)	--	(8,280)	--
Compensated absences, current	15,314	1,452	16,766	47,266
Bonds payable, non-current	10,685,000	870,000	11,555,000	--
Notes, and lease obligations, noncurrent	1,787,159	125,100	1,912,259	78,349
Bond premiums, non-current	75,886	--	75,886	--
Bond discounts, non-current	(62,140)	--	(62,140)	--
Assessments payable, non-current	--	--	--	1,127,354
Compensated absences, non-current	290,958	27,588	318,546	103,466
Net pension liability	11,941,224	872,973	12,814,197	9,354,057
Total Liabilities	<u>26,125,273</u>	<u>2,420,631</u>	<u>28,545,904</u>	<u>14,275,382</u>
Deferred Inflow of Resources				
Deferred inflows related to pension	156,501	11,442	167,943	38,597
Total Deferred Inflow of Resources	<u>156,501</u>	<u>11,442</u>	<u>167,943</u>	<u>38,597</u>
Net Position:				
Net Investment in Capital Assets	(2,208,460)	(666,232)	(2,874,692)	30,690,518
Restricted For:				
General government	2,984	--	2,984	--
Debt service	180,076	--	180,076	4,306
Public works	11,944	17,289	29,233	--
Public safety	12,499	--	12,499	--
Unemployment benefits	27,808	--	27,808	--
Unrestricted	(7,949,251)	--	(7,949,251)	9,356,102
Total Net Position (Deficit)	<u>\$ (9,922,400)</u>	<u>\$ (648,943)</u>	<u>\$ (10,571,343)</u>	<u>\$ 40,050,926</u>

The accompanying notes are an integral part of this statement.

CITY OF CANTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Governmental Activities	Business-type Activities	Total	Component Units
Primary government:						
<i>Governmental activities:</i>						
General government	\$ 2,001,358	\$ --	\$ (2,001,358)		\$ (2,001,358)	
Public Safety:						
Police	1,801,780	--	(1,801,780)		(1,801,780)	
Fire	2,015,093	--	(2,015,093)		(2,015,093)	
Other	650,005	--	(650,005)		(650,005)	
Public services	1,994,318	--	(1,994,318)		(1,994,318)	
Health and welfare	29	--	(29)		(29)	
Culture and recreation	1,002,347	--	(1,002,347)		(1,002,347)	
Pension expense	1,721,064	--	(1,721,064)		(1,721,064)	
Interest on long-term debt	910,714	--	(910,714)		(910,714)	
Business-type Activities:						
Landfill	1,745,473	2,038,285	--	\$ 292,812	292,812	
Total Business-type Activities	1,745,473	2,038,285	--	292,812	292,812	
Total Primary Government	\$ 13,842,181	\$ 2,038,285	(12,096,708)	292,812	(11,803,896)	
COMPONENT UNITS:						
Canton Convention and Visitors Bureau	813,317	169,182				(644,135)
Canton Redevelopment Authority	527,690	(137,864)				(665,554)
Canton Municipal Utilities	12,630,103	11,566,373				(1,063,730)
Total Component Units	\$ 13,971,110	\$ 11,597,691				(2,373,419)
General Revenues:						
Taxes			8,685,554	--	8,685,554	627,134
Franchise taxes(fees)			159,652	--	159,652	--
Other taxes			7,787	--	7,787	--
Fines and forfeits			633,850	--	633,850	--
Licenses and permits			340,732	--	340,732	--
Intergovernmental			1,016,108	--	1,016,108	--
Charges for governmental services			348,433	--	348,433	--
Unrestricted investment income			14,005	--	14,005	58
Appropriations from component unit			1,295,000	--	1,295,000	--
Grants and donations			12,105	--	12,105	641,132
Rental income			55,904	--	55,904	--
Miscellaneous			149,568	--	149,568	2,558
Other income			107,430	--	107,430	421,202
Total General Revenues			12,826,128	--	12,826,128	1,692,084
Transfers			--	--	--	(1,323,333)
Total General Revenues and Transfers			12,826,128	--	12,826,128	368,751
Change in Net Position			729,420	292,812	1,022,232	(2,004,668)
Net Position (Deficit) - Beginning, as previously reported			(11,880,868)	(733,688)	(12,614,556)	42,100,138
Prior Period Adjustment			1,229,048	(208,067)	1,020,981	(44,544)
Net Position (Deficit) - Beginning, as restated			(10,651,820)	(941,755)	(11,593,575)	42,055,594
Net Position (Deficit) - Ending			\$ (9,922,400)	\$ (648,943)	\$ (10,571,343)	\$ 40,050,926

The accompanying notes are an integral part of this statement.

CITY OF CANTONBALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 502,035	\$ 389,501	\$ 891,536
Accounts receivable	1,339,678	69,061	1,408,739
Due from other funds	42,243	--	42,243
Prepaid items	101,176	--	101,176
Total Assets	<u>\$ 1,985,132</u>	<u>\$ 458,562</u>	<u>\$ 2,443,694</u>
Liabilities and Fund Balances:			
Liabilities:			
Accounts payable	\$ 25,601	\$ --	\$ 25,601
Wages payable	101,779	--	101,779
Due to other funds	--	42,243	42,243
Other paybles	6,870	--	6,870
Total Liabilities	<u>134,250</u>	<u>42,243</u>	<u>176,493</u>
Fund Balances:			
Restricted:			
Debt service	--	361,084	361,084
Unemployment benefits	--	27,808	27,808
General government	--	2,984	2,984
Public works	--	11,944	11,944
Public safety	--	12,499	12,499
Unassigned	<u>1,850,882</u>	<u>--</u>	<u>1,850,882</u>
Total Fund Balances	<u>1,850,882</u>	<u>416,319</u>	<u>2,267,201</u>
Total Liabilities and Fund Balances	<u>\$ 1,985,132</u>	<u>\$ 458,562</u>	<u>\$ 2,443,694</u>

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, 2016*

Total fund balances - governmental funds balance sheet	\$ 2,267,201
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.	10,300,438
Payables for bond principal which are not due in the current period are not reported in the funds.	(11,575,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(181,008)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(306,272)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(1,971,103)
Deferred amount on refunding is accounted for in SNP as a Deferred Outflow of Resources but not in the funds.	1,053,621
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(11,941,224)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(156,501)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	2,603,864
Bond premiums are recognized in the SNP.	(86,836)
Bond discounts are recognized in the SNP.	70,420
Net position of governmental activities - Statement of Net Position	<u>\$ (9,922,400)</u>

The accompanying notes are an integral part of this statement.

CITY OF CANTONSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 3,705,857	\$ 1,141,304	\$ 4,847,161
Sales taxes	3,718,393	120,000	3,838,393
Franchise taxes (fees)	159,652	--	159,652
Other taxes	7,787	--	7,787
Licenses and permits	340,732	--	340,732
Intergovernmental	186,156	829,952	1,016,108
Fines and forfeitures	633,850	--	633,850
Investment income	13,687	318	14,005
Grants and donations	12,105	--	12,105
Charges for services	348,433	--	348,433
Rental income	55,904	--	55,904
Appropriations from component units	1,295,000	--	1,295,000
Other fees	69,805	80,292	150,097
Total Revenues	<u>10,547,361</u>	<u>2,171,866</u>	<u>12,719,227</u>
Expenditures:			
General Government	3,210,214	--	3,210,214
Public safety:			
Police	2,039,869	174,707	2,214,576
Fire	2,014,348	--	2,014,348
Other	608,630	40,667	649,297
Public services	954,777	1,105,248	2,060,025
Culture and recreation	855,171	187,286	1,042,457
Economic development and assistance	229,598	179,672	409,270
Economic opportunity	174,392	--	174,392
Debt Service:			
Principal	256,062	704,825	960,887
Interest	--	742,283	742,283
Miscellaneous	434,046	1,748	435,794
Total Expenditures	<u>10,777,107</u>	<u>3,136,436</u>	<u>13,913,543</u>
Excess of Revenues Over (Under) Expenditures	<u>(229,746)</u>	<u>(964,570)</u>	<u>(1,194,316)</u>
Other Financing Sources (Uses):			
Inception of capital leases	106,436	--	106,436
Insurance recovery	21,024	--	21,024
Refunding bonds issued	--	7,170,000	7,170,000
Premiums on bonds issued	--	86,836	86,836
Payment to bond refunding escrow agent	--	(7,035,032)	(7,035,032)
Transfers from other funds	--	573,476	573,476
Transfers to other funds	(441,823)	(131,653)	(573,476)
Discount on bonds issued	--	(71,700)	(71,700)
Other Income	86,406	--	86,406
Total Other Financing Sources (Uses)	<u>(227,957)</u>	<u>591,927</u>	<u>363,970</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(457,703)</u>	<u>(372,643)</u>	<u>(830,346)</u>
Fund Balances:			
Fund Balances - Beginning, as previously reported	1,453,688	789,356	2,243,044
Prior Period Adjustment	854,897	(394)	854,503
Fund Balances - Beginning, as restated	<u>2,308,585</u>	<u>788,962</u>	<u>3,097,547</u>
Fund Balances - Ending	<u>\$ 1,850,882</u>	<u>\$ 416,319</u>	<u>\$ 2,267,201</u>

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, 2016*

Net change in fund balances - total governmental funds	\$ (830,346)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	2,488,644
The depreciation of capital assets used in governmental activities is not reported in the funds.	(464,880)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	755,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	205,887
(Increase) decrease in accrued interest from beginning of period to end of period.	(122,020)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	75,894
Bond discounts amortization.	(8,280)
Loss on bond redemption is accounted for in the SNP as a Deferred Outflow of Resources but not in the funds.	1,053,621
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(7,170,000)
Bond premiums are reported in the funds, capitalized and amortized in the SOA.	(86,836)
Bond discounts are reported in the funds, capitalized and amortized in the SOA.	71,700
Inception of capital leases are reported as Other Financing Sources in funds but not in SOA.	(106,436)
Payment of refunded debt is an other financing uses but not in the SOA.	5,935,000
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPL.	152,340
Pension contributions made in current FY were de-expended and reduced NPL.	501,196
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(1,721,064)</u>
Change in net position of governmental activities	<u>\$ 729,420</u>

The accompanying notes are an integral part of this statement.

