

City of Canton, Mississippi

Audited Financial Statements
For the Year Ended September 30, 2017

Fortenberry & Ballard, P.C.
Certified Public Accountants

City of Canton, Mississippi
Audited Financial Statements
For the Year Ended September 30, 2017

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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and Board of Aldermen
City of Canton, Mississippi

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Canton, Mississippi, as of and for the year ended September 30, 2017, 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 97 percent, 97 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, 2017, 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 73-78, 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 October 30, 2019, 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
October 30, 2019

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2017

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, 2017. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the City's financial performance.

Financial Highlights

- Total net position decreased \$1,919,943 in 2017, including a prior period adjustment of (\$1,906,065), which represents an 18% decrease from fiscal year 2016. 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.
- General revenues account for \$11,537,861, or 82% of all revenues in 2017. This amount was less than the prior year (2016), which consisted of \$12,826,128 in general revenues. Program specific revenues in the form of charges for services accounted for \$2,468,770 or 18% of total revenues compared with \$2,038,285 in 2016.
- The City had \$14,020,509 in expenses, an amount that increased when compared with the \$13,842,181 in expenses for the prior year; \$2,468,770 of these expenses were offset by program specific charges for services. General revenues of \$11,537,861 were not adequate to provide for these programs.
- Among the major funds, the General Fund had \$10,197,762 in revenues and \$10,103,478 in expenditures. In 2016 the General Fund had \$10,547,361 in revenues and \$10,777,107 in expenditures. The General Fund's fund balance decreased by \$103,568, including a prior period adjustment of (\$264,737), from 2016 to 2017, and increased by \$397,194, including a prior period adjustment of \$854,897, from 2015 to 2016.
- The Enterprise Fund - Landfill Fund had \$2,495,913 in revenues and \$1,983,787 in expenses. Its net loss was \$1,431,277, including a prior period adjustment of (\$1,799,168), which was mainly due to adjustments to properly present long-term debt. Last year it showed \$2,038,285 in revenues and \$1,667,568 in expenses. Its net income for the previous year 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.
- Capital assets, net of accumulated depreciation, decreased by \$329,947 in the governmental activities. This decrease in the governmental activities was primarily due to the recording of depreciation expense during the year coupled with adjustments made to accumulated depreciation.

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2017

- Capital assets increased \$391,142 in the business-type activities mainly due to the additions to construction in progress.
- Long-term debt, including compensated absences, bond premiums and discounts, decreased by \$1,031,423, including a prior period adjustment of (\$22,225), in the governmental activities from 2016 to 2017. The decrease in the governmental activities was mainly due to principal payments made on outstanding long-term debt.
- Long-term debt, including compensated absences, increased by \$2,416,910 in the business-type activities from 2016 to 2017. The increase in the business-type activities was mainly due to the issuance of a 2016 special obligation refunding bond in the amount of \$2,785,000.

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 2017?" 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, 2017

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 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

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.

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2017

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 \$12,491,286 as of September 30, 2017. The following table presents a summary of the City's Governmental Activities net position at September 30, 2017 and 2016, respectively.

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2017

**Condensed Statement of Net Position
Governmental Activities**

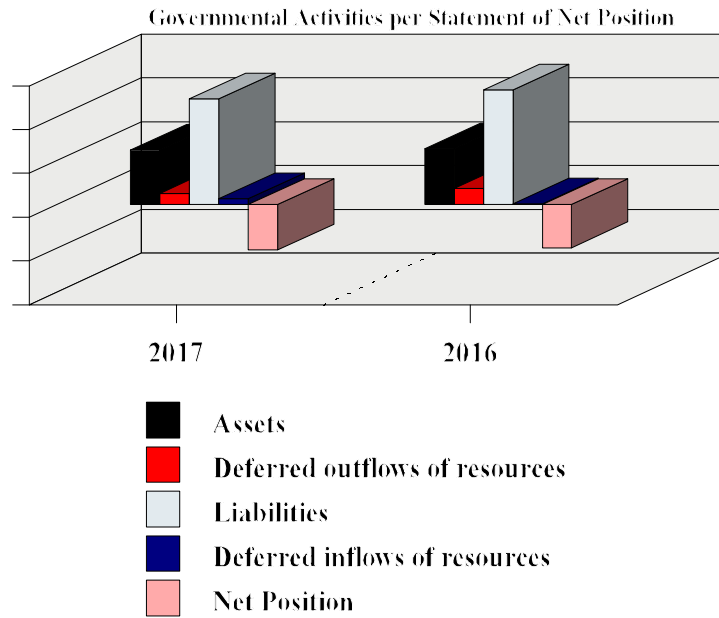
	<u>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Current assets	\$ 2,424,685	2,401,451	1%
Capital assets, net	9,970,491	10,300,438	(3)%
Total Assets	<u>12,395,176</u>	<u>12,701,889</u>	(2)%
Deferred outflows of resources	<u>2,486,359</u>	<u>3,657,485</u>	(32)%
Current liabilities	453,201	315,258	44%
Long-term liabilities	12,837,368	13,868,791	(7)%
Net pension liability	10,746,502	11,941,224	(10)%
Total Liabilities	<u>24,037,071</u>	<u>26,125,273</u>	(8)%
Deferred inflows of resources	<u>1,255,530</u>	<u>156,501</u>	702%
Net Position:			
Net investment in capital assets	(1,787,165)	(2,208,460)	19%
Restricted	365,358	235,311	55%
Unrestricted	(8,989,259)	(7,949,251)	(13)%
Total Net Position (deficit)	<u>\$ (10,411,066)</u>	<u>(9,922,400)</u>	(5)%

The net investment in capital assets amount was (\$1,787,165). 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, \$365,358 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 \$8,989,259.

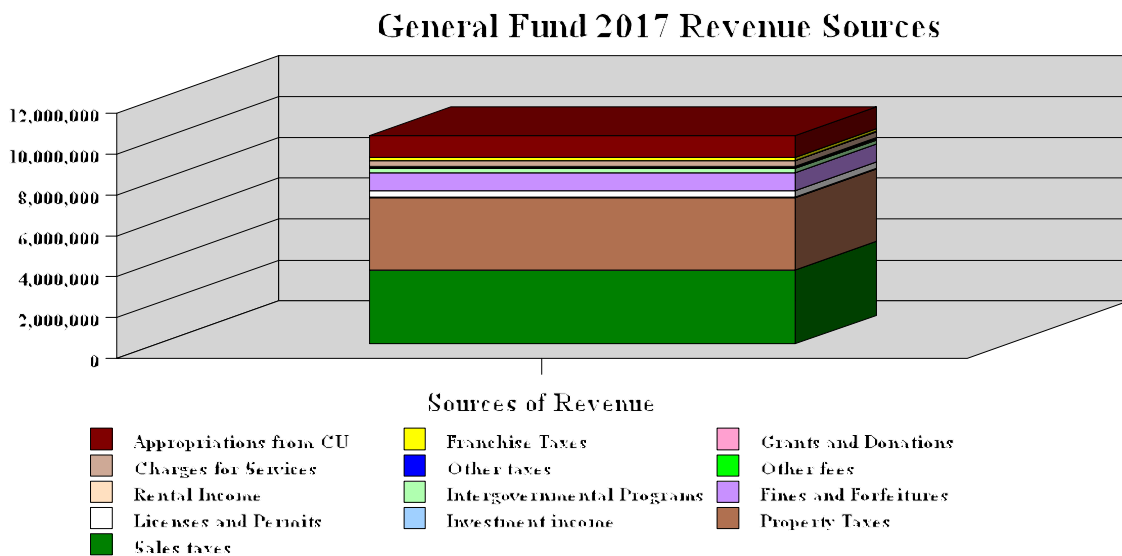
The following chart depicts the City's Governmental Activities' assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at September 30, 2017 and 2016.

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2017



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, 2017

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 2017. When compared to the fiscal year 2016, sales tax revenue decreased from prior year. Sales tax collections in fiscal year 2017 were \$3,616,962, a decrease over the \$3,718,393 collected in 2016. Total General Fund operating revenues were \$10,337,422, a decrease of \$350,000 over the prior year. The decrease was due to a reduction in advalorem tax revenue and appropriatins from Canton Municipal Utilities was less than previous years due to a change in their accounting policies.

Expenditures

General Fund operating expenditures were \$10,103,478, a decrease of \$673,629 or 6% over the prior year. In the prior year, General Fund operating expenditures accounted for \$10,777,107. The following schedule presents the General Fund revenues and expenditures for the year ended September 30, 2017, and the amount and percentage of change from 2016.

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2017

GENERAL FUND (GAAP BASIS) (in thousands)

	2017 Amount	2016 Amount	Dollar Increase (Decrease) from 2015	Percent Increase (Decrease) from 2015
Revenues:				
Property Tax	\$ 3,549	\$ 3,705	(\$156)	(4.2)%
Sales Taxes	3,617	3,718	(101)	(2.7)%
Franchise Fees	154	160	(6)	(3.8)%
Other Taxes	11	8	3	37.5%
Licenses and Permits	297	341	(44)	(12.9)%
Other Fees	44	70	(26)	(37.1)%
Intergovernmental	221	186	35	18.8%
Charges for Services	307	348	(41)	(11.8)%
Fines	873	634	239	37.7%
Grants and Donations	8	12	(4)	(33.3)%
Investment Income	30	14	16	114.3%
Rental Income	36	56	(20)	(35.7)%
Appropriations from Component Units	1,050	1,295	(245)	N/A
Total Revenues	\$ 10,197	\$ 10,547	\$ (350)	(3.3)%
Expenditures:				
General Government	\$ 3,254	\$ 3,210	\$ 44	1.4%
Public Safety	4,361	4,663	(302)	(6.5)%
Public Services	922	955	(33)	(3.5)%
Culture and Recreation	887	855	32	3.7%
Economic Opportunity	188	174	14	8.0%
Economic Development	236	230	6	2.6%
Debt Service	255	690	(435)	(63.0)%
TOTAL EXPENDITURES	\$ 10,103	\$ 10,777	\$ (674)	(6.3)%

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2017

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 2017 ending unassigned fund balance is \$1,606,126 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>2017</u>	<u>2016</u>	<u>Percentage Change</u>
Current assets	\$ 2,375,403	952,226	149%
Capital assets, net	1,031,689	640,547	61%
Total assets	<u>3,407,092</u>	<u>1,592,773</u>	114%
Deferred outflows of resources	<u>106,854</u>	<u>190,357</u>	(44)%
Current liabilities	968,808	211,839	357%
Long-term debt	3,749,734	1,335,819	181%
Net pension liability	763,203	872,973	(13)%
Total liabilities	<u>5,481,745</u>	<u>2,420,631</u>	126%
Deferred inflows of resources	<u>112,421</u>	<u>11,442</u>	883%
Net position:			
Net investment in capital assets	(2,692,000)	(666,232)	(304)%
Restricted:			
Public works	611,780	17,289	3,439%
Total net position (deficit)	<u>\$ (2,080,220)</u>	<u>(648,943)</u>	(221)%

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2017

Capital Assets and Long-Term Debt

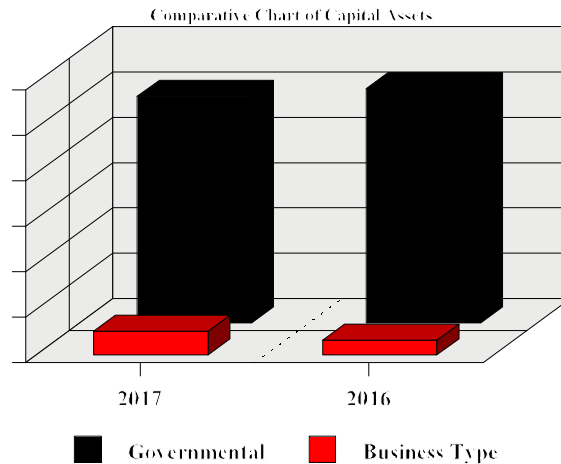
The following section shows what the capital assets consist of for both the Governmental and Business-Type Activities at September 30, 2017 and 2016, respectively.

