



The following document was not prepared by the Office of the State Auditor, but was prepared by and submitted to the Office of the State Auditor by a private CPA firm. The document was placed on this web page as it was submitted. The Office of the State Auditor assumes no responsibility for its content or for any errors located in the document. Any questions of accuracy or authenticity concerning this document should be submitted to the CPA firm that prepared the document. The name and address of the CPA firm appears in the document.

Arnel D. Bolden
MAYOR

Valerie T. Smith
CITY CLERK



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

February 18, 2016

Office of the State Auditor
P.O. Box 956
Jackson, MS 39205

Re: Annual Municipal Audit

Accompany this letter is a copy of the annual audit of the City of Canton, Mississippi, for the fiscal year ended September 30, 2014. A separate management letter was not written to the city in connection with this audit.

Sincerely,

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

Arnel D. Bolden
Mayor

RECEIVED
FEB 23 2016

City of Canton, Mississippi
Audited Financial Statements
For the Year Ended September 30, 2014

Fortenberry & Ballard, P.C.
Certified Public Accountants

City of Canton, Mississippi
Audited Financial Statements
For the Year Ended September 30, 2014
Table of Contents

FINANCIAL SECTION

Page #

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

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements:

Exhibit A-1 Statement of Net Position	23
Exhibit A-2 Statement of Activities	24

Fund Financial Statements:

Exhibit A-3 Balance Sheet - Governmental Funds	25
Exhibit A-4 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	26
Exhibit A-5 Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	27
Exhibit A-6 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	28
Exhibit A-7 Statement of Net Position - Proprietary Funds	29
Exhibit A-8 Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds	30
Exhibit A-9 Statement of Cash Flows - Proprietary Funds	31
Notes to the Financial Statements	34

Required Supplementary Information (Unaudited):

Exhibit B-1 General Fund Budgetary Comparison Schedule - General Fund	66
Notes to the Required Supplementary Information	67

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

Exhibit C-1	
Combining Balance Sheet	
Nonmajor Governmental Funds	70
Exhibit C-2	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Nonmajor Governmental Funds	71
Exhibit C-3	
Combining Balance Sheet	
Nonmajor Special Revenue Funds	74
Exhibit C-4	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Nonmajor Special Revenue Funds	78
Exhibit C-5	
Combining Balance Sheet	
Nonmajor Debt Service Funds	82
Exhibit C-6	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Nonmajor Debt Service Funds	83
Exhibit C-7	
Special Obligation Bond Series 2011A Fund	
Debt Service Fund	
Budgetary Comparison Schedule	85
Exhibit C-8	
Wal-mart Feather Lane Fund	
Capital Project Fund	
Budgetary Comparison Schedule	86
Exhibit C-9	
Combining Balance Sheet	
Nonmajor Capital Project Funds	88
Exhibit C-10	
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
Nonmajor Capital Project Funds	92
Exhibit C-11	
Landfill Fund	
Enterprise Fund	
Budgetary Comparison Schedule	97
Exhibit C-12	
Combining Statement of Net Position	
Component Units	100

RECEIVED

FEB 23 2016

Exhibit C-13	
Combining Statement of Revenues, Expenses, and Changes in Net Position - Component Units	101

Other Supplementary Information:

Schedule D-1: Schedule of Surety Bonds for Municipal Employees	103
Schedule D-2: Schedule of Long-term Debt	104
Schedule D-3 - Schedule of Expenditures of Federal Awards	105

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	107
---	-----

Independent Auditor's Report on Compliance for Each Major Program and Report on Internal Control over Compliance Required by OMB Circular A-133	109
--	-----

Independent Auditor's Report on Compliance with State Laws and Regulations	112
--	-----

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Schedule of Findings and Questioned Costs	116
---	-----

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, 2014, and the related notes to the financial statements, which collectively comprise the City of Canton, Mississippi's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Canton Municipal Utilities, component unit, which represent 95%, 96%, and 99%, respectively, of the assets, net position and revenues of the component units. Those statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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, and 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, 2014, 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 and budgetary comparison information on pages 10-21 and 65-67 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 and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements, 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 and schedules and the component units combining statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 16, 2015