CITY OF CANTON
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
SEPTEMBER 30, 2016

	Enterprise Fund
	Landfill Fund
Assets:	
Cash and cash equivalents	\$ 141,868
Cash with fiscal agents	93,813
Investments	668,161
Accounts Receivable	48,384
Capital Assets:	
Land	38,380
Other capital assets, net of accumulated depreciation	602,167
Total Assets	<u>1,592,773</u>
Deferred Outflows of Resources	
Deferred outflow related to pension	190,357
Total Deferred Outflows of Resources	<u>190,357</u>
Liabilities:	
Accounts payable	4,732
Wages and benefits payable	8,018
Accrued Closure/Postclosure care cost	177,375
Interest payable	21,714
Bonds payable, current	260,000
Notes and lease obligations, current	51,679
Compensated absences, current	1,452
Bonds payable, noncurrent	870,000
Notes and lease obligations, noncurrent	125,100
Compensated absences, noncurrent	27,588
Net pension liability	872,973
Total Liabilities	<u>2,420,631</u>
Deferred Inflows of Resources	
Deferred inflow related to pension	11,442
Total Deferred inflows of resources	<u>11,442</u>
Net Position:	
Net investment in capital assets	(666,232)
Restricted:	
Public works	17,289
Total Net Position (Deficit)	<u>\$ (648,943)</u>

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, 2016*

	Enterprise Fund
	Landfill Fund
Operating Revenues:	
Charges for Services	\$ 2,038,285
Total Operating Revenues	<u>2,038,285</u>
Operating Expenses:	
Personal services - salaries and wages	393,567
Personal services - employee benefits	132,584
Purchased professional and technical services	370,777
Supplies	68,745
Landfill expenses	546,776
Depreciation	148,234
Miscellaneous	6,885
Total Operating Expenses	<u>1,667,568</u>
Operating Income (Loss)	<u>370,717</u>
Non-Operating Revenues (Expenses):	
Debt Service Interest	(77,905)
Total Non-Operating Revenues (Expenses)	<u>(77,905)</u>
Net Income (Loss)	<u>292,812</u>
Net Position:	
Net Position (Deficit) - Beginning, as previously reported	(733,688)
Prior Period Adjustment	(208,067)
Net Position (Deficit) - Beginning, as restated	<u>(941,755)</u>
Net Position (Deficit) - Ending	<u>\$ (648,943)</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, 2016

	Enterprise Fund
	Landfill Fund
	Fund
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 1,989,901
<i>Cash Payments to Employees for Services</i>	(384,746)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(1,102,564)
<i>Other Operating Cash Receipts (Payments)</i>	(53,446)
Net Cash Provided (Used) by Operating Activities	<u>449,145</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Principal and Interest Paid</i>	(388,276)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(388,276)</u>
Cash Flows from Investing Activities:	
<i>Purchase of Investment Securities</i>	37,073
Net Cash Provided (Used) for Investing Activities	<u>37,073</u>
Net Increase (Decrease) in Cash and Cash Equivalents	97,942
Cash and Cash Equivalents at Beginning of Year	107,636
Effect of recording Net Pension Liability and current year deferred items	(63,710)
Cash and Cash Equivalents at End of Year	<u>\$ 141,868</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 370,717
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	148,234
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(48,384)
<i>Decrease (Increase) in Cash with Fiscal Agents</i>	(46,561)
<i>Increase (Decrease) in Net Pension Liability</i>	141,753
<i>Increase (Decrease) in Accounts Payable</i>	(131,597)
<i>Increase (Decrease) in Wages Payable</i>	1,202
<i>Increase (Decrease) in Compensated Absences</i>	(1,550)
<i>Increase (Decrease) in Accrued Closure/Postclosure Cost</i>	15,331
Total Adjustments	<u>78,428</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 449,145</u>

The accompanying notes are an integral part of this statement.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

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, 2016.

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, 2016

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

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

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

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

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

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

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

A. FINANCIAL REPORTING ENTITY

COMPONENT UNITS

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

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

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

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

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

RELATED ORGANIZATIONS

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

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

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

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

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2016

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

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

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

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

C. BASIS OF PRESENTATION

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

1. Major Governmental Funds

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

The following is a description of the major governmental fund 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.

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.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

D. BASIS OF ACCOUNTING

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

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

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

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

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

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

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, 2016.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

F. BUDGETS AND BUDGETARY INFORMATION

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

All funds of the City of Canton, Mississippi, governmental and enterprise, are budgeted, and are presented in either the required supplementary information or in schedules in the other supplementary information section. 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.

H. FUND BALANCES

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the Board of Aldermen, 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. Currently there is no assigned fund balance for this 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.

Fund Balance Flow Assumption:

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

I. CASH AND OTHER DEPOSITS AND CASH EQUIVALENTS

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

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

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

J. INVESTMENTS

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

K. INVENTORIES AND PREPAID ITEMS

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

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items using the consumption method in both government-wide and fund 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/expenses of the disbursing fund. Reimbursements of the expenditure/expenses made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures/expenses 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.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

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

The following is a summary of interfund transactions and balances:

A. Due To/From Other Funds:

	<u>Due from</u>	<u>Due to</u>
Governmental Funds:		
General Fund	\$ 42,243	
Other Governmental Funds		<u>42,243</u>
Total	<u>\$ 42,243</u>	<u>42,243</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 one 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	\$	441,823
Other Governmental Funds	<u>573,476</u>	<u>131,653</u>
Total	<u>\$ 573,476</u>	<u>573,476</u>

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

N. NET POSITION

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

1. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings attributable to the acquisition, construction or improvements of those assets.
2. Restricted net position - Consists of net position with constraints placed on the use either by external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or law through constitutional provisions or enabling legislation.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

3. Unrestricted net position - All other net position not meeting the definition of “restricted” or “net investment in capital assets.”

Net Position Flow Assumption:

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

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

The following is a summary of restricted net position:

Restricted for:

Unemployment benefits	\$	27,808
Debt service		180,076
Public works		11,944
Public safety		12,499
General government		2,984
Total	\$	<u>235,311</u>

O. CAPITAL ASSETS AND LONG - TERM LIABILITIES

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

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

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

All proprietary funds are accounted for on an economic measurement focus. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on their Statement of Net

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

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. 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.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

Unpaid personal leave expected to be paid from the Governmental Activities is reported under Long-term Debt as "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.

Q. DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

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

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

See Note 17 for further details.

R. NEW PRONOUNCEMENTS

In June 2015, the GASB issued Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans". This statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2016

In June 2015, the GASB issued Statement No. 76, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments”. This statement will establish the hierarchy of GAAP for state and local governments. The requirement of this statement is effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In August 2015, the GASB issued Statement No. 77, “Tax Abatement Disclosures”. This statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In December 2015, the GASB issued Statement No. 78, “Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”. This statement will address a practice issue regarding the scope and applicability of Statement No. 68. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In December 2015, the GASB issued Statement No. 79, “Certain External Investment Pools and Pool Participants”. This statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In January 2016, the GASB issued Statement No. 80, “Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14”. This statement will enhance the comparability of financial statements among governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In March 2016, the GASB issued Statement No. 81, “Irrevocable Split-Interest Agreements”. This statement will enhance the comparability of financial statements by providing accounting and reporting guidance for irrevocable split-interest agreements in which government is a beneficiary. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In March 2016, the GASB issued Statement No. 82, “Pension Issues” - an amendment of GASB 67, 68 and 73. This statement will improve financial reporting by enhancing consistency in the

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

application of financial reporting requirements to certain pension issues. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

2. CASH, OTHER DEPOSITS, AND INVESTMENTS

A. Cash and Other Deposits

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. 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 Deposit 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 \$891,536 and \$141,868 in the business-type activities. The bank balance was \$1,397,011.

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, 2016, none of the City's bank balance of \$1,397,011 was exposed to custodial credit risk.

B. Cash with Fiscal Agents

The carrying amount of the City's cash with fiscal agents held by financial institutions was \$93,813 in the business-type activities.

C. Investments

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2016:

Level 1 type of investments of \$668,161 are valued using quoted market process (Level 1 inputs)

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, 2016, the City had the following investments:

Investment Type	Fair Value	Credit Ratings	Percentage of Investments	Interest Rates
Federal Agricultural Mortgage Corporation	\$ 130,457	Unrated	19%	2.10-4.16%
Federal Home Loan Banks	284,996	AA+	43%	1.625-4.75%
Federal National Mortgage Association	252,708	AA+	38%	0.875-2.4%
Total Investments	\$ 668,161		100%	

Investment Maturities in Years

Investment Type	Less Than 1	1-5
Federal Agricultural Mortgage Corporation		130,457
Federal Home Loan Banks	100,904	184,092
Federal National Mortgage Association		252,708

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.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

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, 2016, \$0 of the City's investment balance was insured and was exposed to custodial credit risk as follows:

Uninsured and Uncollateralized	\$	0
Uninsured and collateral held by pledging bank's department not in city's name		668,161
Total	\$	<u>668,161</u>

3. RECEIVABLES

Accounts receivable at September 30, 2016, consisted of the following:

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Landfill Fund</u>	<u>Accounts Receivable</u>
Property Taxes	\$ 262,880	69,061		331,941
Sales & Tourism Tax	286,513			286,513
Others	<u>790,285</u>		48,384	<u>838,669</u>
Total	<u>\$ 1,339,678</u>	<u>69,061</u>	<u>48,384</u>	<u>1,457,123</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, 2016, upon which the levy was based, was \$87,152,145. 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, 2016. Property taxes that are not considered "available" have been reported as unearned revenues in the governmental funds Balance Sheet.

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2016

5. CAPITAL ASSETS

	Balance 10-1-2015	Additions	Adjustments	Balance 9-30-2016
<u>Non-depreciable capital assets:</u>				
Land	\$ 2,987,827			2,987,827
Total non-depreciable capital assets	<u>2,987,827</u>	<u>0</u>	<u>0</u>	<u>2,987,827</u>
<u>Depreciable capital assets:</u>				
Buildings	6,345,669			6,345,669
Infrastructure	3,400,380	2,351,468	220,439	5,972,287
Mobile equipment, including equipment under capital lease	2,194,478	137,176		2,331,654
Furniture and equipment	612,718		(28,538)	584,180
Total depreciable capital assets	<u>12,553,245</u>	<u>2,488,644</u>	<u>191,901</u>	<u>15,233,790</u>
<u>Less accumulated depreciation for:</u>				
Buildings	4,236,972	70,035	(482,581)	3,824,426
Infrastructure	1,721,183	207,736	115,730	2,044,649
Mobile equipment, including equipment under capital lease	1,396,443	136,682	175,900	1,709,025
Furniture and equipment	301,553	50,427	(8,901)	343,079
Total accumulated depreciation	<u>7,656,151</u>	<u>464,880</u>	<u>(199,852)</u>	<u>7,921,179</u>
Total depreciable capital assets, net	<u>4,897,094</u>	<u>2,023,764</u>	<u>391,753</u>	<u>7,312,611</u>
Governmental activities capital assets, net	<u>\$ 7,884,921</u>	<u>2,023,764</u>	<u>391,753</u>	<u>10,300,438</u>

Adjustments were made mainly to add back streets that were removed from the books in prior year.