Capital Assets at September 30, 2017 and 2016
Governmental Activities

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	Percentage Change
Land	\$ 2,977,827	2,987,827	0%
Buildings	6,345,669	6,345,669	0%
Infrastructure	5,972,287	5,972,287	0%
Mobile equipment	2,297,076	2,331,654	(1)%
Furniture and equipment	584,180	584,180	0%
Accumulated depreciation	<u>(8,206,548)</u>	<u>(7,921,179)</u>	(4)%
Total	\$ <u>9,970,491</u>	<u>10,300,438</u>	(3)%

Capital Assets at September 30, 2017 and 2016
Business-Type Activities

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	Percentage Change
Land	\$ 38,380	38,380	0%
Construction in progress	512,182		N/A
Site preparations	1,013,723	1,013,723	0%
Vehicles and equipment	866,945	866,945	0%
Accumulated depreciation	<u>(1,399,541)</u>	<u>(1,278,501)</u>	(9)%
Total	\$ <u>1,031,689</u>	<u>640,547</u>	61%



City of Canton, Mississippi
 Management's Discussion and Analysis
 For the Year Ended September 30, 2017

Long-Term Debt

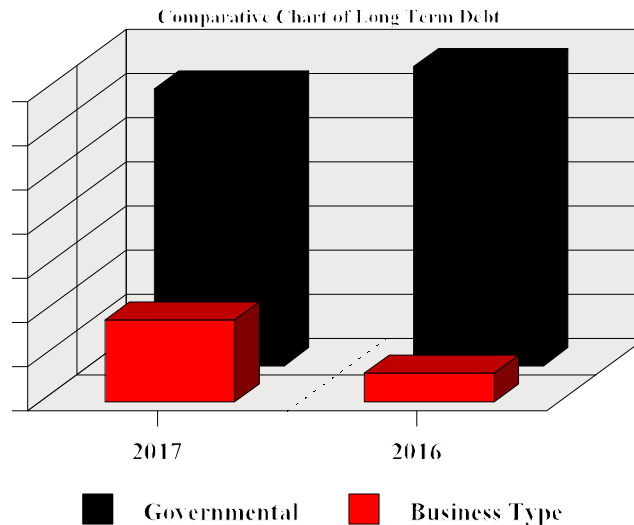
At September 30, 2017, the City of Canton had \$10,685,000 in outstanding General and Special Obligation Bonds, \$75,886 in premiums, \$62,140 in bond discounts and \$1,850,222 in other long-term debt outstanding reported under the governmental activities. The City also reported \$2,585,000 in outstanding Special Obligation Bonds and \$1,138,689 in other long-term debt reported in the business-type activities.

**Outstanding Bonds and Other Long-Term Debt
 Governmental Activities**

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>Percentage Change</u>
Bonds	\$ 10,685,000	11,575,000	(8)%
Other long term debt	1,850,222	1,971,103	(6)%
Total	\$ 12,535,222	13,546,103	(7)%

**Outstanding Bonds and Long-Term Obligations
 Business - Type Activities**

	<u>September 30, 2017</u>	<u>September 30, 2016</u>	<u>Percentage Change</u>
Bonds	\$ 2,585,000	1,130,000	129%
Other long term debt	1,138,689	176,779	544%
Total	\$ 3,723,689	1,306,779	185%



City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2017

Current Financial Related Activities

The City has acquired funding to renovate SAAB Park. The Central Mississippi Planning and Development has provided a CAP Loan for \$699,705 to provide a new restroom facility, amphitheater stage, new sidewalks within the park, a covered pavilion, splash pad and fencing near southwest entrance. The project is projected to be completed fiscal year 2019-2020.

The City was also awarded a Grant in the amount of \$800,000 to hire 6 new fire fighters. The duration of the grant is 3 years and will provide payment of salaries and overtime for all 6 fire fighters. The purpose of the grant is to help communities meet industry minimum standards and attain 24-hour staffing to provide adequate protection from fire and fire-related hazards.

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 John W. Carroll, Sr., 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, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 1,253,036	\$ 890,115	\$ 2,143,151	\$ 631,071
Cash with fiscal agents	--	70,108	70,108	--
Investments	--	695,039	695,039	--
Accounts receivable, net	1,197,610	--	1,197,610	3,464,259
Other receivables, net	--	694,180	694,180	--
Inventory	--	--	--	1,075,902
Prepaid items	--	--	--	55,621
Interfund balances	(25,961)	25,961	--	(6,200)
Restricted Assets:				
Cash and cash equivalents	--	--	--	1,349,466
Temporary cash investments	--	--	--	8,583,552
Deferred assessment charges	--	--	--	1,130,401
Other investments	--	--	--	6,872
Capital assets:				
Land and construction in progress	2,977,827	550,562	3,528,389	2,427,853
Other capital assets, net of accumulated depreciation	6,992,664	481,127	7,473,791	28,213,393
Total Assets	<u>12,395,176</u>	<u>3,407,092</u>	<u>15,802,268</u>	<u>46,932,190</u>
Deferred Outflows of Resources				
Deferred outflows - pensions	1,695,047	106,854	1,801,901	1,643,806
Deferred outflows from advance refunding of debt	791,312	--	791,312	--
Total Deferred Outflows of Resources	<u>2,486,359</u>	<u>106,854</u>	<u>2,593,213</u>	<u>1,643,806</u>
Liabilities:				
Accounts payable	200,968	142,066	343,034	1,326,875
Accrued salaries and related liabilities	--	--	--	13,009
Wages and benefits payable	135,032	16,186	151,218	--
Other payables	26,558	912	27,470	--
Accrued Closure/Postclosure cost	--	767,140	767,140	--
Solid waste collected for the City of Canton	--	--	--	50,297
Customer deposits	--	--	--	1,295,799
Other accrued expenses	--	--	--	131,874
Interest payable	90,643	42,504	133,147	--
Bonds payable, current	940,000	140,000	1,080,000	--
Notes, and lease obligations, current	165,850	302,607	468,457	22,639
Bond discounts, current	(8,280)	--	(8,280)	--
Bond premiums, current	10,950	--	10,950	--
Assessments payable, current	--	--	--	105,014
Compensated absences, current	14,420	1,302	15,722	--
Bonds payable, non-current	9,745,000	2,445,000	12,190,000	--
Notes, and lease obligations, noncurrent	1,684,372	836,082	2,520,454	15,560
Assessments payable, non-current	--	--	--	1,025,387
Compensated absences, non-current	273,980	24,743	298,723	152,572
Bond discounts, non-current	(53,860)	--	(53,860)	--
Bond premiums, non-current	64,936	--	64,936	--
Net pension liability	10,746,502	763,203	11,509,705	9,789,187
Total Liabilities	<u>24,037,071</u>	<u>5,481,745</u>	<u>29,518,816</u>	<u>13,928,213</u>
Deferred Inflows of Resources				
Deferred inflows - pensions	1,255,530	112,421	1,367,951	238,715
Total Deferred Inflows of Resources	<u>1,255,530</u>	<u>112,421</u>	<u>1,367,951</u>	<u>238,715</u>
Net Position				
Net Investment in Capital Assets	(1,787,165)	(2,692,000)	(4,479,165)	29,496,144
Restricted For:				
General government	2,975	--	2,975	--
Debt service	310,040	--	310,040	11,360
Public works	11,965	611,780	623,745	--
Public safety	12,499	--	12,499	--
Unemployment benefits	27,879	--	27,879	--
Unrestricted	(8,989,259)	--	(8,989,259)	4,901,564
Total Net Position (Deficit)	<u>\$ (10,411,066)</u>	<u>\$ (2,080,220)</u>	<u>\$ (12,491,286)</u>	<u>\$ 34,409,068</u>

The accompanying notes are an integral part of this statement.

CITY OF CANTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017

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	\$ 3,638,292	\$ --	\$ (3,638,292)		\$ (3,638,292)	
Public Safety:						
Police	1,874,494	--	(1,874,494)		(1,874,494)	
Fire	1,859,090	--	(1,859,090)		(1,859,090)	
Other	536,486	--	(536,486)		(536,486)	
Public services	899,932	--	(899,932)		(899,932)	
Culture and recreation	1,007,952	--	(1,007,952)		(1,007,952)	
Pension expense	1,445,958	--	(1,445,958)		(1,445,958)	
Interest on long-term debt	627,102	--	(627,102)		(627,102)	
Business-type Activities:						
Landfill	2,131,203	2,468,770	--	\$ 337,567	337,567	
Total Business-type Activities	2,131,203	2,468,770	--	337,567	337,567	
Total Primary Government	\$ 14,020,509	\$ 2,468,770	(11,889,306)	337,567	(11,551,739)	
COMPONENT UNITS:						
Canton Convention and Visitors Bureau	883,792	197,970				(685,822)
Canton Municipal Utilities	16,127,666	11,697,004				(4,430,662)
Total Component Units	\$ 17,011,458	\$ 11,894,974				(5,116,484)
General Revenues:						
Property taxes			4,635,738	--	4,635,738	615,223
Sales taxes			3,616,962	--	3,616,962	--
Franchise taxes(fees)			154,340	--	154,340	--
Other taxes			11,451	--	11,451	--
Fines and forfeits			873,082	--	873,082	--
Licenses and permits			297,398	--	297,398	--
Intergovernmental			221,118	26,280	247,398	--
Charges for governmental services			306,959	--	306,959	--
Unrestricted investment income			29,846	3,181	33,027	20
Appropriations from component unit			1,050,000	--	1,050,000	--
Grants and donations			8,045	--	8,045	8,997
Rental income			36,308	--	36,308	--
Miscellaneous			158,789	863	159,652	--
Other income			107,501	--	107,501	362,214
Total General Revenues			11,507,537	30,324	11,537,861	986,454
Transfers			--	--	--	(1,050,000)
Total General Revenues and Transfers			11,507,537	30,324	11,537,861	(63,546)
Change in Net Position			(381,769)	367,891	(13,878)	(5,180,030)
Net Position - Beginning, as previously reported			(9,922,400)	(648,943)	(10,571,343)	39,589,098 *
Prior Period Adjustment			(106,897)	(1,799,168)	(1,906,065)	--
Net Position - Beginning, as restated			(10,029,297)	(2,448,111)	(12,477,408)	39,589,098
Net Position - Ending			\$ (10,411,066)	\$ (2,080,220)	\$ (12,491,286)	\$ 34,409,068

The accompanying notes are an integral part of this statement.

* Beginning fund balance does not match prior year due to exclusion of a component unit -Canton Redevelopment Unit .

CITY OF CANTONBALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Sinking Fund	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 1,004,768	\$ 53,408	\$ 194,860	\$ 1,253,036
Accounts receivable	1,131,065	66,545	--	1,197,610
Due from other funds	1,848	--	--	1,848
Total Assets	<u>\$ 2,137,681</u>	<u>\$ 119,953</u>	<u>\$ 194,860</u>	<u>\$ 2,452,494</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 200,968	\$ --	\$ --	\$ 200,968
Wages payable	135,032	--	--	135,032
Due to other funds	27,809	--	--	27,809
Other paybles	26,558	--	--	26,558
	<u>390,367</u>	<u>--</u>	<u>--</u>	<u>390,367</u>
Fund Balances:				
Restricted:				
Debt service	--	119,953	280,730	400,683
Unemployment benefits	--	--	27,879	27,879
General government	--	--	2,975	2,975
Public works	--	--	11,965	11,965
Public safety	--	--	12,499	12,499
Unassigned	<u>1,747,314</u>	<u>--</u>	<u>(141,188)</u>	<u>1,606,126</u>
Total Fund Balances	<u>1,747,314</u>	<u>119,953</u>	<u>194,860</u>	<u>2,062,127</u>
Total Liabilities and Fund Balances	<u>\$ 2,137,681</u>	<u>\$ 119,953</u>	<u>\$ 194,860</u>	<u>\$ 2,452,494</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, 2017

Total fund balances - governmental funds balance sheet	\$ 2,062,127
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	9,970,491
Payables for bond principal which are not due in the current period are not reported in the funds.	(10,685,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(90,643)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(288,400)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(1,850,222)
Deferred amount on refunding is accounted for in SNP as a Deferred Outflow of Resources but not in the funds.	791,312
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(10,746,502)
Deferred Inflows of Resources related to the pension plan are not reported in the funds.	(1,255,530)
Deferred Outflows of Resources related to the pension plan are not reported in the funds.	1,695,047
Bond discounts are capitalized in the SNP but not in the funds.	62,140
Bond premiums are capitalized in the SNP but not in the funds.	<u>(75,886)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ (10,411,066)</u>

The accompanying notes are an integral part of this statement.