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

RECEIVED
FEB 23 2016

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2014

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, 2014. 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 \$2,909,397 in 2014, including a prior period adjustment of (\$3,639,706), which represents a 736% decrease from fiscal year 2013. Total net position decreased \$3,837,110 in 2013, including a prior period adjustment of (\$2,496,106), which represents a 112% decrease from fiscal year 2012.
- General revenues account for \$12,449,133, or 83% of all revenues in 2014. This amount was more than the prior year (2013), which consisted of \$10,704,042 in general revenues. Program specific revenues in the form of charges for services accounted for \$2,477,945 or 17% of total revenues compared with \$2,299,532 in 2013.
- The City had \$14,736,791 in expenses, an amount that decreased when compared with the \$14,344,578 in expenses for the prior year; \$2,477,945 of these expenses were offset by program specific charges for services. General revenues of \$12,449,133 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$10,457,711 in revenues and \$10,837,843 in expenditures. In 2013 the General Fund had \$9,388,422 in revenues and \$9,480,076 in expenditures. The General Fund's fund balance decreased by \$155,864 from 2013 to 2014, and decreased \$71,738 from 2012 to 2013.
- The Enterprise Fund - Landfill Fund had \$2,477,945 in revenues and \$1,919,776 in expenses. Its net income was \$558,169, including a prior period adjustment of (\$897,753), in the current fiscal year. Last year it showed \$2,299,532 in revenues and \$2,338,796 in expenses. Its net loss for the previous year was (\$248,834).
- Capital assets, net of accumulated depreciation, decreased by \$674,611 in the governmental activities. This decrease in the governmental activities was primarily due to the recording of depreciation of expense and adjustments made to land, construction in progress, buildings, infrastructure, mobile equipment and furniture and equipment during the year.
- Capital assets decreased \$1,324,737 in the business-type activities mainly due to the recording of depreciation of expense and adjustments made to land, site preparations, equipment under capital lease and vehicles and equipment during the year.
- Long-term debt decreased by \$686,157 in the governmental activities from 2013 to 2014. The decrease in the governmental activities was mainly due to principal payments made

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2014

on outstanding long-term debt.

- Long-term debt decreased by \$290,855 in the business-type activities from 2013 to 2014. The decrease in the business-type activities was mainly due to principal payments made on outstanding long-term debt.

Using this Annual Financial Report

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

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

Reporting the City of Canton as a Whole

Statement of Net Position and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2014?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

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

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

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2014

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

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

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

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

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

Reporting the City of Canton's Most Significant Funds

Fund Financial Statements

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

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2014

funds are the General Fund, Special Obligation Bond Series 2011A Fund and Wal-mart Feather Lane Fund.

Governmental Funds

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

The City of Canton as a Whole

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the government's financial position. In the case of the City, liabilities exceeded assets by \$2,745,047 as of September 30, 2014. The following table presents a summary of the City's Governmental Activities net position at September 30, 2014 and 2013, respectively.

**Condensed Statement of Net Position
Governmental Activities**

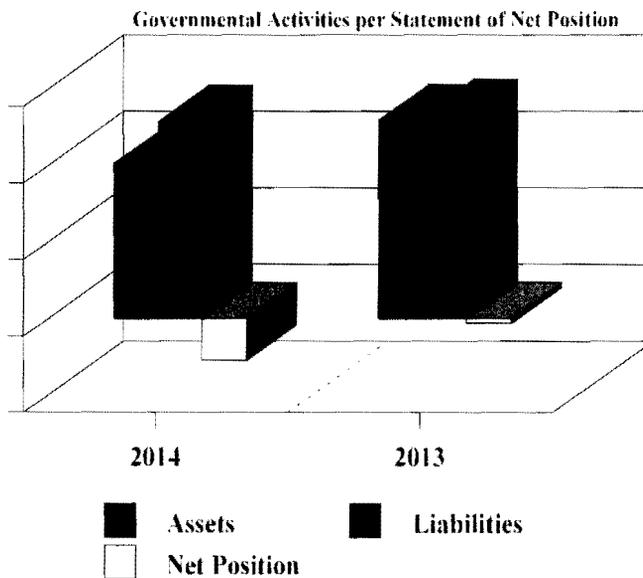
	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Current assets	\$ 1,540,006	3,688,917	-58%
Capital assets, net	8,566,188	9,240,799	-7%
Total Assets	10,106,194	12,929,716	-22%
Current liabilities	567,705	341,909	66%
Long-term liabilities	12,283,536	12,912,380	-5%
Total Liabilities	12,851,241	13,254,289	-3%
Net Position:			
Net investment in capital assets	(3,383,021)	(3,391,067)	0%
Restricted	369,329	1,972,817	-81%
Unrestricted	268,645	1,093,677	-75%
Total Net Position	\$ (2,745,047)	(324,573)	746%

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2014

The net investment in capital assets amount was (\$3,383,021). 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, \$369,329 of the City's net position is restricted as to the use of these funds. A portion of the restricted net position is expendable for general government purposes, public safety, debt service, capital projects, public works and unemployment benefits. The remainder of the City's net position had an unrestricted positive balance in the amount of \$268,645.