6. LONG - TERM OBLIGATIONS

A. Changes in Long - Term Obligations

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

	Balance 10-1-2015	Additions	Reductions	Refunding	Balance 9-30-2016	Amounts due within one year
<u>Bonds</u>						
General Obligation Bond	\$ 2,555,000		285,000	(1,935,000)	335,000	335,000
General Obligation Refunding 2016 Bond		7,170,000	75,000		7,095,000	145,000
Special Obligation Bond, Series 2011A	4,000,000			(4,000,000)	0	
Special Obligation Bond, Series 2011C	1,835,000		270,000		1,565,000	285,000
Tax Increment Financing Bond	2,705,000		125,000		2,580,000	125,000
Total Bonds	<u>11,095,000</u>	<u>7,170,000</u>	<u>755,000</u>	<u>(5,935,000)</u>	<u>11,575,000</u>	<u>890,000</u>

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2016

	Balance 10-1-2015	Additions	Reductions	Refunding	Balance 9-30-2016	Amounts due within one year
Other Long - Term Debt						
Urban Renewal Bonds	1,002,736		30,377		972,359	31,538
Pierce Contender	21,772		21,772		0	
Multipurpose & Equine Ctr. Construction	511,079		35,219		475,860	36,319
Fire Truck	82,898		19,091		63,807	20,141
2015 Fire Truck	375,000		31,787		343,213	32,938
Master Equipment Lease	77,069		38,534		38,535	38,535
Master Equipment Lease 4 Police Cars		106,436	29,107		77,329	24,473
Total Other Long - Term Debt	2,070,554	106,436	205,887	0	1,971,103	183,944
Total Long - Term Debt	13,165,554	7,276,436	960,887	(5,935,000)	13,546,103	1,073,944
Compensated Absences	\$ 382,166		75,894		306,272	15,314

	Balance 10-1-2015	Additions	Reductions	Adjustments	Balance 9-30-2016	Amounts due within one year
Bond Discounts	\$ (24,208)	(71,700)	8,280	17,208	(70,420)	(8,280)
Bond Premiums		86,836			86,836	10,950
Total	\$ (24,208)	15,136	8,280	17,208	16,416	2,670

B. Currently Outstanding Long-Term Obligations

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

	Date of Obligation	Date of Maturity	Interest Rate	Original Amount	Balance 9-30-2016
Bonds					
General Obligation Bonds	1/1/08	7/1/22	4.75-5.00%	\$ 3,500,000	335,000
General Obligation Refunding Bond, Series 2016	4/28/16	10/1/31	1.0-2.75%	7,170,000	7,095,000
Special Obligation Bond, Series 2011A	8/10/11	10/1/31	5.75%	4,000,000	0
Special Obligation Bond, Series 2011C	8/10/11	10/1/21	4.59%	2,580,000	1,565,000
Tax Increment Financing Bond	3/24/15	3/1/32	3.35-4.00%	2,705,000	2,580,000
Total				\$ 19,955,000	11,575,000
Other Long - Term Debt					
Urban Renewal Bonds	3/24/00	3/24/35	5.130%	\$ 1,299,200	972,359
Pierce Contender	6/22/06	6/22/16	5.09%	178,750	0
Multipurpose & Equine Ctr. Construction	6/9/08	6/1/28	2.00%	750,000	475,860
Fire Truck	9/5/10	9/5/19	3.30%	173,460	63,807
2015 Fire Truck	11/1/14	11/1/24	3.62%	375,000	343,213
Master Equipment Lease	12/1/14	5/1/16	6.0%	115,603	38,535
Master Equipment Lease 4 Police Cars	5/2/16	5/2/19	5.95%	106,436	77,329
Total Other Long - Term Debt				\$ 2,998,449	1,971,103

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

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 bonds are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 890,000	79,213	969,213
2018	560,000	410,501	970,501
2019	940,000	368,895	1,308,895
2020	965,000	321,491	1,286,491
2021	1,000,000	271,780	1,271,780
2022 - 2026	3,705,000	1,600,367	5,305,367
2027 - 2031	3,240,000	846,307	4,086,307
2032	275,000	28,869	303,869
Total	\$ 11,575,000	3,927,423	15,502,423

These debt issues are to be retired from the Sinking Fund.

Advance Refunding

On April 28, 2016, the City issued \$7,170,000 in General Obligation Refunding Bonds with an average interest rate of 1.00-2.75% to advance refund \$4,000,000 of outstanding Special Obligation Bonds, Series 2011A with an average interest rate of 5.75% and \$1,935,000 of Special Obligation Bonds, Series 2007 with an average interest rate of 4.75-5.00%. The net proceeds of \$7,035,032 after payments of \$150,104 for issuance costs and the premium on the bond of \$86,836 were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the Special Obligation Bonds, Series 2011A and 2007.

As a result, the Special Obligation Bonds, Series 2011A and 2007 are considered to be defeased and the liabilities for those bonds have been removed from long-term liabilities.

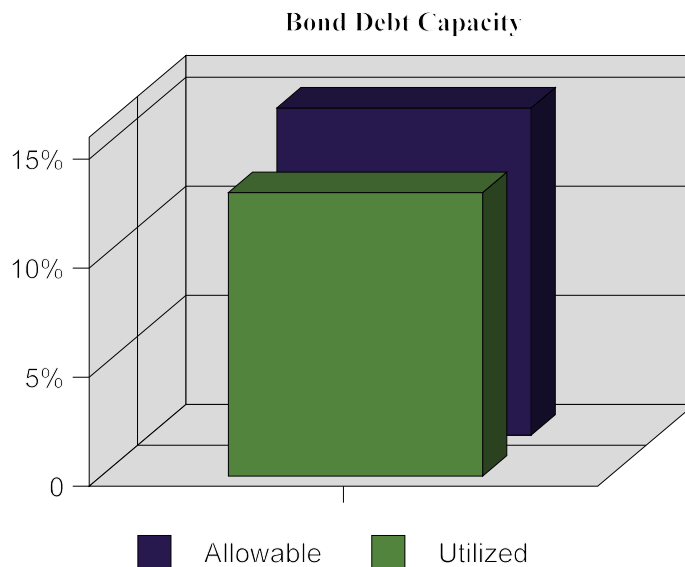
The City advance refunded the Special Obligation Bonds, Series 2011A and 2007 totaling \$5,935,000 to reduce its total debt service payments over the remaining fifteen years of the debt by approximately \$1,054,338 and to realize an economic gain of \$354,120.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

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, 2016, the amount of outstanding bonded debt was equal to 13% of property assessments of \$87,152,145, computed as follows:

Bonded Debt:		
General Obligation Bonds	\$	11,575,000
Enterprise Funds		1,130,000
Less Excludable Debt:		
Enterprise Funds		<u>(1,130,000)</u>
Total Debt Subject to Limitation		<u>11,575,000</u>
Assessed Valuation	\$	87,152,145
Percentage		13.28%



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

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>
2017	\$	31,538	49,948	81,486
2018		33,154	48,332	81,486
2019		34,854	46,632	81,486
2020		36,640	44,846	81,486
2021		38,518	42,968	81,486
2022 - 2026		224,301	183,129	407,430
2027 - 2031		287,979	119,451	407,430
2032 - 2035		285,375	38,334	323,709
Total	\$	<u>972,359</u>	<u>573,640</u>	<u>1,545,999</u>

This debt is to be retired from the Sinking Fund.

Pierce Contender

This debt was retired and paid off 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				
June 30		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$	36,319	9,193	45,512
2018		37,052	8,460	45,512
2019		37,800	7,712	45,512
2020		38,563	6,949	45,512
2021		39,341	6,170	45,511
2022 - 2026		208,941	18,615	227,556
2027 - 2028		77,844	1,442	79,286
Total	\$	<u>475,860</u>	<u>58,541</u>	<u>534,401</u>

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

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

Fire Truck

A maturity schedule for the loan is as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>		
\$173,460	9/5/2010	9/05/2019		
<u>Year Ending</u>				
<u>June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$	20,141	3,509	23,650
2018		21,249	2,402	23,651
2019		22,417	1,233	23,650
Total	\$	<u>63,807</u>	<u>7,144</u>	<u>70,951</u>

This debt is to be retired from the General Fund.

2015 Fire Truck

A maturity schedule for the loan is as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>		
\$375,000	11/1/14	11/1/24		
<u>Year Ending</u>				
<u>June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$	32,938	12,429	45,367
2018		34,130	11,237	45,367
2019		35,366	10,000	45,366
2020		36,647	8,720	45,367
2021		37,974	7,393	45,367
2022 - 2025		166,158	65,090	231,248
Total	\$	<u>343,213</u>	<u>114,869</u>	<u>458,082</u>

This debt is to be retired from the General Fund.

Master Equipment Lease

A maturity schedule for the lease is as follows:

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

Year Ending June 30		Principal	Interest	Total
2017	\$	38,535	2,674	41,209

This debt is to be retired from the General Fund.

Master Equipment Lease 4 Police Cars

A maturity schedule for the lease is as follows:

Year Ending June 30		Original Amount	Issue Date	Maturity Date	Principal	Interest	Total
		\$106,436	5/2/16	5/2/19			
2017	\$				24,473	4,634	29,107
2018					25,929	3,177	29,106
2019					26,927	1,635	28,562
Total	\$				77,329	9,446	86,775

7. BUSINESS - TYPE ACTIVITIES, CAPITAL ASSETS

The following is a summary of the capital assets of the Enterprise Funds at September 30, 2016.