CITY OF CANTON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	General Fund	Sinking Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Property taxes	\$ 3,548,795	\$ 1,039,285	\$ 47,658	\$ 4,635,738
Sales taxes	3,616,962	--	--	3,616,962
Franchise taxes (fees)	154,340	--	--	154,340
Other taxes	11,451	--	--	11,451
Licenses and permits	297,398	--	--	297,398
Intergovernmental	221,118	--	--	221,118
Fines and forfeitures	873,082	--	--	873,082
Investment income	29,588	--	258	29,846
Grants and donations	8,045	--	--	8,045
Charges for services	306,959	--	--	306,959
Rental income	36,308	--	--	36,308
Appropriations from component units	1,050,000	--	--	1,050,000
Other fees	43,716	115,073	--	158,789
Total Revenues	<u>10,197,762</u>	<u>1,154,358</u>	<u>47,916</u>	<u>11,400,036</u>
Expenditures:				
General Government	3,253,921	--	--	3,253,921
Public safety:				
Police	1,967,356	--	--	1,967,356
Fire	1,858,018	--	--	1,858,018
Other	535,564	--	--	535,564
Public services	922,423	--	26,261	948,684
Culture and recreation	887,190	--	114,927	1,002,117
Economic development and assistance	235,753	1,740	--	237,493
Economic opportunity	188,325	--	--	188,325
Debt Service:				
Principal	202,780	645,469	219,791	1,068,040
Interest	--	457,828	--	457,828
Miscellaneous	52,148	--	7	52,155
Total Expenditures	<u>10,103,478</u>	<u>1,105,037</u>	<u>360,986</u>	<u>11,569,501</u>
Excess of Revenues Over (Under) Expenditures	<u>94,284</u>	<u>49,321</u>	<u>(313,070)</u>	<u>(169,465)</u>
Other Financing Sources (Uses):				
Inception of capital leases	79,384	--	--	79,384
Transfers from other funds	--	--	120,000	120,000
Transfers to other funds	(120,000)	--	--	(120,000)
Insurance recovery	40,493	--	--	40,493
Other Income	67,008	--	--	67,008
Total Other Financing Sources (Uses)	<u>66,885</u>	<u>--</u>	<u>120,000</u>	<u>186,885</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	161,169	49,321	(193,070)	17,420
Fund Balances:				
Fund Balances - Beginning, as previously reported	1,850,882	70,632	345,687	2,267,201
Prior Period Adjustment	(264,737)	--	42,243	(222,494)
Fund Balances - Beginning, as restated	<u>1,586,145</u>	<u>70,632</u>	<u>387,930</u>	<u>2,044,707</u>
Fund Balances - Ending	<u>\$ 1,747,314</u>	<u>\$ 119,953</u>	<u>\$ 194,860</u>	<u>\$ 2,062,127</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, 2017

Net change in fund balances - total governmental funds	\$ 17,420
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	79,384
The depreciation of capital assets used in governmental activities is not reported in the funds.	(459,750)
Trade-in or disposal of capital assets decrease net position in the SOA but not in the funds.	(42,953)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	890,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	178,040
(Increase) decrease in accrued interest from beginning of period to end of period.	90,365
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	17,872
Deferred amount on refunding is amortized in SOA but not in the funds.	(262,309)
Bond premiums are amortized in the SOA.	10,950
Bond discounts amortization.	(8,280)
Inception of capital leases do not provide revenue in the SOA, but are reported as current resources in the funds.	(79,384)
GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.	490,970
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	141,864
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	<u>(1,445,958)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (381,769)</u>

The accompanying notes are an integral part of this statement.

CITY OF CANTON
 STATEMENT OF NET POSITION
 ENTERPRISE FUNDS
 SEPTEMBER 30, 2017

	Enterprise Fund <u>Landfill Fund</u>
Assets:	
Cash and cash equivalents	\$ 890,115
Cash with fiscal agents	70,108
Investments	695,039
Other receivables	694,180
Interfund receivables	112,381
Capital Assets:	
Land and construction in progress	550,562
Other capital assets, net of accumulated depreciation	481,127
Total Assets	<u>3,493,512</u>
Deferred Outflows of Resources	
Deferred outflows - pensions	106,854
Total Deferred Outflows of Resources	<u>106,854</u>
Liabilities:	
Accounts payable	142,066
Wages and benefits payable	16,186
Interfund payables	86,420
Accrued Closure/Postclosure care cost	767,140
Other payables	912
Interest payable	42,504
Bonds payable, current	140,000
Notes and lease obligations, current	302,607
Compensated absences, current	1,302
Bonds payable, noncurrent	2,445,000
Notes and lease obligations, noncurrent	836,082
Compensated absences, noncurrent	24,743
Net pension liability	763,203
Total Liabilities	<u>5,568,165</u>
Deferred Inflows of Resources	
Deferred inflows - pensions	112,421
Total Deferred inflows of resources	<u>112,421</u>
Net Position:	
Net investment in capital assets	(2,692,000)
Restricted:	
Public works	611,780
Total Net Position (Deficit)	<u>\$ (2,080,220)</u>

The accompanying notes are an integral part of this statement.

CITY OF CANTONSTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Enterprise Fund <u>Landfill Fund</u>
Operating Revenues:	
Charges for Services	\$ 2,468,770
Other Revenues	863
Total Operating Revenues	<u>2,469,633</u>
Operating Expenses:	
Personal services - salaries and wages	411,478
Personal services - employee benefits	133,537
Purchased professional and technical services	520,193
Supplies	85,070
Landfill expenses	462,743
Depreciation	148,234
Miscellaneous	222,532
Total Operating Expenses	<u>1,983,787</u>
Operating Income (Loss)	<u>485,846</u>
Non-Operating Revenues (Expenses):	
Grants and Donations	26,280
Interest Revenue	3,181
Debt Service Interest	(147,416)
Total Non-Operating Revenues (Expenses)	<u>(117,955)</u>
Net Income (Loss)	<u>367,891</u>
Net Position:	
Net Position (Deficit) - Beginning, as previously reported	(648,943)
Prior Period Adjustment	<u>(1,799,168)</u>
Net Position (Deficit) - Beginning, as restated	(2,448,111)
Net Position (Deficit) - Ending	<u>\$ (2,080,220)</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, 2017

	Enterprise Fund <u>Landfill Fund</u>
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 2,258,207
Cash Payments to Employees for Services	127,022
Cash Payments to Other Supplies for Goods	(726,877)
Cash Payments for Services	(465,130)
Other Operating Cash Receipts (Payments)	<u>(969,325)</u>
Net Cash Provided (Used) by Operating Activities	<u>223,897</u>
Cash Flows from Non-capital Financing Activities:	
Transfers From (To) Primary Governments	319
Net Cash Provided (Used) by Non-capital Financing Activities	<u>319</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from Issuance of Long-term Debt	1,655,000
Principal and Interest Paid	(618,795)
Acquisition or Construction of Capital Assets	<u>(512,182)</u>
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>524,023</u>
Cash Flows from Investing Activities:	
Interest and Dividends on Investments	<u>8</u>
Net Cash Provided (Used) for Investing Activities	<u>8</u>
Net Increase (Decrease) in Cash and Cash Equivalents	748,247
Cash and Cash Equivalents at Beginning of Year	141,868
Cash and Cash Equivalents at End of Year	<u>\$ 890,115</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 485,846
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	148,234
Other cash receipts (payments)	(54,388)
Change in Assets, Deferred Outflows, Liabilities and Deferred Inflows:	
Decrease (Increase) in Receivables	48,384
Decrease (Increase) in Assets/Liabilities	(517,895)
Decrease (Increase) in Other Receivables	(694,180)
Decrease (Increase) in Deferred Outflows	83,503
Increase (Decrease) in Accounts Payable	137,334
Increase (Decrease) in Wages Payable	8,168
Increase (Decrease) in Accrued Closure/Postclosure Cost	589,765
Increase (Decrease) in Other Payables	912
Increase (Decrease) in Deferred Inflows	100,979
Increase (Decrease) in Compensated Absences	(2,995)
Increase (Decrease) in Net Pension Liability	<u>(109,770)</u>
Total Adjustments	<u>(261,949)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 223,897</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, 2017

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

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, 2017.

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.

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).

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.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

A. FINANCIAL REPORTING ENTITY

COMPONENT UNITS

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the City is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the City may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. Additionally, GASB Statement No. 80, *Blending Requirements for Certain Component Units*, clarifies the display requirements in GASB Statement No. 14 by requiring these component units to be blended into the primary state and local government's financial statements in a manner similar to a department or activity of the primary government. The City also has no component units, defined by GASB Statements No. 14 and 80 as other legally separate organizations for which the elected Board of Aldermen/Alderwomen are financially accountable.

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 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 of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. In the financial reporting model the focus is on either the City as a whole, or major individual funds (within the fund financial statements). Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as governmental type. In the Government-wide Statement of Net Position, the governmental activities column is presented on a full accrual 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, 2017

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.

Sinking Fund - This fund accounts for the resources related to the repayment of principal and interest for the City's debt.

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, 2017

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, 2017.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

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, Contractual Services, Consumable Supplies & Materials, and Grants, Subsidies and Allocations.

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, 2017

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, 2017

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

without equivalent flows of assets in return and without a requirement for payment. Interfund receivables and payables have been eliminated from the government-wide Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

The following is a summary of interfund transactions and balances:

A. Due To/From Other Funds:

	<u>Due from</u>	<u>Due to</u>
Governmental Funds:		
General Fund	\$ 1,848	27,809
Enterprise Fund:		
Landfill Fund	112,381	86,420
Total	<u>\$ 114,229</u>	<u>114,229</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	\$	120,000
Other Governmental Funds	120,000	
Total	<u>\$ 120,000</u>	<u>120,000</u>

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

N. 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, 2017

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	\$	27,879
Debt service		310,040
Public works		11,965
Public safety		12,499
General government		2,975
Total	\$	<u>365,358</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 resources measurement focus. This means that all assets, deferred outflows of resources, liabilities, and deferred inflows of resources

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

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

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

In accordance with GASB Statement No. 34, governmental infrastructure has been capitalized. 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	N/A
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, 2017

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 deferred outflows which are presented as deferred outflows 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.

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 \$1,253,036 and \$890,115 in the business-type activities. The bank balance was \$2,539,144.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

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, 2017, none of the City's bank balance of \$2,539,144 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 \$70,108 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 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, 2017:

Level 1 type of investments of \$695,039 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, 2017, the City had the following investments:

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

Investment Type	Fair Value	Credit Ratings	Percentage of Investments	Interest Rates
Federal Agricultural Mortgage Corporation	\$ 127,306	Unrated	19%	2.10-4.16%
Federal Home Loan Banks	108,366	AA+	43%	4.625%
Federal Home Loan Mortgage Corporation	69,814			1.40%
US Treasury Note	139,565			1.375-1.75%
Federal National Mortgage Association	249,988	AA+	38%	0.875-2.40%
Total Investments	\$ 695,039		100%	

Investment Maturities in Years

Investment Type	Less Than 1	1-5
Federal Agricultural Mortgage Corporation		127,307
Federal Home Loan Banks		108,366
Federal Home Loan Mortgage Corporation	69,813	
Federal National Mortgage Association	249,988	
US Treasury Note		139,565

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

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of a financial institutions failure, the City will not be able to recover the value of its investments. The City does not have a formal investment policy that addresses custodial credit risk. As of September 30, 2017, \$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 trust department not in City's name		695,039
Total	\$	695,039

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

3. RECEIVABLES

Accounts receivable at September 30, 2017, consisted of the following:

	<u>General Fund</u>	<u>Sinking Fund</u>	<u>Accounts Receivable</u>
Property Taxes	\$ 249,879	66,545	316,424
Sales & Tourism Tax	300,545		300,545
Court Receivable	580,641		580,641
Total	<u>\$ 1,131,065</u>	<u>66,545</u>	<u>1,197,610</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, 2017, upon which the levy was based, was \$87,146,966. 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, 2017. 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, 2017