	Landfill Management Balance 10-01-2015	Additions	Adjustments	Landfill Management Balance 9-30-2016
<u>Non-depreciable capital assets:</u>				
Land	\$ 38,380			38,380
Total non-depreciable capital assets	38,380	0	0	38,380
<u>Depreciable capital assets:</u>				
Site Preparations	1,013,723			1,013,723
Vehicles and Equipment	874,288		(7,343)	866,945
Total depreciable capital assets	1,888,011	0	(7,343)	1,880,668
<u>Less accumulated depreciation for:</u>				
Site Preparations	658,920	91,235	(20,274)	729,881
Vehicles and Equipment	482,916	56,999	8,705	548,620
Total accumulated depreciation	1,141,836	148,234	(11,569)	1,278,501
Total depreciable capital assets, net	746,175	(148,234)	4,226	602,167
Business-type activities capital assets, net	\$ 784,555	(148,234)	4,226	640,547

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

8. BUSINESS - TYPE ACTIVITIES, LONG - TERM DEBT

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

	Balance 10-1-2015	Retirements	Adjustments	Balance 9-30-2016	Amounts due within one year
<u>Special Obligation Bonds</u>					
Special Obligation Bonds	\$ 1,380,000	250,000		1,130,000	260,000
Total	<u>1,380,000</u>	<u>250,000</u>	<u>0</u>	<u>1,130,000</u>	<u>260,000</u>
<u>Other Long - Term Debt</u>					
Equipment Lease Purchase	21,856	14,489		7,367	7,367
Equipment Lease Purchase		16,849	71,295	54,446	17,239
Knockle Boom Loader		26,032	140,998	114,966	27,073
Total Other Long-Term Debt	<u>21,856</u>	<u>57,370</u>	<u>212,293</u>	<u>176,779</u>	<u>51,679</u>
Total Enterprise Fund Debt	<u>\$ 1,401,856</u>	<u>307,370</u>	<u>212,293</u>	<u>1,306,779</u>	<u>311,679</u>
Compensated Absences	\$ 30,590	1,550		29,040	1,452

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

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, 2016, the amount borrowed and payable on this obligation was \$1,130,000.

A maturity schedule for the bonds 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>
June 30					
2017	\$		260,000	59,890	319,890
2018			280,000	23,055	303,055
2019			290,000	31,270	321,270
2020			300,000	15,900	315,900
Total	\$		<u>1,130,000</u>	<u>130,115</u>	<u>1,260,115</u>

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, 2016

Other Long - Term Debt

Equipment Lease Purchase

A maturity schedule for the lease is as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>		
\$42,990	3/19/14	3/19/17		
Year Ending				
<u>June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$	<u>7,367</u>	<u>48</u>	<u>7,415</u>

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

Equipment Lease Purchase

A maturity schedule for the lease is as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>		
\$86,405	10/23/14	10/23/19		
Year Ending				
<u>June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$	17,239	1,067	18,306
2018		17,638	668	18,306
2019		18,046	260	18,306
2020		1,523	3	1,526
Total	\$	<u>54,446</u>	<u>1,998</u>	<u>56,444</u>

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

Knockle Boom Loader

A maturity schedule for the loan is as follows:

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
\$140,998	4/1/15	4/1/20

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

Year Ending June 30		Principal	Interest	Total
2017	\$	27,073	4,599	31,672
2018		28,156	3,516	31,672
2019		29,283	2,389	31,672
2020		30,454	1,218	31,672
Total	\$	114,966	11,722	126,688

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, 2016, \$664,314 of the refunding bonds, outstanding were defeased.

At September 30, 2016, City management believes that the City has complied with all requirements of its various debt agreements.

10. DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. At September 30, 2016, PERS members were required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially determined rate. The employer's rate at September 30, 2016 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2016, 2015 and 2014 were \$701,314, \$683,011, and \$696,208, respectively, equal to the required contributions for each year.

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

At September 30, 2016, the City reported a liability of \$12,814,197 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The City's proportionate share used to calculate the September 30, 2016 net pension liability was 0.071738, which was based on a measurement date of June 30, 2015. This was an increase of 0.002302 from its proportionate share used to calculate the September 30, 2015 net pension liability, which was based on a measurement date of June 30, 2014.

For the year ended September 30, 2016, the City recognized pension expense of \$1,846,884. At September 30, 2016 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2016

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 376,575	\$
Net difference between projected and actual earnings on pension plan investments	628,021	
Changes of assumptions	924,649	
Changes in proportion and differences between City contributions and proportionate share of contributions	701,499	167,943
City contributions subsequent to the measurement date	163,477	
Total	<u>\$ 2,794,221</u>	<u>\$ 167,943</u>

\$163,477 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended September 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:	
2017	\$ 903,921
2018	813,530
2019	492,204
2020	253,146
Total	<u>\$ 2,462,801</u>

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

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

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

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2016, are summarized in the following table:

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent, a decrease of 0.25 percentage points since the prior measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (9.00%) and that employer contributions will be made at the current employer contribution rate (15.75%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability	\$ <u>16,430,675</u>	\$ <u>12,814,197</u>	\$ <u>9,813,695</u>

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

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains one Enterprise Fund. Segment information for the year ended September 30, 2016 follows:

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

		<u>Landfill</u>
Operating Revenues	\$	2,038,285
Operating Expenses		<u>1,667,568</u>
Operating Income		<u>370,717</u>
Net Position	\$	<u>(648,943)</u>

12. RISK MANAGEMENT

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

13. MUNICIPAL LANDFILL (MSWLF)

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

The fund is maintained as an enterprise fund and has operated as such since October 1, 1992.

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

- a. Direct Costs - Those costs incurred for a specific purpose which are uniquely traceable to that purpose.
- b. Indirect Costs - Those governmental expenditures that support general service and are directly related to the cost of providing Landfill management services. These costs are allocated to Landfill management by actual costs methods.
- c. Landfill Closure and Postclosure Care Costs - The October 9, 1991, U.S. Environmental Protection Agency (EPA) rule, "Solid Waste Disposal Facility Criteria", which establishes closure requirements for all municipal solid waste landfills (MSWLFs) that receive solid waste after October 9, 1991. The EPA rule also establishes thirty-one postclosure care requirements for MSWLFs that accept solid waste after October 9, 1993. The effect of the EPA rule and similar

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

state or local laws or regulations is to obligate MSWLF owners and operators to perform certain closing functions and postclosure monitoring and maintenance functions as a condition for the right to operate the MSWLF in the current period. Certain of these costs, which result in disbursements near or after the date that the MSWLF stops accepting solid waste and during the postclosure period, should be included in the *estimated total current cost of MSWLF closure and postclosure care*, regardless of their capital or operating nature. The estimated total current cost of MSWLF closure and postclosure care should include (a) the cost of equipment expected to be installed and facilities expected to be constructed (based on the MSWLF operating plan) near or after the date that the MSWLF stops accepting solid waste and during the postclosure period, (b) the cost of final cover (capping) expected to be applied near or after the date that the MSWLF stops accepting solid waste, and (c) the cost of monitoring and maintaining the expected usable MSWLF area during the postclosure period.

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

Total capacity (current estimates)	3,561,241	tons
------------------------------------	-----------	------

Capacity used:

Capacity used at 10-01-15	617,210	tons
---------------------------	---------	------

Adjustment to prior year capacity/airspace	<u>(204,683)</u>	tons
--------------------------------------------	------------------	------

Total capacity filled (17.33%)	412,527	tons
--------------------------------	---------	------

Waste received in current year 2015 - 2016	<u>44,427</u>	
--------------------------------------------	---------------	--

Total capacity filled at	<u>456,954</u>	
--------------------------	----------------	--

Capacity remaining (current estimates)	3,104,287	tons
----------------------------------------	-----------	------

Estimated total closure/postclosure care costs	\$ 1,382,361	
------------------------------------------------	--------------	--

Liability for closure/postclosure care costs at September 30, 2016, based on landfill capacity used to date:

Liability as previously reported	\$ 162,044	
----------------------------------	------------	--

Liability for current year net of adjustment

for prior year closure cost	<u>\$ 15,331</u>	
-----------------------------	------------------	--

Total liability	\$ 177,375	
-----------------	------------	--

Remaining closure/postclosure care to be recognized	<u>\$ 1,204,986</u>	
-----------------------------------------------------	---------------------	--

Estimated remaining landfill life based on current usage	70 years	
----------------------------------------------------------	----------	--

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

14. TRANSFERS BETWEEN PRIMARY GOVERNMENT AND COMPONENT UNITS

The component units transferred money to the City of Canton during the fiscal year ended September 30, 2016. 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, 2016.

15. PRIOR PERIOD ADJUSTMENTS

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

Exhibit A-2 - Statement of Activities

<u>Explanation:</u>	<u>Amount</u>
<u>Governmental Activities:</u>	
1. Adjustments were made mainly to add back streets that were removed from the books in the prior year.	\$ 391,753
2. Adjustments were made to properly present bond discounts at year end.	(17,208)
3. Adjustments were made to record prior year assets and liabilities.	<u>854,503</u>
Total	<u>\$ 1,229,048</u>

<u>Business-Type Activities:</u>	<u>Amount</u>
1. Adjustments were made to properly present long-term debt at year end.	\$ (212,293)
2. Adjustments were made to properly present capital assets debt at year end.	<u>4,226</u>
Total	<u>\$ (208,067)</u>

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

<u>Explanation:</u>		
General Fund	Adjustments were made to record prior year assets and liabilities.	\$ 854,897
Other Governmental Funds	Adjustments were made to record prior year assets and liabilities.	<u>(394)</u>
Total		<u>\$ 854,503</u>

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

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

<u>Explanations:</u>	<u>Amount</u>
1. Adjustments were made to properly present long-term debt at year end.	\$ (212,293)
2. Adjustments were made to properly present capital assets at year end.	4,226
Total	<u>\$ (208,067)</u>

16. DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

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

<u>Enterprise Funds</u>	<u>Amount</u>
Landfill Fund	<u>\$ 648,943</u>

This deficit is not in violation of State law and will be remedied by the proceeds of bonds already issued.

17. EFFECT OF DEFERRED AMOUNTS IN NET POSITION

The net investment in capital assets net position amount of (\$2,208,460) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from advance refunding of debt. The \$1,053,621, balance of the deferred outflow of resources at September 30, 2016 will be recognized as an expense and decrease the net investment in capital assets net position.

The unrestricted net position amount of (\$7,949,251) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$2,794,221 balance of deferred outflow of resources, at September 30, 2016 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$7,949,251) in the governmental activities includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$167,943 balance of deferred inflow of resources, at September 30, 2016 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

18. CONTINGENCIES

Litigation - The City is party to legal proceedings, many of which occur in the normal course of governmental operations. The Mississippi Municipal Service Company has denied coverage in several of the potential claims against the City as of December 7, 2017, and in the event an unfavorable ruling is issued, the assets of the City would be subject to attachment to satisfy any judgment rendered against the City that could possibly exceed \$100,000.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2016

19. PROCEEDS FROM INSURANCE SETTLEMENTS

The City of Canton received \$21,024 in proceeds from an insurance settlement relating to a developers insurance company lawsuit.