5. CAPITAL ASSETS

	Balance 10-1-2016	Additions	Retirements	Adjustments	Balance 9-30-2017
<u>Non-depreciable capital assets:</u>					
Land	\$ 2,987,827		10,000		2,977,827
Total non-depreciable capital assets	<u>2,987,827</u>	<u>0</u>	<u>10,000</u>	<u>0</u>	<u>2,977,827</u>
<u>Depreciable capital assets:</u>					
Buildings	6,345,669				6,345,669
Infrastructure	5,972,287				5,972,287
Mobile equipment, including equipment under capital leases	2,331,654	79,384	71,637	(42,325)	2,297,076
Furniture and equipment	584,180				584,180
Total depreciable capital assets	<u>15,233,790</u>	<u>79,384</u>	<u>71,637</u>	<u>(42,325)</u>	<u>15,199,212</u>
<u>Less accumulated depreciation for:</u>					
Buildings	3,824,426	70,035			3,894,461
Infrastructure	2,044,649	204,762		(2,973)	2,246,438
Mobile equipment, including equipment under capital leases	1,709,025	134,526	38,684	(97,084)	1,707,783
Furniture and equipment	343,079	50,427		(35,640)	357,866
Total accumulated depreciation	<u>7,921,179</u>	<u>459,750</u>	<u>38,684</u>	<u>(135,697)</u>	<u>8,206,548</u>
Total depreciable capital assets, net	<u>7,312,611</u>	<u>(380,366)</u>	<u>32,953</u>	<u>93,372</u>	<u>6,992,664</u>
Governmental activities capital assets, net	<u>\$ 10,300,438</u>	<u>(380,366)</u>	<u>42,953</u>	<u>93,372</u>	<u>9,970,491</u>

Adjustments were made to correct prior year's accumulated depreciation and correct assets record.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

6. LONG - TERM OBLIGATIONS

A. Changes in Long - Term Obligations

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

	Balance 10-1-2016	Additions	Reductions	Adjustments	Balance 9-30-2017	Amounts due within one year
<u>Bonds</u>						
General Obligation Bond	\$ 335,000		335,000		0	
General Obligation Refunding 2016 Bond	7,095,000		145,000		6,950,000	510,000
Special Obligation Bond, Series 2011C	1,565,000		285,000		1,280,000	300,000
Tax Increment Financing Bond	2,580,000		125,000		2,455,000	130,000
Total Bonds	<u>11,575,000</u>	<u>0</u>	<u>890,000</u>	<u>0</u>	<u>10,685,000</u>	<u>940,000</u>
<u>Other Long - Term Debt</u>						
Urban Renewal Bonds	972,359		27,966		944,393	33,154
Multipurpose & Equine Ctr. Construction	475,860		39,576		436,284	37,052
Fire Truck	63,807		20,141		43,666	21,249
2015 Fire Truck	343,213		32,938		310,275	34,130
Master Equipment Lease	38,535		16,310	(22,225)	0	
Master Equipment Lease 4 Police Cars	77,329		23,928		53,401	25,929
Master Equipment Lease 3 Vehicles		79,384	17,181		62,203	14,336
Total Other Long - Term Debt	<u>1,971,103</u>	<u>79,384</u>	<u>178,040</u>	<u>(22,225)</u>	<u>1,850,222</u>	<u>165,850</u>
Total Long - Term Debt	<u>13,546,103</u>	<u>79,384</u>	<u>1,068,040</u>	<u>(22,225)</u>	<u>12,535,222</u>	<u>1,105,850</u>
Compensated Absences	\$ 306,272		17,872		288,400	14,420

	Balance 10-1-2016	Reductions	Balance 9-30-2017	Amounts due within one year
Bond Discounts	\$ (70,420)	8,280	(62,140)	8,280
Bond Premiums	<u>86,836</u>	<u>10,950</u>	<u>75,886</u>	<u>10,950</u>
Total	<u>\$ 16,416</u>	<u>(2,670)</u>	<u>13,746</u>	<u>(2,670)</u>

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

B. Currently Outstanding Long-Term Obligations

Debt currently outstanding is as follows:

	Date of Obligation	Date of Maturity	Interest Rate	Original Amount	Balance 9-30-2017
<u>Bonds</u>					
General Obligation Bonds	1/1/08	7/1/22	4.75-5.00%	\$ 3,500,000	0
General Obligation Refunding Bond, Series 2016	4/28/16	10/1/31	1.0-2.75%	7,170,000	6,950,000
Special Obligation Bond, Series 2011C	8/10/11	10/1/21	4.59%	2,580,000	1,280,000
Tax Increment Financing Bond	3/24/15	3/1/32	3.35-4.00%	2,705,000	2,455,000
Total				<u>\$ 15,955,000</u>	<u>10,685,000</u>

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

	Date of Obligation	Date of Maturity	Interest Rate	Original Amount	Balance 9-30-2017
<u>Other Long - Term Debt</u>					
Urban Renewal Bonds	3/24/00	3/24/35	5.130%	\$ 1,299,200	944,393
Multipurpose & Equine Ctr. Construction	6/9/08	6/1/28	2.00%	750,000	436,284
Fire Truck	9/5/10	9/5/19	3.30%	173,460	43,666
2015 Fire Truck	11/1/14	11/1/24	3.62%	375,000	310,275
Master Equipment Lease	12/1/14	5/1/16	6.0%	115,603	0
Master Equipment Lease 4 Police Cars	5/2/16	5/2/19	5.95%	106,436	53,401
Master Equipment Lease 3 Vehicles	3/31/17	3/31/21	5.45%	79,929	62,203
Total Other Long - Term Debt				\$ 2,899,628	1,850,222

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

Bonds

The City issues 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
2018	\$ 940,000	368,895	1,308,895
2019	965,000	321,491	1,286,491
2020	1,000,000	271,780	1,271,780
2021	1,005,000	221,213	1,226,213
2022	970,000	396,384	1,366,384
2023 - 2027	2,970,000	1,451,208	4,421,208
2028 - 2032	2,835,000	595,245	3,430,245
Total	\$ 10,685,000	3,626,216	14,311,216

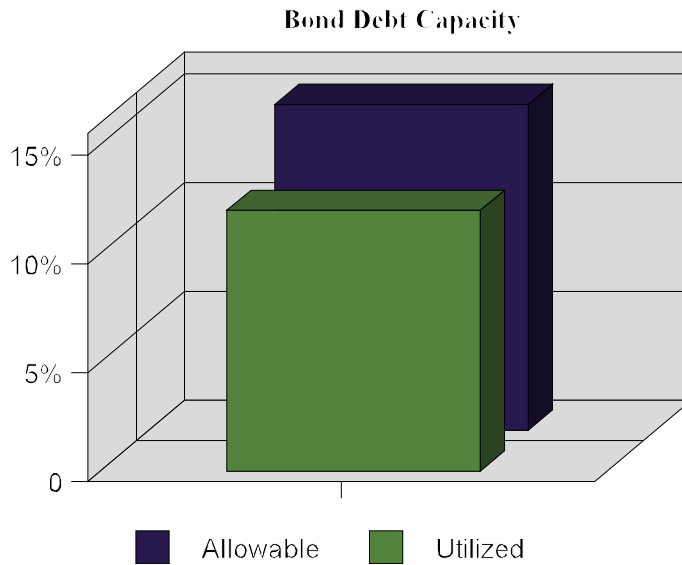
These debt issues are to be retired from the Sinking Fund.

The amount of general obligation bonded debt that can be incurred by the City is limited by state statute. Total outstanding bonded debt during a year can be no greater than 15% of the assessed value of the taxable property within such municipality, according to the last completed assessment for taxation, unless certain conditions, such as set forth in state statutes under Mississippi Code Ann., Section 21-33-303, have been met which increases the bonded debt to no greater than 20% of the assessed value. As of September 30, 2017, the amount of outstanding bonded debt was equal to 12% of property assessments of \$87,146,966, computed as follows:

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

Bonded Debt:		
General Obligation Bonds	\$	10,685,000
Enterprise Funds		2,585,000
Less Excludable Debt:		
Enterprise Funds		<u>(2,585,000)</u>
Total Debt Subject to Limitation		<u>10,685,000</u>
Assessed Valuation	\$	87,146,966
Percentage		12.26%



Other Long - term Debt

Urban Renewal Bonds

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
\$1,299,200	3/24/2000	3/24/2035

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

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

Year Ending June 30		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		40,492	40,994	81,486
2023 - 2027		235,796	171,634	407,430
2028 - 2032		302,738	104,692	407,430
2033 - 2035		222,201	23,593	245,794
Total	\$	<u>944,393</u>	<u>523,691</u>	<u>1,468,084</u>

This debt is to be retired from the Sinking Fund.

Multipurpose & Equine Center Construction

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

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

Year Ending June 30		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		40,135	5,376	45,511
2023 - 2027		213,159	14,398	227,557
2028		30,234	283	30,517
Total	\$	<u>436,284</u>	<u>49,348</u>	<u>485,632</u>

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

Fire Truck

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

A maturity schedule for the loan is as follows:

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

Year Ending June 30		Principal	Interest	Total
2018	\$	21,249	2,402	23,651
2019		22,417	1,233	23,650
Total	\$	43,666	3,635	47,301

This debt is to be retired from the General Fund.

2015 Fire Truck

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

A maturity schedule for the loan is as follows:

Year Ending June 30		Principal	Interest	Total
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		39,350	6,017	45,367
2023- 2025		126,808	65,090	191,898
Total	\$	310,275	108,457	418,732

This debt is to be retired from the General Fund.

Master Equipment Lease

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

Master Equipment Lease 4 Police Cars

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
\$106,436	5/2/16	5/2/19

A maturity schedule for the lease is as follows:

Year Ending June 30		Principal	Interest	Total
2018	\$	25,929	3,177	29,106
2019		27,472	1,635	29,107
Total	\$	53,401	4,812	58,213

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

This debt is to be retired from the General Fund.

Master Equipment Lease 3 Vehicles

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
\$79,929	3/31/17	3/31/21

A maturity schedule for the lease is as follows:

<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2018	\$	14,336	3,390	17,726
2019		15,117	2,609	17,726
2020		15,941	1,785	17,726
2021		16,809	916	17,725
Total	\$	<u>62,203</u>	<u>8,700</u>	<u>70,903</u>

This debt is to be retired from the General Fund.

7. BUSINESS - TYPE ACTIVITIES, CAPITAL ASSETS

The following is a summary of the capital assets of the Enterprise Funds at September 30, 2017.

	<u>Landfill Management Balance 10-01-2016</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Landfill Management Balance 9-30-2017</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 38,380			38,380
Construction in Progress		512,182		512,182
Total non-depreciable capital assets	<u>38,380</u>	<u>512,182</u>	<u>0</u>	<u>550,562</u>
<u>Depreciable capital assets:</u>				
Site Preparations	1,013,723			1,013,723
Vehicles and Equipment	866,945			866,945
Total depreciable capital assets	<u>1,880,668</u>	<u>0</u>	<u>0</u>	<u>1,880,668</u>
<u>Less accumulated depreciation for:</u>				
Site Preparations	729,881	91,235		821,116
Vehicles and Equipment	548,620	56,999	(27,194)	578,425
Total accumulated depreciation	<u>1,278,501</u>	<u>148,234</u>	<u>(27,194)</u>	<u>1,399,541</u>
Total depreciable capital assets, net	<u>602,167</u>	<u>(148,234)</u>	<u>27,194</u>	<u>481,127</u>
Business-type activities capital assets, net	\$ <u>640,547</u>	<u>363,948</u>	<u>27,194</u>	<u>1,031,689</u>

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, 2017

The details of construction-in-progress are as follows:

	Spent to September 30, 2017	Remaining Commitment
Phase 2A Canton Sanitary Landfill	\$ 512,182	\$ 987,818

Construction projects included in business-type activities are funded with Cell 2A Construction Fund.

8. BUSINESS - TYPE ACTIVITIES, LONG - TERM DEBT

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

	Balance 10-1-2016	Additions	Retirements	Refunding	Adjustments	Balance 9-30-2017	Amounts due within one year
<u>Special Obligation Bonds</u>							
Special Obligation Bonds 2007	\$ 1,130,000			(1,130,000)		0	
Special Obligation Bonds 2016		2,785,000	200,000			2,585,000	140,000
Total	<u>1,130,000</u>	<u>2,785,000</u>	<u>200,000</u>	<u>(1,130,000)</u>	<u>0</u>	<u>2,585,000</u>	<u>140,000</u>
<u>Other Long - Term Debt</u>							
Equipment Lease Purchase	7,367		7,367			0	
Equipment Lease Purchase	54,446		16,309			38,137	19,090
Knockle Boom Loader	114,966		19,950			95,016	28,156
Caterpillar Lease Purchase			97,759		471,201	373,442	101,107
Caterpillar Lease Purchase (Loan 1) - 2828610			75,392		391,439	316,047	77,127
Caterpillar Lease Purchase (Loan 2) - 2828611			75,392		391,439	316,047	77,127
Total Other Long-Term Debt	<u>176,779</u>	<u>0</u>	<u>292,169</u>	<u>0</u>	<u>1,254,079</u>	<u>1,138,689</u>	<u>302,607</u>
Total Enterprise Fund Debt	<u>\$ 1,306,779</u>	<u>2,785,000</u>	<u>492,169</u>	<u>(1,130,000)</u>	<u>1,254,079</u>	<u>3,723,689</u>	<u>442,607</u>
Compensated Absences	\$ 29,040		2,995		26,045	1,302	

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

Current Refunding

On December 15, 2016, the City issued \$2,785,000 in Special Obligation Refunding Bonds Series 2016 with an average interest rate of 3.625 - 5.000% to refund \$1,130,000 of outstanding Special Obligation Bonds Series 2007 with an average interest rate of 5.30%.

The City refunded the Special Obligation Bonds, Series 2007 totaling \$1,130,000 to reduce its total debt service payments over the remaining four years by almost \$120,907 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$202,554.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

Special Obligation Bonds

The Special Obligation Bonds are issued in accordance with Trustmark National Bank enacted November 5, 2007 pursuant to Section 31-25-27 and 31-25-103 of the Mississippi Code Annotated. At September 30, 2017, the amount borrowed and payable on this obligation was \$2,585,000.

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
\$2,785,000	12/15/2016	6/01/2031

A maturity schedule for the bonds is as follows:

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2018	\$	140,000	116,713	256,713
2019		145,000	111,638	256,638
2020		150,000	106,381	256,381
2021		155,000	100,944	255,944
2022		160,000	95,325	255,325
2023 - 2027		925,000	360,975	1,285,975
2028 - 2031		910,000	116,750	1,026,750
Total	\$	<u>2,585,000</u>	<u>1,008,726</u>	<u>3,593,726</u>

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

Other Long - Term Debt

Equipment Lease Purchase

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

Equipment Lease Purchase

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
\$86,405	10/23/14	10/23/19

A maturity schedule for the lease is as follows:

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2018	\$	19,090	668	19,758
2019		18,046	260	18,306
2020		1,001	3	1,004
Total	\$	<u>38,137</u>	<u>931</u>	<u>39,068</u>

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

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

Knockle Boom Loader

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

A maturity schedule for the loan is as follows:

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2018	\$	28,156	3,516	31,672
2019		29,283	2,389	31,672
2020		37,577	1,218	38,795
Total	\$	<u>95,016</u>	<u>7,123</u>	<u>102,139</u>

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

Caterpillar Lease Purchase

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
\$471,201	6/13/16	6/1/19

A maturity schedule for the loan is as follows:

Year Ending		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30</u>				
2018	\$	101,107	5,675	106,782
2019		272,335	2,825	275,160
Total	\$	<u>373,442</u>	<u>8,500</u>	<u>381,942</u>

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

Caterpillar Lease Purchase (Loan 1)

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
\$391,439	8/23/16	9/1/19

A maturity schedule for the loan is as follows:

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

Year Ending June 30		Principal	Interest	Total
2018	\$	77,127	5,480	82,607
2019		238,920	3,687	242,607
Total	\$	316,047	9,167	325,214

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

Caterpillar Lease Purchase (Loan 2)

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>
\$391,439	9/12/16	9/1/19

A maturity schedule for the loan is as follows:

Year Ending June 30		Principal	Interest	Total
2018	\$	77,127	5,480	82,607
2019		238,920	3,687	242,607
Total	\$	316,047	9,167	325,214

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, 2017, \$1,935,000 of the refunding bonds, outstanding were defeased.

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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) 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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

Employees' Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005 or by calling 1-800-444-PERS.

Benefits Provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and 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, 2017, 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, 2017 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, 2017, 2016 and 2015 were \$690,979, \$701,314, and \$683,011, 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, 2017, the City reported a liability of \$11,509,705 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2017 net pension liability was 0.069238 percent, which was

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

based on a measurement date of June 30, 2017. This was a decrease of 0.002500 percent from its proportionate share used to calculate the September 30, 2016 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended September 30, 2017, the City recognized pension expense of \$1,578,813. At September 30, 2017 the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 376,575	\$ 83,983
Net difference between projected and actual earnings on pension plan investments		889,302
Changes of assumptions	11,755	
Changes in proportion and differences between City contributions and proportionate share of contributions	1,258,672	394,666
City contributions subsequent to the measurement date	154,899	
Total	<u>\$ 1,801,901</u>	<u>\$ 1,367,951</u>

\$154,899 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, 2018. 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:	
2018	\$ 426,425
2019	105,099
2020	(30,145)
2021	<u>(222,328)</u>
Total	<u>\$ 279,051</u>

Actuarial assumptions. The total pension liability in the June 30, 2017 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 – 18.50 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 2022, with males rates set forward one year.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study for the period July 1, 2012 and June 30, 2016. The experience report is dated April 18, 2017.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2017, are summarized in the following table:

<u>Asset Class</u>	Target Allocation	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	27.00%	4.60%
International Equity	18.00%	4.50
Emerging Markets Equity	4.00%	4.75
Global	12.00%	4.75
Fixed Income	18.00%	0.75
Real Assets	10.00%	3.50
Private Equity	8.00%	5.10
Emerging Debt	2.00%	2.25
Cash	1.00%	0.00
Total	100.00%	

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	\$ <u>15,095,747</u>	\$ <u>11,509,705</u>	\$ <u>8,532,512</u>

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

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, 2017 follows:

		Landfill
Operating Revenues	\$	2,495,913
Operating Expenses		(1,983,787)
Operating Income		512,126
Net Position	\$	(2,080,220)

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:

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

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

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.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

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

Total capacity (current estimates)	1,025,959	tons
------------------------------------	-----------	------

Capacity used:

Capacity used at 10-01-16	456,954	tons
---------------------------	---------	------

Adjustment to prior year capacity/airspace	387,053	tons
--	---------	------

Total capacity filled (17.33%)	844,007	tons
--------------------------------	---------	------

Waste received in current year 2016 - 2017	31,977	
--	--------	--

Total capacity filled at 09-30-17	875,984	
-----------------------------------	---------	--

Capacity remaining (current estimates)	149,975	tons
--	---------	------

Estimated total closure/postclosure care costs	\$ 1,565,109	
--	--------------	--

Liability for closure/postclosure care costs at September 30, 2017, based on landfill capacity used to date:

Liability as previously reported	\$ 177,375
----------------------------------	------------

Correcting adjustment for cost recognition	407,017
--	---------

Adjusted costs recognized through 9-30-17	584,392
---	---------

Liability for current year net of adjustment

for prior year closure cost	\$ 182,748
-----------------------------	------------

Total liability	\$ 767,140
-----------------	------------

Remaining closure/postclosure care to be recognized	\$ 797,969
---	------------

Estimated remaining landfill life based on current usage	4.5 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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

accumulated depreciation.

14. TRANSFERS BETWEEN PRIMARY GOVERNMENT AND COMPONENT UNITS

The component units transferred money to the City of Canton during the fiscal year ended September 30, 2017. 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, 2017.

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 to correct prior years accumulated depreciation and correct asset record.	\$ 93,372
2. Adjustments were made to properly present long-term debt at year end.	22,225
3. Adjustments were made to record prior year assets and liabilities.	<u>(222,494)</u>
Total	<u>\$ (106,897)</u>

<u>Business-Type Activities:</u>	<u>Amount</u>
1. Adjustments were made to properly present long-term debt at year end.	\$ (1,254,079)
2. Adjustments were made to record prior year assets and liabilities.	(572,283)
3. Adjustments were made to properly present capital assets debt at year end.	<u>27,194</u>
Total	<u>\$ (1,799,168)</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.	\$ (264,737)
Other Governmental Funds	Adjustments were made to record prior year assets and liabilities.	<u>42,243</u>
Total		<u>\$ (222,494)</u>

City of Canton, Mississippi

Notes to the Financial Statements For the Year Ended September 30, 2017

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.	\$ (1,254,079)
2. Adjustments were made to record prior year assets and liabilities.	(572,283)
3. Adjustments were made to properly present capital assets at year end.	27,194
Total	<u>\$ (1,799,168)</u>

16. DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

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

	<u>Amount</u>
<u>Governmental Fund</u>	
Connector Road	\$ 26,261
<u>Enterprise Funds</u>	
Landfill Fund	2,080,220

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 (\$1,787,165) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from advance refunding of debt. The \$791,312, balance of the deferred outflow of resources at September 30, 2017 will be recognized as an expense and decrease the net investment in capital assets net position over the next few years.

The unrestricted governmental activities net position amount of (\$8,989,259) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$1,695,047 balance of deferred outflow of resources, at September 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted business-type activities net position has been affected to include the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$106,854 balance of deferred outflow of resources, at September 30, 2017 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$8,989,259) in the governmental activities includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$1,255,530 balance of deferred inflow of resources, at September 30, 2017 will be recognized as revenue and will increase the unrestricted net position over the next 4 years.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2017

The unrestricted business-type activities net position has been affected to include the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$112,421 balance of deferred inflow of resources, at September 30, 2017 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 August 14, 2019. If a judgment against the City is rendered, the City could face a judgment of approximately \$110,000 excluding interest and attorney fees. This matter is current following a normal litigation track.

19. PROCEEDS FROM INSURANCE SETTLEMENTS

The City of Canton received \$40,493 in proceeds related to vehicle damage during the 2016-2017 fiscal year.

20. OTHER COMMITMENTS

Commitments under construction contracts are described in Note 5.

21. 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 October 3, 2017, the City entered into a tax anticipation note agreement totaling \$1,000,000. The note will mature on March 15, 2018 with an interest rate of 2.46%.

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, 2017

Exhibit B-1

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Property taxes	\$ 3,318,326	3,318,326	3,548,795	230,469
Sales taxes	2,830,500	2,830,500	3,616,962	786,462
Franchise taxes (fees)	160,000	160,000	154,340	(5,660)
Other taxes			11,451	11,451
Licenses and permits	312,000	312,000	297,398	(14,602)
Intergovernmental programs	2,199,790	2,199,790	221,118	(1,978,672)
Fines and forfeitures	600,000	600,000	873,082	273,082
Investment income	30,000	30,000	29,588	(412)
Grants and donations	38,170	38,170	8,045	(30,125)
Charges for services	241,450	241,450	306,959	65,509
Rental income	25,000	25,000	36,308	11,308
Appropriations of component units	600,000	600,000	1,050,000	450,000
Other	73,500	73,500	43,716	(29,784)
Total Revenues	10,428,736	10,428,736	10,197,762	(230,974)
Expenditures:				
Current:				
General government:				
Personnel services	883,085	883,085	895,220	(12,135)
Contractual services	1,289,004	1,289,004	163,286	1,125,718
Consumable supplies & materials	175,450	175,450	2,028,435	(1,852,985)
Grants, subsidies & allocations			166,980	(166,980)
	2,347,539	2,347,539	3,253,921	(906,382)
Public safety:				
Personnel services	3,938,995	3,938,995	3,667,741	271,254
Contractual services	403,600	403,600	283,488	120,112
Consumable supplies & materials	336,450	336,450	392,677	(56,227)
Grants, subsidies & allocations	20,000	20,000	17,032	2,968
	4,699,045	4,699,045	4,360,938	338,107
Public services:				
Personnel services	766,895	766,895	676,848	90,047
Contractual services	32,000	32,000	230,372	(198,372)
Consumable supplies & materials	199,000	199,000	15,032	183,968
Grants, subsidies & allocations	72,000	72,000	171	71,829
	1,069,895	1,069,895	922,423	147,472
Culture and recreation:				
Personnel services	430,420	430,420	552,423	(122,003)
Contractual services	232,500	232,500	103,086	129,414
Consumable supplies & materials	126,550	126,550	231,681	(105,131)
Grants, subsidies & allocations	2,500	2,500		2,500
	791,970	791,970	887,190	(95,220)
Economic development and assistance:				
Personnel services	213,428	213,428	220,347	647,203
Contractual services	7,000	7,000	8,025	22,025
Consumable supplies & materials	9,900	9,900	7,381	27,181
	230,328	230,328	235,753	696,409
Economic opportunity:				
Personnel services	221,214	221,214	180,678	40,536
Contractual services	1,800	1,800	5,763	(3,963)
Consumable supplies & materials	8,200	8,200	1,884	6,316
	231,214	231,214	188,325	42,889
Debt Service:				
Principal	-	-	202,780	(202,780)
Miscellaneous	244,432	244,432	52,148	192,284
	244,432	244,432	254,928	(10,496)
Total Expenditures	9,614,423	9,614,423	10,103,478	192,284
Excess (Deficiency) of Revenues Over (Under) Expenditures	814,313	814,313	94,284	(720,029)
Other Financing Sources (Uses):				
Inception of capital leases	-	-	79,384	79,384
Insurance recovery	-	-	40,493	40,493
Transfers to other funds	(820,000)	(820,000)	(120,000)	700,000
Other income	-	-	67,008	67,008
Total Other Financing Sources (Uses)	(820,000)	(820,000)	66,885	886,885
Net Change in Fund Balances	(5,687)	(5,687)	161,169	166,856
Fund Balances - Beginning, as previously reported	412,224	412,224	1,850,882	1,438,658
Prior period adjustment	-	-	(264,737)	(264,737)
Fund Balances - Beginning, as restated	412,224	412,224	1,586,145	1,173,921
Fund Balances - Ending	\$ 406,537	406,537	1,747,314	1,340,777