20. 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 the following subsequent event has occurred that require disclosure in the notes to the financial statements:

On September 24, 2017, the City issued a Special Obligation Refunding Bonds, Series 2016 in the amount of \$2,785,000, with a 3.625-5.000% interest rate. The bond matures on June 1, 2031.

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, 2016

Exhibit B-1

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Property taxes	\$ 3,515,532	3,513,239	3,705,857	192,618
Sales taxes	3,360,736	3,430,500	3,718,393	287,893
Franchise taxes (fees)	178,000	160,000	159,652	(348)
Other taxes	11,500	10,800	7,787	(3,013)
Licenses and permits	194,300	214,000	340,732	126,732
Intergovernmental programs	135,377	161,247	186,156	24,909
Fines and forfeitures	770,000	600,000	633,850	33,850
Investment income	30,000	30,000	13,687	(16,313)
Grants and donations	7,400	1,500	12,105	10,605
Charges for services	386,500	372,450	348,433	(24,017)
Rental income	23,000	25,000	55,904	30,904
Appropriations of component units	450,000	1,800,000	1,295,000	(505,000)
Other	20,000	40,000	69,805	29,805
Total Revenues	9,082,345	10,358,736	10,547,361	188,625
Expenditures:				
Current:				
General government:				
Personnel services	776,771	807,221	1,034,519	(227,298)
Contractual services	70,000	163,000	89,782	73,218
Consumable supplies & materials	1,608,684	1,878,204	1,979,477	(101,273)
Grants, subsidies & allocations	10,000	-	106,436	(106,436)
	2,465,455	2,848,425	3,210,214	(361,789)
Public safety:				
Personnel services	3,791,501	3,938,994	3,891,439	47,555
Contractual services	290,600	400,450	277,116	123,334
Consumable supplies & materials	399,000	330,100	487,000	(156,900)
Grants, subsidies & allocations	10,000	20,000	7,292	12,708
	4,491,101	4,689,544	4,662,847	26,697
Public services:				
Personnel services	576,931	766,895	702,776	64,119
Contractual services	207,500	189,000	223,303	(34,303)
Consumable supplies & materials	35,000	32,000	28,698	3,302
Grants, subsidies & allocations	-	72,000	-	72,000
	819,431	1,059,895	954,777	105,118
Culture and recreation:				
Personnel services	417,162	506,284	515,572	(9,288)
Contractual services	123,150	122,300	114,392	7,908
Consumable supplies & materials	238,350	238,300	220,697	17,603
Grants, subsidies & allocations	-	2,500	4,510	(2,010)
	778,662	869,384	855,171	14,213
Economic development and assistance:				
Personnel services	183,994	219,598	215,182	618,774
Contractual services	6,700	6,300	6,870	19,870
Consumable supplies & materials	7,500	7,000	7,547	22,047
Grants, subsidies & allocations	-	-	-	-
	198,194	232,898	229,598	660,690
Economic opportunity:				
Personnel services	151,989	221,214	166,951	54,263
Contractual services	5,100	4,000	5,533	(1,533)
Consumable supplies & materials	1,800	1,800	1,907	(107)
	158,889	227,014	174,392	52,622
Debt Service:				
Principal	161,220	244,432	256,062	(11,630)
Miscellaneous	50,400	49,000	434,046	(385,046)
	211,620	293,432	690,108	(396,676)
Total Expenditures	9,123,352	10,220,592	10,777,107	(385,046)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(41,007)	138,144	(229,746)	(367,890)
Other Financing Sources (Uses):				
Inception of capital leases	-	-	106,436	106,436
Insurance recovery	10,000	10,000	21,024	11,024
Transfers from other funds	(20,000)	-	-	-
Transfers to other funds	(200,000)	(200,000)	(441,823)	(241,823)
Other income	65,000	60,000	86,406	26,406
Total Other Financing Sources (Uses)	(145,000)	(130,000)	(227,957)	(97,957)
Net Change in Fund Balances	(186,007)	8,144	(457,703)	(465,847)
Fund Balances - Beginning, as previously reported	-	(20,000)	1,453,688	1,473,688
Prior period adjustment	-	-	854,897	854,897
Fund Balances - Beginning, as restated	-	(20,000)	2,308,585	2,328,585
Fund Balances - Ending	\$ (186,007)	(11,856)	1,850,882	1,862,738

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

City of Canton, Mississippi

Schedule of the City's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset) \$	12,814,197	10,733,436	8,709,986
City's proportionate share of the net pension liability (asset)	0.071738%	0.069436%	0.071757%
City's covered - employee payroll	4,452,787	4,336,578	4,420,368
City's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	287.78%	247.51%	197.04%
Plan fiduciary net position as a percentage of the total pension liability	57.47%	61.70%	67.21%

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

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

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

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

	2016	2015	2014
Contractually required contribution	\$ <u>701,314</u>	<u>683,011</u>	<u>696,208</u>
Contributions in relation to the contractually required contribution	701,314	683,011	696,208
Contribution deficiency (excess)	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
City's covered - employee payroll	4,452,787	4,336,578	4,420,368
Contributions as a percentage of covered - employee payroll	15.75%	15.75%	15.75%

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

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

City of Canton, Mississippi

Notes to the Required Supplementary Information
For the Year Ended September 30, 2016

Budgetary Comparison Schedule

(1) Basis of Presentation.

All funds of the City of Canton, Mississippi, governmental and business-type, are budgeted. The funds budgeted are presented in either this section or in the following schedules presented in the other supplementary information of this report. 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. Capital projects funds are budgeted on a project-length basis rather than an annual basis. All budgetary appropriations lapse at year-end.

(2) Budget amendments and revisions.

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

(3) This year there were no adjustments to reconcile the modified cash basis of accounting to GAAP.

Pension Schedules

(1) Change of Benefit Terms

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(2) Change of Assumptions

In 2015 and later, the expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015. In 2015, the expectation of disabled mortality was changed to the RP-2015 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015. Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual and anticipated experience. Finally, the price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75% respectively.

The assumed rate of interest credited to employee contributions was changed from 3.5% to 2.00%.

SUPPLEMENTARY INFORMATION

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

CITY OF CANTON

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2016

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Cash and cash equivalents	\$ 55,235	\$ 334,266	\$ --	\$ 389,501
Accounts receivable	--	69,061	--	69,061
Total Assets	<u>\$ 55,235</u>	<u>\$ 403,327</u>	<u>\$ --</u>	<u>\$ 458,562</u>
Liabilities and Fund Balances:				
Liabilities:				
Due to other funds	\$ --	\$ 42,243	\$ --	\$ 42,243
Total Liabilities	<u>--</u>	<u>42,243</u>	<u>--</u>	<u>42,243</u>
Fund Balances:				
Restricted:				
Debt service	--	361,084	--	361,084
Unemployment benefits	27,808	--	--	27,808
General government	2,984	--	--	2,984
Public works	11,944	--	--	11,944
Public safety	12,499	--	--	12,499
Total Fund Balances	<u>55,235</u>	<u>361,084</u>	<u>--</u>	<u>416,319</u>
Total Liabilities and Fund Balances	<u>\$ 55,235</u>	<u>\$ 403,327</u>	<u>\$ --</u>	<u>\$ 458,562</u>

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Property taxes	\$ --	\$ 1,141,304	\$ --	\$ 1,141,304
Sales taxes	--	120,000	--	120,000
Intergovernmental	--	--	829,952	829,952
Investment income	90	228	--	318
Other	--	79,763	--	79,763
Total Revenues	<u>90</u>	<u>1,341,295</u>	<u>829,952</u>	<u>2,171,337</u>
Expenditures:				
Public safety:				
Police	174,707	--	--	174,707
Other	--	--	40,667	40,667
Public services	--	--	1,105,248	1,105,248
Culture and recreation	--	--	187,286	187,286
Economic development and assistance	--	179,672	--	179,672
Debt Service:				
Principal	--	704,825	--	704,825
Interest	--	742,283	--	742,283
Miscellaneous	371	29	819	1,219
Total Expenditures	<u>175,078</u>	<u>1,626,809</u>	<u>1,334,020</u>	<u>3,135,907</u>
Excess of Revenues Over (Under) Expenditures	<u>(174,988)</u>	<u>(285,514)</u>	<u>(504,068)</u>	<u>(964,570)</u>
Other Financing Sources (Uses):				
Refunding bonds issued	--	7,170,000	--	7,170,000
Premiums on bonds issued	--	86,836	--	86,836
Payment to bond refunding escrow agent	--	(7,035,032)	--	(7,035,032)
Transfers from other funds	--	200,000	373,476	573,476
Transfers to other funds	--	(131,653)	--	(131,653)
Discount on bonds issued	--	(71,700)	--	(71,700)
Total Other Financing Sources (Uses)	<u>--</u>	<u>218,451</u>	<u>373,476</u>	<u>591,927</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(174,988)</u>	<u>(67,063)</u>	<u>(130,592)</u>	<u>(372,643)</u>
Fund Balances:				
Fund Balances - Beginning, as previously reported	230,619	428,147	130,590	789,356
Prior Period Adjustment	(396)	--	2	(394)
Fund Balances - Beginning, as restated	<u>230,223</u>	<u>428,147</u>	<u>130,592</u>	<u>788,962</u>
Fund Balances - Ending	<u>\$ 55,235</u>	<u>\$ 361,084</u>	<u>\$ --</u>	<u>\$ 416,319</u>

SPECIAL REVENUE FUNDS

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

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

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

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CITY OF CANTON
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2016

	<u>Police Communication Fund</u>	<u>Delores Blackmon Escrow Fund</u>	<u>CDBG 1995 Project Grant</u>	<u>Bertha Ratcliff Housing</u>
Assets:				
Cash and cash equivalents	\$ 414	\$ 2,695	\$ --	\$ 289
Total Assets	<u>\$ 414</u>	<u>\$ 2,695</u>	<u>\$ --</u>	<u>\$ 289</u>
Liabilities and Fund Balances:				
Liabilities:				
Total Liabilities	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Restricted:				
Unemployment benefits	\$ --	\$ --	\$ --	\$ --
General government	--	2,695	--	289
Public works	--	--	--	--
Public safety	414	--	--	--
Total Fund Balances	<u>414</u>	<u>2,695</u>	<u>--</u>	<u>289</u>
Total Liabilities and Fund Balances	<u>\$ 414</u>	<u>\$ 2,695</u>	<u>\$ --</u>	<u>\$ 289</u>