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>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability (asset) \$	11,509,705	12,814,197	10,733,436	8,709,986
City's proportionate share of the net pension liability (asset)	0.069238%	0.071738%	0.069436%	0.071757%
City's covered payroll	4,387,168	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 payroll	262.35%	287.78%	247.51%	197.04%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	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*

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 690,979	701,314	683,011	696,208
Contributions in relation to the contractually required contribution	690,979	701,314	683,011	696,208
Contribution deficiency (excess)	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
City's covered - employee payroll	4,387,168	4,452,787	4,336,578	4,420,368
Contributions as a percentage of covered - employee payroll	15.75%	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, 2017

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

A. Changes of assumptions.

2015

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.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

City of Canton, Mississippi

Notes to the Required Supplementary Information (Continued)
For the Year Ended September 30, 2017

2017

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The Wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

(2) Change in Benefit Provisions

2016:

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.

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, 2017

	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	\$ 55,318	\$ 280,730	\$ --	\$ 336,048
Total Assets	<u>55,318</u>	<u>\$ 280,730</u>	<u>\$ --</u>	<u>\$ 336,048</u>
Liabilities and Fund Balances:				
Liabilities:				
Cash overdraft			141,188	141,188
Total Liabilities	<u>--</u>	<u>--</u>	<u>141,188</u>	<u>141,188</u>
Fund Balances:				
Restricted:				
Debt service	--	\$ 280,730	\$ --	\$ 280,730
Unemployment benefits	27,879	--	--	27,879
General government	2,975	--	--	2,975
Public works	11,965	--	--	11,965
Public safety	12,499	--	--	12,499
Unrestricted	--	--	(141,188)	(141,188)
Total Fund Balances	<u>55,318</u>	<u>280,730</u>	<u>(141,188)</u>	<u>194,860</u>
 Total Liabilities and Fund Balances	<u>\$ 55,318</u>	<u>\$ 280,730</u>	<u>\$ (141,188)</u>	<u>\$ 194,860</u>

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Property taxes	\$ --	\$ 47,658	\$ --	\$ 47,658
Investment income	91	167	--	258
Total Revenues	<u>91</u>	<u>47,825</u>	<u>--</u>	<u>47,916</u>
Expenditures:				
Public safety:				
Public services	--	--	26,261	26,261
Culture and recreation	--	--	114,927	114,927
Debt Service:				
Principal	--	219,791	--	219,791
Miscellaneous	7	--	--	7
Total Expenditures	<u>7</u>	<u>219,791</u>	<u>141,188</u>	<u>360,986</u>
Excess of Revenues Over (Under) Expenditures	<u>84</u>	<u>(171,966)</u>	<u>(141,188)</u>	<u>(313,070)</u>
Other Financing Sources (Uses):				
Transfers in	--	120,000	--	120,000
Total Other Financing Sources (Uses)	<u>--</u>	<u>120,000</u>	<u>--</u>	<u>120,000</u>
Excess of Revenues Other Sources Over (Under) Expenditures and Other Uses	84	(51,966)	(141,188)	(193,070)
Fund Balances:				
Fund Balances - Beginning, as previously reported	55,235	290,452	--	345,687
Prior Period Adjustment	--	42,243	--	42,243
Fund Balances - Beginning, as restated	<u>55,235</u>	<u>332,695</u>	<u>--</u>	<u>387,930</u>
Fund Balances - Ending	<u>\$ 55,319</u>	<u>\$ 280,729</u>	<u>\$ (141,188)</u>	<u>\$ 194,860</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. Bertha Ratcliff Housing
4. Levi Economic Development Fund
5. Multi Purpose Complex Arena
6. Task Force Drug Seizure Fund
7. Employment Insurance Revolving

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CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2017

	Police Communication Fund	Delores Blackmon Escrow Fund	Bertha Ratcliff Housing
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ 414	\$ 2,685	\$ 290
Total Assets	<u>\$ 414</u>	<u>\$ 2,685</u>	<u>\$ 290</u>
Liabilities and Fund Balances:			
Liabilities:			
	<u> --</u>	<u> --</u>	<u> --</u>
Fund Balances:			
Restricted:			
Unemployment benefits	\$ --	\$ --	\$ --
General government	--	2,685	290
Public works	--	--	--
Public safety	414	--	--
Total Fund Balances	<u>414</u>	<u>2,685</u>	<u>290</u>
Total Liabilities and Fund Balances	<u>\$ 414</u>	<u>\$ 2,685</u>	<u>\$ 290</u>

Levi Econ. Development Fund	Multi Purpose Complex Arena	Task Force Drug Seizure Fund	Employment Insurance Revolving	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
\$ 8,927	\$ 3,038	\$ 12,085	\$ 27,879	\$ 55,318
<u>\$ 8,927</u>	<u>\$ 3,038</u>	<u>\$ 12,085</u>	<u>\$ 27,879</u>	<u>\$ 55,318</u>
--	--	--	--	--
\$ --	\$ --	\$ --	\$ 27,879	\$ 27,879
--	--	--	--	2,975
8,927	3,038	--	--	11,965
--	--	12,085	--	12,499
<u>8,927</u>	<u>3,038</u>	<u>12,085</u>	<u>27,879</u>	<u>55,318</u>
<u>\$ 8,927</u>	<u>\$ 3,038</u>	<u>\$ 12,085</u>	<u>\$ 27,879</u>	<u>\$ 55,318</u>

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Police Communication Fund	Delores Blackmon Escrow Fund	Bertha Ratcliff Housing
Revenues:			
Investment income	\$ --	\$ --	\$ 1
Total Revenues	<u> --</u>	<u> --</u>	<u> 1</u>
Expenditures:			
Public safety:			
Debt Service:			
Miscellaneous	--	10	--
Total Expenditures	<u> --</u>	<u> 10</u>	<u> --</u>
Excess of Revenues Over (Under) Expenditures	<u> --</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	<u> --</u>	<u> (10)</u>	<u> 1</u>
Fund Balances:			
Fund Balances - Beginning	414	2,695	289
Fund Balances - Ending	<u>\$ 414</u>	<u>\$ 2,685</u>	<u>\$ 290</u>

Levi Econ. Development Fund	Multi Purpose Complex Arena	Task Force Drug Seizure Fund	Employment Insurance Revolving	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
\$ 21	\$ --	\$ --	\$ 71	\$ 93
<u>21</u>	<u>--</u>	<u>--</u>	<u>71</u>	<u>93</u>
--	--	--	--	10
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>10</u>
21	--	--	71	83
<u>21</u>	<u>--</u>	<u>--</u>	<u>71</u>	<u>83</u>
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
21	--	--	71	83
<u>21</u>	<u>--</u>	<u>--</u>	<u>71</u>	<u>83</u>
8,906	3,038	12,085	27,808	55,235
<u>\$ 8,927</u>	<u>\$ 3,038</u>	<u>\$ 12,085</u>	<u>\$ 27,879</u>	<u>\$ 55,318</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

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City of Canton
 Sinking Fund
 Debt Service Fund
 Budgetary Comparison Schedule
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit C-5

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Property taxes	\$ 1,036,129	1,036,129	1,039,285	3,156
Other fees	53,319	53,319	115,073	61,754
Total Revenues	1,089,448	1,089,448	1,154,358	64,910
Expenditures:				
General government	40,000	40,000	-	40,000
Economic development and assistance		-	1,740	(1,740)
Debt Service:				
Principal		-	645,469	(645,469)
Interest		-	457,828	(457,828)
Other	1,141,098	1,141,098	-	1,141,098
Total Expenditures	1,181,098	1,181,098	1,105,037	76,061
Excess (Deficiency) of Revenues Over (Under) Expenditures	(91,650)	(91,650)	49,321	140,971
Other Financing Sources (Uses):				
Transfers from other funds	200,000	200,000	-	
Total Other Financing Sources (Uses)	200,000	200,000	-	(200,000)
Net Change in Fund Balances	108,350	108,350	49,321	(59,029)
Fund Balances - Beginning	-	-	70,632	70,632
Fund Balances - Ending	\$ 108,350	108,350	119,953	11,603

CITY OF CANTON

COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 SEPTEMBER 30, 2017

	Industrial Bond Retirement	TIF Bond Fund	TIF Sinking Fund	Total Nonmajor Debt Service Funds (See Exhibit C-1)
Assets:				
Cash and cash equivalents	\$ 11,384	\$ 48,301	\$ 221,045	\$ 280,730
Total Assets	<u>\$ 11,384</u>	<u>\$ 48,301</u>	<u>\$ 221,045</u>	<u>\$ 280,730</u>
Liabilities and Fund Balances:				
Liabilities:				
	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Restricted:				
Debt service	\$ 11,384	\$ 48,301	\$ 221,045	\$ 280,730
Total Fund Balances	<u>11,384</u>	<u>48,301</u>	<u>221,045</u>	<u>280,730</u>
Total Liabilities and Fund Balances	<u>\$ 11,384</u>	<u>\$ 48,301</u>	<u>\$ 221,045</u>	<u>\$ 280,730</u>

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Industrial Bond Retirement	TIF Bond Fund	TIF Sinking Fund	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:				
Property taxes	\$ --	\$ 47,658	\$ --	\$ 47,658
Investment income	1	45	122	168
Total Revenues	<u>1</u>	<u>47,703</u>	<u>122</u>	<u>47,826</u>
Expenditures:				
Debt Service:				
Principal	--	219,791	--	219,791
Total Expenditures	<u>--</u>	<u>219,791</u>	<u>--</u>	<u>219,791</u>
Excess of Revenues Over (Under) Expenditures	<u>1</u>	<u>(172,088)</u>	<u>122</u>	<u>(171,965)</u>
Other Financing Sources (Uses):				
Transfers in	--	120,000	--	120,000
Total Other Financing Sources (Uses)	<u>--</u>	<u>120,000</u>	<u>--</u>	<u>120,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>1</u>	<u>(52,088)</u>	<u>122</u>	<u>(51,965)</u>
Fund Balances:				
Fund Balances - Beginning, as previously reported	11,383	58,146	220,923	290,452
Prior Period Adjustment	--	42,243	--	42,243
Fund Balances Beginning, as restated	<u>11,383</u>	<u>100,389</u>	<u>220,923</u>	<u>332,695</u>
Fund Balances - Ending	<u>\$ 11,384</u>	<u>\$ 48,301</u>	<u>\$ 221,045</u>	<u>\$ 280,730</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. Connector Road Fund
2. Safe Routes to School Fund
3. Union Street Overlay Fund
4. Flood Control Project Fund
5. Drainage Improvement Project Fund
6. SAAB Park Improvements Fund

CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2017

	Connector Road Fund	Safe Routes to School Fund	Union Stree Overlay Fund
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Cash and cash equivalents	\$ --	\$ --	\$ --
Total Assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Liabilities and Fund Balances:			
Liabilities:			
Cash overdraft	26,261		
Total Liabilities	<u>26,261</u>	<u> --</u>	<u> --</u>
Fund Balances:			
Unrestricted			
Total Fund Balances	<u>\$ (26,261)</u>	<u> --</u>	<u> --</u>
Total Liabilities and Fund Balances	<u>\$ (26,261)</u>	<u> --</u>	<u> --</u>