Levi Econ. Development Fund	Multi Purpose Complex Arena	Court Services Fund	Task Force Drug Seizure Fund	Employment Insurance Revolving
\$ 8,906	\$ 3,038	\$ --	\$ 12,085	\$ 27,808
<u>\$ 8,906</u>	<u>\$ 3,038</u>	<u>\$ --</u>	<u>\$ 12,085</u>	<u>\$ 27,808</u>
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ 27,808
--	--	--	--	--
8,906	3,038	--	--	--
--	--	--	12,085	--
<u>8,906</u>	<u>3,038</u>	<u>--</u>	<u>12,085</u>	<u>27,808</u>
<u>\$ 8,906</u>	<u>\$ 3,038</u>	<u>\$ --</u>	<u>\$ 12,085</u>	<u>\$ 27,808</u>

CITY OF CANTON

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

SEPTEMBER 30, 2016

	Police MCP Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
	<u> </u>	<u> </u>
Assets:		
Cash and cash equivalents	\$ --	\$ 55,235
Total Assets	<u>\$ --</u>	<u>\$ 55,235</u>
Liabilities and Fund Balances:		
Liabilities:		
Total Liabilities	<u>--</u>	<u>--</u>
Fund Balances:		
Restricted:		
Unemployment benefits	\$ --	\$ 27,808
General government	--	2,984
Public works	--	11,944
Public safety	--	12,499
Total Fund Balances	<u>--</u>	<u>55,235</u>
Total Liabilities and Fund Balances	<u>\$ --</u>	<u>\$ 55,235</u>

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CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Police Communication Fund	Delores Blackmon Escrow Fund	CDBG 1995 Project Grant
Revenues:			
Investment income	\$ --	\$ --	\$ --
Total Revenues	<u> --</u>	<u> --</u>	<u> --</u>
Expenditures:			
Public safety:			
Police	174,707	--	--
Debt Service:			
Miscellaneous	--	10	1
Total Expenditures	<u>174,707</u>	<u> 10</u>	<u> 1</u>
Excess of Revenues Over (Under) Expenditures	<u>(174,707)</u>	<u>(10)</u>	<u>(1)</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u> --</u>	<u> --</u>	<u> --</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(174,707)	(10)	(1)
Fund Balances:			
Fund Balances - Beginning, as previously reported	175,121	2,705	1
Prior Period Adjustment	--	--	--
Fund Balances - Beginning, as restated	<u>175,121</u>	<u>2,705</u>	<u>1</u>
Fund balances - Ending	<u>\$ 414</u>	<u>\$ 2,695</u>	<u>\$ --</u>

Bertha Ratcliff Housing	Levi Econ. Development Fund	Multi Purpose Complex Arena	Court Services Fund	Task Force Drug Seizure Fund
\$ --	\$ 21	\$ --	\$ --	\$ --
--	21	--	--	--
--	--	--	--	--
--	--	--	--	8
--	--	--	--	8
--	21	--	--	(8)
--	--	--	--	--
--	21	--	--	(8)
289	8,885	3,038	396	12,093
--	--	--	(396)	--
289	8,885	3,038	--	12,093
\$ 289	\$ 8,906	\$ 3,038	\$ --	\$ 12,085

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Employment Insurance Revolving	Police MCP Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Investment income	\$ 69	\$ --	\$ 90
Total Revenues	<u>69</u>	<u>--</u>	<u>90</u>
Expenditures:			
Public safety:			
Police	--	--	174,707
Debt Service:			
Miscellaneous	45	307	371
Total Expenditures	<u>45</u>	<u>307</u>	<u>175,078</u>
Excess of Revenues Over (Under) Expenditures	<u>24</u>	<u>(307)</u>	<u>(174,988)</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	24	(307)	(174,988)
Fund Balances:			
Fund Balances - Beginning, as previously reported	27,784	307	230,619
Prior Period Adjustment	--	--	(396)
Fund Balances - Beginning, as restated	<u>27,784</u>	<u>307</u>	<u>230,223</u>
Fund balances - Ending	<u>\$ 27,808</u>	<u>\$ --</u>	<u>\$ 55,235</u>

DEBT SERVICE FUNDS

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

The City maintains the following debt service funds:

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

CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 SEPTEMBER 30, 2016

Exhibit C-5

	Sinking Fund	Industrial Bond Retirement	TIF Bond Fund	TIF Sinking Fund	Total Nonmajor Debt Service Funds (See Exhibit C-1)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:					
Cash and cash equivalents	\$ 1,571	\$ 11,383	\$ 100,389	\$ 220,923	\$ 334,266
Accounts receivable	69,061	--	--	--	69,061
Total Assets	<u>\$ 70,632</u>	<u>\$ 11,383</u>	<u>\$ 100,389</u>	<u>\$ 220,923</u>	<u>\$ 403,327</u>
Liabilities and Fund Balances:					
Liabilities:					
Due to other funds	\$ --	\$ --	\$ 42,243	\$ --	\$ 42,243
Total Liabilities	<u> --</u>	<u> --</u>	<u> 42,243</u>	<u> --</u>	<u> 42,243</u>
Fund Balances:					
Restricted:					
Debt service	70,632	11,383	58,146	220,923	361,084
Total Fund Balances	<u>70,632</u>	<u>11,383</u>	<u>58,146</u>	<u>220,923</u>	<u>361,084</u>
Total Liabilities and Fund Balances	<u>\$ 70,632</u>	<u>\$ 11,383</u>	<u>\$ 100,389</u>	<u>\$ 220,923</u>	<u>\$ 403,327</u>

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Exhibit C-6

	Sinking Fund	Industrial Bond Retirement	TIF Bond Fund	TIF Sinking Fund	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:					
Property taxes	\$ 1,077,156	\$ --	\$ 64,148	\$ --	\$ 1,141,304
Sales taxes	--	--	120,000	--	120,000
Investment income	--	--	106	122	228
Other	--	--	79,763	--	79,763
Total Revenues	<u>1,077,156</u>	<u>--</u>	<u>264,017</u>	<u>122</u>	<u>1,341,295</u>
Expenditures:					
Public safety:					
Economic development and assistance	179,672	--	--	--	179,672
Debt Service:					
Principal	485,786	--	219,039	--	704,825
Interest	694,810	--	47,473	--	742,283
Miscellaneous	--	29	--	--	29
Total Expenditures	<u>1,360,268</u>	<u>29</u>	<u>266,512</u>	<u>--</u>	<u>1,626,809</u>
Excess of Revenues Over (Under) Expenditures	<u>(283,112)</u>	<u>(29)</u>	<u>(2,495)</u>	<u>122</u>	<u>(285,514)</u>
Other Financing Sources (Uses):					
Refunding bonds issued	7,170,000	--	--	--	7,170,000
Premiums on bonds issued	86,836	--	--	--	86,836
Payment to bond refunding escrow agent	(7,035,032)	--	--	--	(7,035,032)
Transfers from other funds	200,000	--	--	--	200,000
Transfers to other funds	--	--	(131,653)	--	(131,653)
Discount on bonds issued	(71,700)	--	--	--	(71,700)
Total Other Financing Sources (Uses)	<u>350,104</u>	<u>--</u>	<u>(131,653)</u>	<u>--</u>	<u>218,451</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>66,992</u>	<u>(29)</u>	<u>(134,148)</u>	<u>122</u>	<u>(67,063)</u>
Fund Balances:					
Fund Balances - Beginning	3,640	11,412	192,294	220,801	428,147
Fund Balances - Ending	<u>\$ 70,632</u>	<u>\$ 11,383</u>	<u>\$ 58,146</u>	<u>\$ 220,923</u>	<u>\$ 361,084</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. Special Obligation Bond Series 2011A Fund
3. Connector Road Fund
4. Watford Parkway Fund
5. Safe Routes to School Fund
6. Wal-Mart Feather Lane Fund
7. Union Street Overlay Fund
8. Signalization - Hwy 22 Commercial Fund
9. Flood Control Project Fund
10. Drainage Improvement Project Fund
11. GOB 96 Construction Fund
12. SAAB Park Improvements Fund

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CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2016

	CDBG Fund	Special Obligation Bond Series 2011A Fund	Connector Road Fund	Watford Parkway Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Total Assets	\$ --	\$ --	\$ --	\$ --
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Liabilities and Fund Balances:				
Liabilities:				
Total Liabilities	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	--	--	--	--
Fund Balances:				
Restricted:				
General government	--	--	--	--
Capital projects	\$ --	\$ --	\$ --	\$ --
Total Fund Balances	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	--	--	--	--
Total Liabilities and Fund Balances	\$ --	\$ --	\$ --	\$ --
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Safe Routes to School Fund	Wal-mart Feather Lane Fund	Union Stree Overlay Fund	Signalization - Hwy 22 Commercial Fund	Flood Control Project Fund
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --
\$ --	\$ --	\$ --	\$ --	\$ --

CITY OF CANTON
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2016

	<u>Drainage Improvement Project Fund</u>	<u>GOB 96 Construction Fund</u>	<u>SAAB Park Improvements Fund</u>	<u>Total Nonmajor Capital Projects Funds (See Exhibit C-1)</u>
Assets:				
Total Assets	\$ --	\$ --	\$ --	\$ --
Liabilities and Fund Balances:				
Liabilities:				
Total Liabilities	--	--	--	--
Fund Balances:				
Restricted:				
General government	--	--	--	--
Capital projects	\$ --	\$ --	\$ --	\$ --
Total Fund Balances	--	--	--	--
 Total Liabilities and Fund Balances	 \$ --	 \$ --	 \$ --	 \$ --

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CITY OF CANTON

*COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016*

	CDBG Fund	Special Obligation Bond Series 2011A Fund	Connector Road Fund	Watford Parkway Fund
Revenues:				
Intergovernmental	\$ --	\$ --	\$ 580,689	\$ --
Other fees	--	529	--	--
Total Revenues	<u>--</u>	<u>529</u>	<u>581,218</u>	<u>--</u>
Expenditures:				
Public safety:				
Other	--	--	--	--
Public services	--	--	794,892	37,622
Culture and recreation	--	--	--	--
Debt Service:				
Miscellaneous	1,264	--	--	--
Total Expenditures	<u>1,264</u>	<u>--</u>	<u>794,892</u>	<u>37,622</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,264)</u>	<u>529</u>	<u>(214,203)</u>	<u>(37,622)</u>
Other Financing Sources (Uses):				
Transfers from other funds	--	(329,857)	208,663	(21,470)
Total Other Financing Sources (Uses)	<u>--</u>	<u>(329,857)</u>	<u>208,663</u>	<u>(21,470)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,264)	(329,328)	(5,540)	(59,092)
Fund Balances:				
Fund Balances (Deficit) - Beginning, as previously reported	1,263	329,328	5,540	59,091
Prior Period Adjustment	1	--	--	1
Fund Balances (Deficit) - Beginning, as restated	<u>1,264</u>	<u>329,328</u>	<u>5,540</u>	<u>59,092</u>
Fund balances (Deficit) - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Safe Routes to School Fund	Wal-mart Feather Lane Fund	Union Street Overlay Fund	Signalization - Hwy 22 Commercial Fund	Flood Control Project Fund
\$ --	\$ --	\$ 249,263	\$ --	\$ --
--	--	--	--	--
--	--	249,263	--	--
--	--	--	--	--
--	--	--	--	20,231
--	140	267,715	4,879	--
--	--	--	--	--
--	--	--	--	--
--	140	267,715	4,879	20,231
--	(140)	(18,452)	(4,879)	(20,231)
2,680	5,993	186,802	(61,534)	88,771
2,680	5,993	186,802	(61,534)	88,771
2,680	5,853	168,350	(66,413)	68,540
(2,680)	(5,853)	(168,350)	66,413	(68,540)
--	--	--	--	--
(2,680)	(5,853)	(168,350)	66,413	(68,540)
\$ --	\$ --	\$ --	\$ --	\$ --

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Drainage Improvement Project Fund	GOB 96 Construction Fund	SAAB Park Improvements Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:				
Intergovernmental	\$ --	\$ --	\$ --	\$ 829,952
Other fees	--	--	--	529
Total Revenues	--	--	--	830,481
Expenditures:				
Public safety:				
Other	20,436	--	--	40,667
Public services	--	--	--	1,105,248
Culture and recreation	--	--	187,286	187,286
Debt Service:				
Miscellaneous	--	84	--	1,348
Total Expenditures	20,436	84	187,286	1,334,549
Excess of Revenues Over (Under) Expenditures	(20,436)	(84)	(187,286)	(504,068)
Other Financing Sources (Uses):				
Transfers from other funds	106,142	--	187,286	373,476
Total Other Financing Sources (Uses)	106,142	--	187,286	373,476
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	85,706	(84)	--	(130,592)
Fund Balances:				
Fund Balances (Deficit) - Beginning, as previously reported	(85,706)	84	--	130,590
Prior Period Adjustment	--	--	--	2
Fund Balances (Deficit) - Beginning, as restated	(85,706)	84	--	130,592
Fund balances (Deficit) - Ending	\$ --	\$ --	\$ --	\$ --

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, 2016

Exhibit C-9

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget Positive (Negative)
Operating Revenues:				
Charges for services	\$ 1,900,000	1,900,000	2,038,285	138,285
Total Operating Revenues	1,900,000	1,900,000	2,038,285	138,285
Operating Expenses:				
Personal services - salaries and wages	278,759	304,380	393,567	(89,187)
Personal services - employee benefits	120,623	127,827	132,584	(4,757)
Purchased professional and technical services	220,600	219,600	370,777	(151,177)
Supplies	80,900	82,000	68,745	13,255
Landfill expenses	460,000	460,000	546,776	(86,776)
Depreciation	-	-	148,234	(148,234)
Miscellaneous	710,202	710,202	6,885	703,317
Total Operating Expenses	1,871,084	1,904,009	1,667,568	236,441
Operating Income (Loss)	28,916	(4,009)	370,717	374,726
Non-Operating Revenues (Expenses):				
Debt Service Interest	-	-	(77,905)	(77,905)
Total Non-Operating Revenues (Expenses)	-	-	(77,905)	(77,905)
Net Income (Loss) before Transfers	28,916	(4,009)	292,812	296,821
Net Change in Net Position	28,916	(4,009)	292,812	296,821
Net Position (Deficit) - Beginning, as previously reported	-	-	(733,688)	(733,688)
Prior Period Adjustment	-	-	(208,067)	(208,067)
Net Position (Deficit) - Beginning, as restated	-	-	(941,755)	(941,755)
Net Position (Deficit) - Ending	\$ 28,916	(4,009)	(648,943)	(644,934)

COMPONENT UNITS

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

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

CITY OF CANTON

COMBINING STATEMENT OF NET POSITION

COMPONENT UNITS

SEPTEMBER 30, 2016

Exhibit C-10

	Canton Convention and Visitors Bureau	Canton Redevelopment Authority	Canton Municipal Utilities	Total Component Units
Assets				
Cash and cash equivalents	\$ 76,607	\$ 20,761	\$ 3,259,099	\$ 3,356,467
Accounts receivable	--	--	3,359,817	3,359,817
Inventories	2,215	--	1,107,629	1,109,844
Prepaid items	--	--	41,694	41,694
Restricted assets:				
Cash and cash equivalents	--	4,306	1,213,200	1,217,506
Temporary cash investments	--	--	8,945,132	8,945,132
Deferred assessment charges	--	--	1,229,536	1,229,536
Land and properties held for resale	--	1,118,691	--	1,118,691
Other investments	--	--	3,246	3,246
Other assets	--	1,333	--	1,333
Capital asset:				
Land and construction in progress	960,000	--	2,381,394	3,341,394
Other capital assets, net of accumulated depreciation	274,235	146,136	28,296,471	28,716,842
Total Assets	<u>1,313,057</u>	<u>1,291,227</u>	<u>49,837,218</u>	<u>52,441,502</u>
Deferred Outflows of Resources				
Deferred outflows related to pensions	52,292	136,026	1,735,085	1,923,403
Total Deferred Outflows of Resources	<u>52,292</u>	<u>136,026</u>	<u>1,735,085</u>	<u>1,923,403</u>
Liabilities				
Accounts payable	62,790	38,625	1,505,629	1,607,044
Accrued liabilities	--	8,428	--	8,428
Accrued salaries and related benefits	--	--	20,906	20,906
Solid waste collected for the City of Canton	--	--	50,347	50,347
Unearned revenues	--	50,000	--	50,000
Customer deposits	--	--	1,293,573	1,293,573
Other accrued expenses	--	--	66,859	66,859
Other payables	--	305,718	--	305,718
Notes, lease, and loan payable, current	13,207	46,626	102,182	162,015
Compensated absences, current	--	47,266	--	47,266
Notes, lease, and loan payable, non-current	8,264	70,085	1,127,354	78,349
Assessments payable, non-current	--	--	--	1,127,354
Compensated absences, non-current	--	--	103,466	103,466
Net pension liability	250,076	397,620	8,706,361	9,354,057
Total Liabilities	<u>334,337</u>	<u>964,368</u>	<u>12,976,677</u>	<u>14,275,382</u>
Deferred Inflows of Resources				
Deferred inflows related to pensions	14,405	1,057	23,135	38,597
Total Deferred inflows of resources	<u>14,405</u>	<u>1,057</u>	<u>23,135</u>	<u>38,597</u>
Net Position:				
Net investment in capital assets	1,212,764	29,425	29,448,329	30,690,518
Restricted	--	4,306	--	4,306
Unrestricted	(196,157)	428,097	9,124,162	9,356,102
Total Net Position	<u>\$ 1,016,607</u>	<u>461,828</u>	<u>38,572,491</u>	<u>40,050,926</u>

CITY OF CANTON

 COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN NET POSITION - COMPONENT UNITS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016

Exhibit C-11

	Canton Convention and Visitors Bureau	Canton Redevelopment Authority	Canton Municipal Utilities	Total Component Units
Operating Revenues:				
Charges for services	\$ --	\$ --	\$ 12,053,201	\$ 12,053,201
Fuel adjustment electric	--	--	(1,066,327)	(1,066,327)
Fuel adjustment gas	--	--	(864,080)	(864,080)
Revenue from Madison County Waste Water Authority	--	--	1,256,241	1,256,241
Connection charges and other sales	--	--	187,338	187,338
Fairs and festivals	93,706	--	--	93,706
Welcome center	7,901	--	--	7,901
Management fee	30,000	--	--	30,000
Rent	--	6,611	--	6,611
Parking tax revenues	--	10,063	--	10,063
Tours	--	41	--	41
Loss on sale of redeveloped asset	--	(154,579)	--	(154,579)
Flea market reimbursement	37,575	--	--	37,575
Total Operating Revenues	<u>169,182</u>	<u>(137,864)</u>	<u>11,566,373</u>	<u>11,597,691</u>
Operating Expenses:				
Personnel services	--	--	5,605,639	5,605,639
Advertising	157,793	--	--	157,793
Chemicals	--	--	94,937	94,937
Dues and subscriptions	--	--	37,487	37,487
Application fees	--	3,198	--	3,198
Bank fees	--	4,828	--	4,828
Chamber projects	--	1,100	--	1,100
Education	--	--	29,560	29,560
Freight and shipping	--	--	5,689	5,689
General administrative	22,200	--	--	22,200
Insurance	--	12,787	185,670	198,457
Property rehab	--	93,844	--	93,844
IT cost and supplies	--	--	19,864	19,864
Maintenance and supplies on property	--	3,143	--	3,143
Material and supplies	--	--	1,004,367	1,004,367
Lease office equipment and storage	--	13,642	--	13,642
Office expenses	--	16,290	145,576	161,866
Outside services	--	--	1,880,011	1,880,011
Payroll	231,447	--	--	231,447
Postage and printing	--	--	65,257	65,257
Professional services	49,630	60,199	--	109,829
Contract labor	--	13,547	--	13,547
Christmas	--	2,699	--	2,699
Closing cost on asset sale	--	2,375	--	2,375
Community events	--	1,592	--	1,592
Consulting	--	2,975	--	2,975
Promotion and special events	200,539	--	--	200,539
Rent	24,667	--	57,099	81,766
Repairs and maintenance	74,024	--	246,924	320,948
Salaries, payroll taxes, fringe benefits	--	276,080	--	276,080
Telephone	--	--	79,352	79,352
Travel, seminars and meetings	3,311	578	32,955	36,844
Utilities	20,585	7,024	730,896	758,505
Vehicle	--	2,353	173,346	175,699
Bad debt	--	--	132,176	132,176
Depreciation and amortization	29,121	6,859	2,103,298	2,139,278
Miscellaneous	--	2,577	--	2,577
Total Operating Expenses	<u>813,317</u>	<u>527,690</u>	<u>12,630,103</u>	<u>13,971,110</u>
Operating Income (Loss)	(644,135)	(665,554)	(1,063,730)	(2,373,419)
Non-Operating Revenues (Expenses):				
Grants	--	629,582	--	629,582
Donations	--	11,550	--	11,550
Interest and miscellaneous expense	(1,897)	(22,083)	(167,028)	(191,008)
Interest and investment revenue	41	17	198,740	198,798
Forfeited discounts and penalties	--	--	205,135	205,135
Tourism tax revenue	627,134	--	--	627,134
Loss on sale of property	(3,417)	--	--	(3,417)
Flea market parking	--	2,558	--	2,558
Transfer fees	--	--	(7,004)	(7,004)
Other income	--	1,964	--	1,964
Aid in construction	--	--	216,792	216,792
Total Non-Operating Revenues (Expenses)	<u>621,861</u>	<u>623,588</u>	<u>446,635</u>	<u>1,692,084</u>
Net Income (Loss) before Transfers	(22,274)	(41,966)	(617,095)	(681,335)
Transfers	--	--	(1,323,333)	(1,323,333)
Net Income (Loss)	(22,274)	(41,966)	(1,940,428)	(2,004,668)
Net Position:				
Net Position - Beginning, as previously reported	1,038,881	548,338	40,512,919	42,100,138
Prior Period Adjustment	--	(44,544)	--	(44,544)
Net Position - Beginning, as restated	1,038,881	503,794	40,512,919	42,055,594
Net Position - Ending	<u>\$ 1,016,607</u>	<u>\$ 461,828</u>	<u>\$ 38,572,491</u>	<u>\$ 40,050,926</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, 2016