Flood Control Project Fund	Drainage Improvement Project Fund	SAAB Park Improvements Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
\$ --	\$ --	\$ --	\$ --
\$ --	\$ --	\$ --	\$ --
<hr/>	<hr/>	<hr/>	<hr/>
--	--	114,927	141,188
<hr/>	<hr/>	<hr/>	<hr/>
--	--	114,927	141,188
<hr/>	<hr/>	<hr/>	<hr/>
\$ --	\$ --	\$ (114,927)	\$ (141,188)
\$ --	\$ --	\$ (114,927)	\$ (141,188)
<hr/>	<hr/>	<hr/>	<hr/>
\$ --	\$ --	\$ (114,927)	\$ (141,188)

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Connector Road Fund	SAAB Park Improvements Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Total Revenues	\$ --	\$ --	\$ --
Expenditures:			
Public safety:			
Public services	26,261	--	26,261
Culture and recreation	--	114,927	114,927
Debt Service:			
Total Expenditures	<u>26,261</u>	<u>114,927</u>	<u>141,188</u>
Excess of Revenues Over (Under) Expenditures	(26,261)	(114,927)	(141,188)
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	(26,261)	(114,927)	(141,188)
Fund Balances:			
Fund Balances - Beginning	--	--	--
Fund Balances - Ending	<u>\$ (26,261)</u>	<u>\$ (114,927)</u>	<u>\$ (141,188)</u>

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ENTERPRISE FUND

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

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

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

CITY OF CANTON
LANDFILL FUND
ENTERPRISE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit C-10

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Operating Revenues:				
Charges for services	\$ 1,900,000	1,900,000	2,468,770	568,770
Grants and donations	-	-	26,280	26,280
Other revenues	-	-	863	863
Total Operating Revenues	<u>1,900,000</u>	<u>1,900,000</u>	<u>2,495,913</u>	<u>595,913</u>
Operating Expenses:				
Personal services - salaries and wages	432,207	432,207	411,478	20,729
Personal services - employee benefits	-	-	133,537	(133,537)
Purchased professional and technical services	679,600	679,600	520,193	159,407
Supplies	87,500	87,500	85,070	2,430
Landfill expenses	-	-	462,743	(462,743)
Depreciation	-	-	148,234	(148,234)
Miscellaneous	704,702	704,702	222,532	482,170
Total Operating Expenses	<u>1,904,009</u>	<u>1,904,009</u>	<u>1,983,787</u>	<u>(79,778)</u>
Operating Income (Loss)	<u>(4,009)</u>	<u>(4,009)</u>	<u>512,126</u>	<u>516,135</u>
Non-Operating Revenues (Expenses):				
Interest revenue	-	-	3,181	3,181
Debt service interest	-	-	(147,416)	(147,416)
Total Non-Operating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>(144,235)</u>	<u>(144,235)</u>
Net Change in Net Position	<u>(4,009)</u>	<u>(4,009)</u>	<u>367,891</u>	<u>371,900</u>
Net Position (Deficit) - Beginning, as previously reported	69,152	69,152	(648,943)	(718,095)
Prior Period Adjustment	-	-	(1,799,168)	(1,799,168)
Net Position (Deficit) - Beginning, as restated	<u>69,152</u>	<u>69,152</u>	<u>(2,448,111)</u>	<u>(2,517,263)</u>
Net Position (Deficit) - Ending	<u>\$ 65,143</u>	<u>\$ 65,143</u>	<u>(2,080,220)</u>	<u>(2,145,363)</u>

COMPONENT UNITS

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

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

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CITY OF CANTON*COMBINING STATEMENT OF NET POSITION**COMPONENT UNITS**SEPTEMBER 30, 2017***Exhibit C-11**

	Canton Convention and Visitors Bureau	Canton Municipal Utilities	Total Component Units
Assets			
Cash and cash equivalents	\$ 21,133	\$ 609,938	\$ 631,071
Accounts receivable	--	3,464,259	3,464,259
Inventories	1,385	1,074,517	1,075,902
Prepaid items	--	55,621	55,621
Restricted assets:			
Cash and cash equivalents	11,360	1,338,106	1,349,466
Temporary cash investments	--	8,583,552	8,583,552
Deferred assessment charges	--	1,130,401	1,130,401
Other investments	--	6,872	6,872
Capital asset:			
Land and construction in progress	960,000	1,467,853	2,427,853
Other capital assets, net of accumulated depreciation	294,897	27,918,496	28,213,393
Total Assets	<u>1,288,775</u>	<u>45,649,615</u>	<u>46,938,390</u>
Deferred Outflows of Resources			
Deferred outflows - pensions	61,193	1,582,613	1,643,806
Total Deferred Outflows of Resources	<u>61,193</u>	<u>1,582,613</u>	<u>1,643,806</u>
Liabilities			
Accounts payable	43,930	1,282,945	1,326,875
Accrued salaries and related benefits	--	13,009	13,009
Solid waste collected for the City of Canton	--	50,297	50,297
Due to other entities	6,200	--	6,200
Customer deposits	--	1,295,799	1,295,799
Other accrued expenses	10,434	121,440	131,874
Notes, lease, and loan payable, current	22,639	--	22,639
Assessments payable, current	--	105,014	105,014
Notes, lease, and loan payable, non-current	15,560	--	15,560
Assessments payable, non-current	--	1,025,387	1,025,387
Compensated absences, non-current	--	152,572	152,572
Net pension liability	266,973	9,522,214	9,789,187
Total Liabilities	<u>365,736</u>	<u>13,568,677</u>	<u>13,934,413</u>
Deferred Inflows of Resources			
Deferred inflows - pensions	30,751	207,964	238,715
Total Deferred Inflows of resources	<u>30,751</u>	<u>207,964</u>	<u>238,715</u>
Net Position			
Net investment in capital assets	1,216,698	28,279,446	29,496,144
Restricted	11,360	--	11,360
Unrestricted	(274,577)	5,176,141	4,901,564
Total Net Position	<u>\$ 953,481</u>	<u>\$ 33,455,587</u>	<u>\$ 34,409,068</u>

CITY OF CANTON

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
 IN FUND NET POSITION - COMPONENT UNITS
 FOR THE YEAR ENDED SEPTEMBER 30, 2017

Exhibit C-12

	Canton Convention and Visitors Bureau	Canton Municipal Utilities	Total Component Units
Operating Revenues:			
Charges for services	\$ --	\$ 11,435,125	\$ 11,435,125
Fuel adjustment electric	--	(704,211)	(704,211)
Fuel adjustment gas	--	(477,847)	(477,847)
Revenue from Madison County Waste Water Authority	--	1,226,441	1,226,441
Connection charges and other sales	--	217,496	217,496
Fairs and festivals	115,464	--	115,464
Program income	12,944	--	12,944
Management fee	30,000	--	30,000
Flea market reimbursement	39,562	--	39,562
Total Operating Revenues	<u>197,970</u>	<u>11,697,004</u>	<u>11,894,974</u>
Operating Expenses:			
Personnel services	--	6,615,349	6,615,349
Advertising	184,131	--	184,131
Chemicals	--	109,229	109,229
Dues and subscriptions	--	46,387	46,387
Education	--	67,069	67,069
Freight and shipping	--	10,829	10,829
General administrative	76,433	--	76,433
Insurance	--	163,953	163,953
IT cost and supplies	--	8,517	8,517
Material and supplies	--	883,018	883,018
Office expenses	--	91,855	91,855
Outside services	--	4,282,274	4,282,274
Payroll	277,391	--	277,391
Postage and printing	--	70,749	70,749
Professional services	45,108	--	45,108
Promotion and special events	170,508	--	170,508
Rent	15,981	93,068	109,049
Repairs and maintenance	51,159	342,584	393,743
Telephone	--	93,425	93,425
Travel, seminars and meetings	5,396	47,026	52,422
Utilities	24,306	758,631	782,937
Vehicle	--	199,135	199,135
Bad debt	--	53,218	53,218
Depreciation and amortization	33,379	2,191,350	2,224,729
Total Operating Expenses	<u>883,792</u>	<u>16,127,666</u>	<u>17,011,458</u>
Operating Income (Loss)	<u>(685,822)</u>	<u>(4,430,662)</u>	<u>(5,116,484)</u>
Non-Operating Revenues (Expenses):			
Grants	5,000	--	5,000
Donations	3,997	--	3,997
Interest and miscellaneous expense	(880)	(251,405)	(252,285)
Interest and investment revenue	20	308,426	308,446
Forfeited discounts and penalties	--	225,525	225,525
Tourism tax revenue	615,223	--	615,223
Loss on sale of property	(664)	--	(664)
Transfer fees	--	760	760
Aid in construction	--	80,452	80,452
Total Non-Operating Revenues (Expenses)	<u>622,696</u>	<u>363,758</u>	<u>986,454</u>
Net Income (Loss) before Transfers	<u>(63,126)</u>	<u>(4,066,904)</u>	<u>(4,130,030)</u>
Transfers	--	(1,050,000)	(1,050,000)
Net Income (Loss)	<u>(63,126)</u>	<u>(5,116,904)</u>	<u>(5,180,030)</u>
Net Position - Beginning	1,016,607	38,572,491	39,589,098
Net Position - Ending	<u>\$ 953,481</u>	<u>\$ 33,455,587</u>	<u>\$ 34,409,068</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, 2017

NAME	EXPIRATION DATE	POSITION	COMPANY	BOND AMOUNT
Eric Gilkey	7/1/2021	Alderman	Travelers	\$ 100,000
Daphne Sims	7/1/2021	Alderwoman	Travelers	\$ 100,000
Lester Penn	7/1/2021	Alderman	Travelers	\$ 100,000
Andrew Grant	7/1/2021	Alderman	Travelers	\$ 100,000
Olivia Harrell	6/30/2017	Alderwoman	Brierfield	\$ 100,000
Rodriguez Brown	7/1/2021	Alderman	Travelers	\$ 100,000
Vickie McNeill	7/1/2021	Alderwoman	Travelers	\$ 100,000
Fred Esco, Jr.	7/1/2021	Alderman	Travelers	\$ 100,000
Arnel Bolden	6/30/2017	Mayor	Brierfield	\$ 100,000
William Truly, Jr.	7/1/2021	Mayor - Current	Travelers	\$ 100,000
Valerie Smith	11/1/2017	City Clerk	Liberty Mutual	\$ 75,000
Otha Brown	10/1/2017	Police Chief	Liberty Mutual	\$ 50,000
Demsa King	11/1/2017	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Debra Brown	11/1/2017	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Gwen Miles	11/1/2017	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Charles Henderson	11/1/2017	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Linda Luckett	11/1/2017	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Annette Johnson	11/1/2016	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Fredrick Pratt	11/1/2017	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Chrishanda Jackson	11/1/2017	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Schealeria Taylor	11/1/2017	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Ashley Lacey	11/1/2017	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Rilanda Reaves	11/1/2017	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Lisa Ward	11/1/2017	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Alvin Davis	11/1/2017	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Joycette Nichols	11/1/2017	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Robert Jackson	10/14/2017	Deputy Municipal Clerk	Liberty Mutual	\$ 50,000
Melon Garrett	11/1/2017	Landfill Director	Liberty Mutual	\$ 50,000
Donald Lawrence	11/1/2017	Building Department Director	Liberty Mutual	\$ 50,000

City of Canton, Mississippi
 Schedule of Long-Term Debt
 For the Year Ended September 30, 2017

Schedule D-2

	Date of Obligation	Date of Maturity	Interest Rate	Original Amount	Balance October 1, 2016	Current Year Transactions				Balance September 30, 2017
						Additions	Retirements	Refunded	Adjustment	
Governmental Activities										
Bonds										
GOB Public Improvement	1/1/2008	7/1/2022	4.75-5.0%	\$ 3,500,000	\$ 335,000		335,000			-
Discount on Bonds Issued				\$ (52,500)	(70,420)		8,280			(62,140)
General Obligation Refunding 2016 Bond	4/28/2016	10/1/2031	1.0-2.75%	\$ 7,170,000	7,095,000		145,000			6,950,000
Special Obligation Bond, Series 2011C	8/10/2011	10/1/2021	4.590%	\$ 2,580,000	1,565,000		285,000			1,280,000
Tax Increment Financing Bond	3/24/2015	3/1/2032	3.35-4.00%	\$ 2,705,000	2,580,000		125,000			2,455,000
Premiums on Bonds Issued				\$ 86,836	86,836		10,950			75,886
Total Bonds					<u>11,591,416</u>	<u>-</u>	<u>909,230</u>	<u>-</u>	<u>-</u>	<u>10,698,746</u>
Other Long-Term Debt										
Urban Renewal Bonds	3/24/2000	3/24/2035	5.13%	\$ 1,299,200	972,359		27,966			944,393
Multipurpose & Equine Center Construction	6/9/2008	6/1/2028	2%	\$ 750,000	475,860		39,576			436,284
Fire Truck	9/5/2010	9/5/2019	3.30%	\$ 173,460	63,807		20,141			43,666
2015 Fire Truck	11/1/2014	11/1/2024	3.62%	\$ 375,000	343,213		32,938			310,275
Master Equipment Lease	12/1/2014	5/1/2016	6.00%	\$ 115,603	38,535		16,310	(22,225)		-
Master Equipment Lease 4 Police Cars	5/2/2016	5/2/2019	5.95%	\$ 106,436	77,329		23,928			53,401
Master Equipment Lease 3 Vehicles	3/31/2017	3/31/2021	5.45%	\$ 79,929		79,384	17,181			62,203
Total Other Long-Term Debt					<u>1,971,103</u>	<u>79,384</u>	<u>178,040</u>	<u>-</u>	<u>(22,225)</u>	<u>1,850,222</u>
Total Long-Term Debt					\$ <u>13,562,519</u>	<u>79,384</u>	<u>1,087,270</u>	<u>-</u>	<u>(22,225)</u>	<u>12,548,968</u>
Business-Type Activities										
Special Obligation Bonds										
Special Obligation Revenue Bond	6/1/2008	9/30/2020	5.30%	\$ 3,020,000	\$ 1,130,000		(1,130,000)			-
Special Obligation Revenue Bond	6/1/2008	9/30/2020	5.30%	\$ 3,020,000		2,785,000	200,000			2,585,000
Total Bonds					<u>1,130,000</u>	<u>2,785,000</u>	<u>200,000</u>	<u>(1,130,000)</u>	<u>-</u>	<u>2,585,000</u>
Other Long-Term Debt										
Equipment Lease Purchase	3/19/2014	3/19/2017	2.24%	\$ 42,990	7,367		7,367			-
Equipment Lease Purchase	10/23/2014	10/23/2019	2.29%	\$ 86,405	54,446		16,309			38,137
Knockle Boom Loader	4/1/2015	4/1/2020	4.00%	\$ 140,998	114,966		19,950			95,016
Caterpillar Lease Purchase	6/13/2016	6/1/2019	1.95%	\$ 471,201			97,759	471,201		373,442
Caterpillar Lease Purchase (Loan 1)	8/23/2016	9/1/2019	1.95%	\$ 391,439			75,392	391,439		316,047
Caterpillar Lease Purchase (Loan 2)	9/12/2016	9/1/2019	1.95%	\$ 391,439			75,392	391,439		316,047
Total Other Long-Term Debt					<u>176,779</u>	<u>-</u>	<u>292,169</u>	<u>-</u>	<u>1,254,079</u>	<u>1,138,689</u>
Total Enterprise Fund					\$ <u>1,306,779</u>	<u>2,785,000</u>	<u>492,169</u>	<u>(1,130,000)</u>	<u>1,254,079</u>	<u>3,723,689</u>

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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 30, 2019. We did not audit the financial statements of the Canton Municipal Utilities, component unit, which represent 97%, 97%, and 98%, respectively, of the assets, net position and revenues of the component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the component unit, is based on the report of the other auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses 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 2017-001, 2017-002 and 2017-003 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 deficiencies in the accompanying schedule of findings and responses to be significant deficiencies as Findings 2017-004 and 2017-005.

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. However, this report is a matter of public record and its distribution is not limited.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
October 30, 2019

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, 2017 and have issued our report dated October 30, 2019. 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 performed to test compliance with certain laws and regulations 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 21-15-21, 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:

Unknown.

Effect:

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

Recommendation:

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

Response:

The Municipal Court Clerk has been notified of this finding and will ensure funds are deposited daily in accordance Section 21-15-21.

Finding #2

Criteria:

Per Section 99-19-73, Mississippi Code Annotated (1972), the municipal court clerk of each municipality shall deposit all state assessments collected in the municipal court on a monthly basis with the State Treasurer.

Condition:

All state imposed court assessments shall be collected and settled monthly. However, settlements were not made on a monthly basis.

Cause:

Management failed to make monthly deposits with the State Treasurer as required by law.

Effect:

The City is not in compliance with Section 99-19-73.

Recommendation:

The City should develop and implement procedures to ensure compliance with Mississippi statutes set forth regarding monthly court assessments settlement.

Response:

The Municipal Court Clerk has been notified of this finding and will ensure funds are deposited daily in accordance Section 21-15-21.

Finding #3

Criteria:

The City should publish the synopsis of their annual audit within 30 days of acceptance to ensure compliance with Section 21-35-31, Mississippi Code Annotated (1972).

Condition:

The City did not publish the synopsis or notice of the annual audit within 30 days of acceptance.

Cause:

Management failed to publish the annual audit in a timely manner.

Effect:

The City was not in compliance with Sections 21-35-31 or 21-17-19, Mississippi Code Annotated (1972) which requires the City to publish the annual audit within 30 days of acceptance.

Recommendation:

Management should develop and implement controls to ensure compliance with Sections 21-35-31 or 21-17-19, Mississippi Code Annotated (1972).

Response:

The Audit Report will be published within 30 days of acceptance by the City Finance Officer in accordance with Section 21-35-31 and 21-17-19 of the MS Code.

Finding #4

Criteria:

Per Sections 21-15-23, 21-15-38, 21-3-5 and 21-17-5, Mississippi Code Annotated (1972), the municipality is required to provide surety bonds for municipal officials each fiscal year.

Condition:

The City failed to provide surety bond documentation for 2 individuals that were required by law to be bonded.

Cause:

Controls were not in place to ensure compliance with Sections 21-15-23, 21-15-38, 21-3-5 and 21-17-5, Mississippi Code Annotated (1972).

Effect:

The City was not in compliance with Sections 21-15-23, 21-15-38, 21-3-5 and 21-17-5, Mississippi Code Annotated (1972).

Recommendation:

The City should develop and implement procedures to ensure compliance with state laws set forth regarding surety bonds.

Response:

The City has been notified of this finding and has put measures in place to ensure compliance with Sections 21-15-23, 21-15-38, 21-3-5 and 21-17-5, Mississippi Code Annotated (1972). All employees who handle money will be bonded in accordance with Miss. Code.

Finding #5

Criteria:

Per Section 17-17-348, Mississippi Code Annotated (1972), the municipalities should publish a detailed itemized report of all revenues, costs and expenses incurred by the municipality in operating garbage, rubbish collection or disposal systems.

Condition:

The City failed to publish the Solid Waste Report in the local newspaper.

Cause:

The cause of the above condition is primarily due to management noncompliance with Section 17-17-348, Mississippi Code Annotated (1972).

Effect:

The City was not in compliance with Section 17-17-348, Mississippi Code Annotated (1972).

Recommendation:

Management should develop and implement controls to ensure compliance with Section 17-17-348, Mississippi Code Annotated (1972).

Response:

The City discovered this error and has since published the Solid Waste Report in local newspaper. The Chief Finance Officer will publish this report annually.

Finding #6

Criteria:

The City should complete and approve the Municipal Compliance Questionnaire each year.

Condition:

The City failed to complete and approve the Municipal Compliance Questionnaire during the fiscal year.

Cause:

Unknown.

Effect:

The City failed to comply the Municipal Audit and Compliance Guide.

Recommendation:

Management should develop and implement controls to ensure Municipal Compliance Questionnaire is completed and approved by the Board of Trustees.

Response:

The Municipal Compliance Questionnaire will be published by the Chief Finance Officer and adopted in the Board Minutes going forward.

Finding #7

Criteria:

Section 21-15-33, Miss. Code Ann. (1972), requires that minutes be adopted and approved by a majority of all the members of the governing body of the municipality at the next regular meeting or within thirty (30) days of the meeting, whichever occurs first. Upon such approval, the

minutes should have the legal effect of being valid from and after the date of the meeting. The governing body may by ordinance designate that the minutes be approved by the mayor.

Condition:

We noted minutes were not available after May 2019 meeting.

Cause:

Process was not in place to ensure compliance with state law regarding board minutes.

Effect:

The board minutes were not recorded timely causing the City to be in noncompliance with state law.

Recommendation:

We recommend the City to implement policies and procedures to ensure board minutes are recorded timely.

Response:

The City Clerk has been made aware of the Statue Section 21-15-33, Miss. Code Ann. (1972) and will record Board Minutes in accordance with the Statue going forward.

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
October 30, 2019

Certified Public Accountants

SCHEDULE OF FINDINGS AND RESPONSES

City of Canton, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2017

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 2017-001:

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:

This was a finding in the 2016 audit and has been corrected. The Municipal Treasury Clerk has assigned a deputy clerk who makes daily deposits.

Finding 2017-002:

Criteria:

Management is responsible for designing and implementing a system of internal controls surrounding non-payroll expenditures and related liabilities that will effectively reduce the risk of financial statement misstatement and asset misappropriation to an acceptably low level.

Condition:

The controls surrounding the cycle of non-payroll expenditures and related liabilities is not working effectively to reduce the risk of financial statement misstatement.

We performed detailed testing on sixty (60) non-payroll expenditure transactions. Our testing showed one (1) instance where no purchase order was prepared, thirty one (31) instances where no signature approval from Department Director was found, two (2) instances where expenditures didn't agree with the invoice, two (2) instances where there was no indication of receipt of goods, four (4) instances where invoices were not paid within the 45 day time period, and seventeen (17) instances where the invoice was dated before the purchase order.

Cause:

Management did not treat this as a high priority or an issue of importance.

Effect:

There is an increased risk that misstatements in the area of non-payroll expenditures will exist that will not be corrected in a timely manner by district personnel. This risk means that transactions may not be properly authorized and accurately classified and recorded. This risk further increases the likelihood that the financial statement

Recommendation:

The client should develop and implement strong internal controls surrounding purchasing to ensure compliance with purchasing regulations.

Response:

The City will require the Purchasing Clerk to attend training that increase her knowledge of State requirements for invoice processing and purchase order timeliness. The problem is much broader than the Purchasing Clerk. The vendors invoices are not always received in the Purchasing Clerk's office. Many vendors send the invoices to the Managers and they may be too busy to review the invoice for approval. We will ensure that Department Heads sign off on invoices. The new accounting system will include invoices being routed to the department manager's for approval and will include an electronic stamp.

Finding 2017-003:

Criteria:

Management is responsible for establishing an internal control system to ensure payroll is accurate and proper oversight of payroll process is being performed.

Condition:

During the course of our audit work, we noted the payroll clerk processes and sends information to the bank without proper oversight and there is no board approval for payment of salaries for employees.

Cause:

Internal control procedures were not in place to ensure payroll reports are accurate and approved by management prior to submitting to the bank. The employees' salaries were not approved by the City Clerk or other assigned individual before the start of the fiscal year.

Effect:

Without strong internal controls and oversight of the payroll process, employees can be paid in error without management's knowledge. This can lead to misuse of the City's funds or even misappropriation.

Recommendation:

We recommend the City implement an internal control system to ensure oversight of their payroll process. The City Clerk should review and sign the payroll register/edit report before the Payroll Clerk send the file to the bank.

Response:

The City is in the process of purchasing new Accounting software. The payroll will be reviewed and approved by the City Clerk before the payroll is processed.

Significant Deficiencies

Finding 2017-004:

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. This can result in loss of revenue by the City.

Recommendation:

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

amounts due to the City and collection procedures that will take place if renters do not pay in a predetermined amount of time.

Response:

The City is implementing a new accounting system that will include invoice capability. An invoice will be sent to the renters each month and late notices will also be sent in regards to payment.

Finding 2017-005:

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

The City should maintain accurate and timely records of capital assets in accordance with the Municipal Audit and Accounting Guide as mandated by the Office of State Auditor. This prescribed policy includes records of assets and deletions as well as annual inventories and the reconciliation of that inventory with the City's records.

Response:

The capital asset listing was provided to the auditors. It includes recent purchases. New software will be acquired to assist in capital asset tracking.