NAME	EXPIRATION DATE	POSITION	COMPANY	BOND AMOUNT
Eric Gilkey	7/6/2017	Alderman	Brierfield	\$ 100,000
Daphne Sims	6/30/2017	Alderwoman	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	Alderwoman	Brierfield	\$ 100,000
Reuben Myers	7/6/2017	Alderman	Brierfield	\$ 100,000
Rodriguez Brown	6/30/2017	Alderman	Western Surety	\$ 100,000
Vickie McNeill	6/30/2017	Alderwoman	Liberty Mutual	\$ 100,000
Arnel Bolden	6/30/2017	Mayor	Brierfield	\$ 100,000
Valerie Smith	11/1/2016	City Clerk	Brierfield	\$ 75,000
Otha Brown	10/1/2016	Police Chief	Liberty Mutual	\$ 50,000
Demsa King	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Debra Brown	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Gwen Miles	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Charles Henderson	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Linda Lockett	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Annett Johnson	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Fredrick Pratt	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Chrishanda Jackson	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Schealeria Taylor	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Ashley Lacey	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Rilanda Reaves	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Lisa Ward	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Alvin Davis	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Joycette Nichols	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Melon Garrett	11/1/2016	Landfill Director	Liberty Mutual	\$ 50,000
Donald Lawrence	11/1/2016	Building Department Director	Liberty Mutual	\$ 50,000

City of Canton, Mississippi
Schedule of Long-Term Debt
For the Year Ended September 30, 2016

Schedule D-2

	Date of Obligation	Date of Maturity	Interest Rate	Original Amount	Balance October 1, 2015	Current Year Transactions				Balance September 30, 2016
						Additions	Retirements	Refunding	Adjustment	
Governmental Activities										
Bonds										
GOB Public Improvement	1/1/2008	7/1/2022	4.75-5.0%	\$ 3,500,000	\$ 2,555,000		285,000	(1,935,000)		335,000
Discount on Bonds Issued				\$ (52,500)	(24,208)	(71,700)	8,280		17,208	(70,420)
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 2011C	8/10/2011	10/1/2021	4.590%	\$ 2,580,000	1,835,000		270,000			1,565,000
Tax Increment Financing Bond	3/24/2015	3/1/2032	3.35-4.00%	\$ 2,705,000	2,705,000		125,000			2,580,000
General Obligation Refunding Bond, Series 2016	4/28/2016	10/1/2031	1.0-2.75%	\$ 7,170,000		7,170,000	75,000			7,095,000
Premiums on Bonds Issued						86,836				86,836
Total Bonds					11,070,792	7,185,136	763,280	(5,935,000)	17,208	11,591,416
Other Long-Term Debt										
Urban Renewal Bonds	3/24/2000	3/24/2035	5.13%	\$ 1,299,200	1,002,736		30,377			972,359
Pierce Contender	6/22/2006	6/22/2016	5.09%	\$ 178,750	21,772		21,772			-
Multipurpose & Equine Center Construction	6/9/2008	6/1/2028	2%	\$ 750,000	511,079		35,219			475,860
Fire Truck	9/5/2010	9/5/2019	3.30%	\$ 173,460	82,898		19,091			63,807
2015 Fire Truck	11/1/2014	11/1/2024	3.62%	\$ 375,000	375,000		31,787			343,213
Master Equipment Lease	12/1/2014	5/1/2016	6.00%	\$ 115,603	77,069		38,534			38,535
Master Equipment Lease 4 Police Cars	5/2/2016	5/2/2019	5.95%	\$ 106,436		106,436	29,107			77,329
Total Other Long-Term Debt					2,070,554	106,436	205,887	-	-	1,971,103
Total Long-Term Debt					\$ 13,141,346	7,291,572	969,167	(5,935,000)	17,208	13,562,519
Business-Type Activities										
Special Obligation Bonds										
Special Obligation Revenue Bond	6/1/2008	9/30/2020	5.300%	\$ 3,020,000	\$ 1,380,000		250,000			1,130,000
Other Long-Term Debt										
Equipment Lease Purchase	3/19/2014	3/19/2017	2.240%	\$ 42,990	21,856		14,489			7,367
Equipment Lease Purchase	10/23/2014	10/23/2019	2.290%	\$ 86,405			16,849		71,295	54,446
Knockle Boom Loader	4/1/2015	4/1/2020	4.000%	\$ 140,998			26,032		140,998	114,966
Total Other Long-Term Debt					21,856	-	57,370	-	212,293	176,779
Total Enterprise Fund					\$ 1,401,856	-	307,370	-	212,293	1,306,779

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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

Mayor and Board of Aldermen
City of Canton, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canton, Mississippi as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 7, 2017. We did not audit the financial statements of the Canton Municipal Utilities, component unit, which represent 95%, 96%, and 100%, respectively, of the assets, net position and revenues of the component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of the other auditors.

Internal Control Over Financial Reporting

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in

the accompanying schedule of findings and response as Findings 2016-001 and 2016-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in the accompanying schedule of findings and responses to be a significant deficiency as Finding 2016-003.

Compliance and Other Matters

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

City of Canton, Mississippi's Responses to Findings

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 7, 2017

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Mayor and Board of Aldermen
City of Canton, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining information of City of Canton, Mississippi as of and for the year ended September 30, 2016 and have issued our report dated December 7, 2017. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

Finding #1

Criteria:

Per Section 21-35-23, Mississippi Code Annotated (1972) and the Municipal Audit and Accounting Guide, Accounting records must be maintained on a cash basis. This means transactions are recorded when cash is received or disbursements are made during the fiscal year. The only exception to this rule is if claims are received prior to the end of the current fiscal year and paid within thirty days after the end of the current fiscal year, these payments may be recorded within the current fiscal year's records. This is necessary for the financial information to be comparable with the municipal budget.

Condition:

Claims owed by the City but not paid until after the fiscal year end 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 claims paid within thirty days after the end of the fiscal year.

Effect:

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

Recommendation:

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

Response:

The City will comply with Section 21-35-23, Mississippi Code Annotated (1972).

Finding #2

Criteria:

Per Section 21-15-21, Mississippi Code Annotated (1972), the municipal clerk should maintain an adequate record and accounts of each municipal officer. All fines and forfeitures should be reported by the officer collecting the funds immediately after the collection and paid into the treasury.

Condition:

All fines and forfeitures are collected when due and settled to the appointed City Treasurer. However, deposits are only made weekly or twice monthly.

Cause:

Appointed City Treasurers has many duties and often does not have time to make timely deposits.

Effect:

The City is not in compliance with Section 21-15-21.

Recommendation:

The City should divide duties to ensure appointed City Treasurer has time to make daily deposits.

Response:

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

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

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

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

FORTENBERRY & BALLARD, PC |

Fortenberry & Ballard, PC
December 7, 2017

Certified Public Accountants

SCHEDULE OF FINDINGS AND RESPONSES

City of Canton, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2016

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unmodified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? Yes.
3. Noncompliance material to financial statements noted? 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 2016-001:

Criteria:

As part of the closing process, the general ledger should be reviewed and adjusted as necessary to ensure that all accounts are properly reflected. An effective system of internal controls should provide for an adequate record of accruals of accounts receivable and accounts payable. Management is also responsible to ensure that the software system is reliable and any technical issues should be resolved and corrected.

Condition:

Internal control procedures surrounding the year end closing process were not adequate to ensure that all adjusting entries have been properly recorded or carried forward from the prior year. Management's software system allows manual input of beginning balances. Claims owed by the City were not reported in the City's financial records. These unrecorded claims were identified and reported by the auditor in this audit report.

Cause:

There was inadequate review at year end of cumulative balances in assets and liabilities accounts. Beginning cash and fund balances were manually input into the software system. Furthermore, controls were not in place to ensure the timely recording of receivables and payables at year end.

Effect:

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

Recommendation:

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

Response:

The Finance department will develop a procedure to explain how to review cumulative balances of assets and liabilities. This document will be completed and implemented with closing of FYE 2018 year end.

Finding 2016-002:

Criteria:

A good system of internal control will have control procedures in place to protect or safeguard assets.

Condition:

Controls are not in place to ensure cash is deposited timely.

Cause:

Cash is delivered to the Municipal Treasury Clerk each day. The Clerk is not available to make deposits daily because of other duties required by the City.

Effect:

Large amounts of cash are kept in vault until deposits are taken to bank, which provides an opportunity for misappropriations of funds.

Recommendation:

We recommend implementing controls to ensure deposits are made timely.

Response:

The City has assigned an individual employee who deposits funds on a daily basis. This process was implemented in October 2017.

Significant Deficiency

Finding 2016-003:

Criteria:

A sound system of internal control includes keeping track of assets and revenues.

Condition:

The City does not have a system to identify rent due from its renters.

Cause:

Internal controls are not in place to identify unpaid rent.

Effect:

Some renters are not paying rent as required per the rental agreement.

Recommendation:

We recommend implementing controls to ensure all renters are properly notify in writing

Response:

We have a list of renters who owe rent to the City of Canton on a monthly basis. We are implementing a process to issue invoices to the renters on a monthly basis.