The following chart depicts the City's Governmental Activities' assets, liabilities, and net position at September 30, 2014 and 2013.

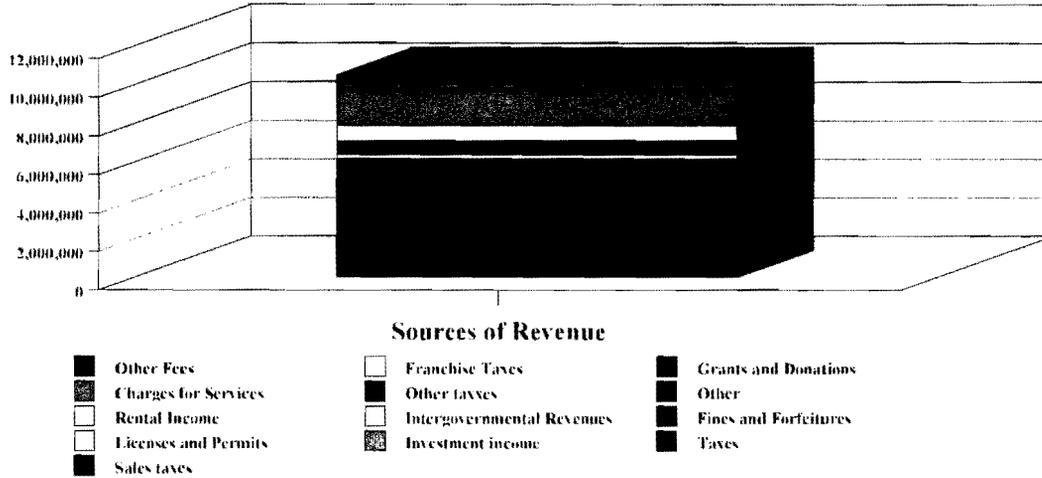


GENERAL GOVERNMENT FUNCTIONS

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

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2014

General Fund 2014 Revenue Sources



Revenues

The primary sources of General Fund revenues are property tax and sales tax. The State of Mississippi levies a general sales tax of 7% on most retail sales. Of the amount collected by the state, each municipality receives 18.5% of the amount collected within its corporate boundaries. Sales tax accounted for 28% of General Fund revenues in fiscal year 2014. When compared to the fiscal year 2013, sales tax revenue remained the same. Sales tax collections in fiscal year 2014 were \$2,887,420, an increase over the \$2,667,275 collected in 2013. Total General Fund operating revenues were \$10,457,711, an increase of \$1,069,289 over the prior year.

Expenditures

General Fund operating expenditures were \$10,837,843, an increase of \$1,357,767 or 14% over the prior year. In the prior year, General Fund operating expenditures accounted for \$9,480,076. The following schedule presents the General Fund revenues and expenditures for the year ended September 30, 2014, and the amount and percentage of change from 2013.

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2014

GENERAL FUND (GAAP BASIS) (in thousands)

	2014 Amount	2013 Amount	Dollar Increase (Decrease) from 2013	Percent Increase (Decrease) from 2013
Revenues:				
Property Tax	\$ 3,202	\$ 3,138	\$64	2.0%
Sales Taxes	2,887	2,667	220	8.2%
Franchise Fees	129	157	(28)	(17.8)%
Licenses and Permits	207	156	51	32.7%
Other Fees	512	478	34	7.1%
Intergovernmental	813	682	131	19.2%
Charges for Services	1,796	1,280	516	40.3%
Fines	730	586	144	24.6%
Grants and Donations	96	126	(30)	(23.8)%
Interest Earned	37	34	3	8.8%
Rental Income	20	31	(11)	(35.5)%
Miscellaneous	29	53	(24)	(45.3)%
Total Revenues	\$ 10,458	\$ 9,388	\$ 1,070	11.4%
Expenditures:				
General Government	\$ 3,285	\$ 2,728	\$ 557	20.4%
Public Safety	4,853	4,318	535	12.4%
Public Services	1,287	818	469	57.3%
Culture and Recreation	849	451	398	88.2%
Economic Opportunity	201	129	72	55.8%
Economic Development	213	442	(229)	(51.8)%
Debt Service	150	594	(444)	(74.7)%
TOTAL EXPENDITURES	\$ 10,838	\$ 9,480	\$ 1,358	14.3%

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Status of Fund Balance

On the General Fund balance sheet, fund balance is presented showing the unassigned portion which is available for spending. The fiscal year 2014 ending unassigned fund balance is \$964,949 which means that is available for spending.

PROPRIETARY FUNDS

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

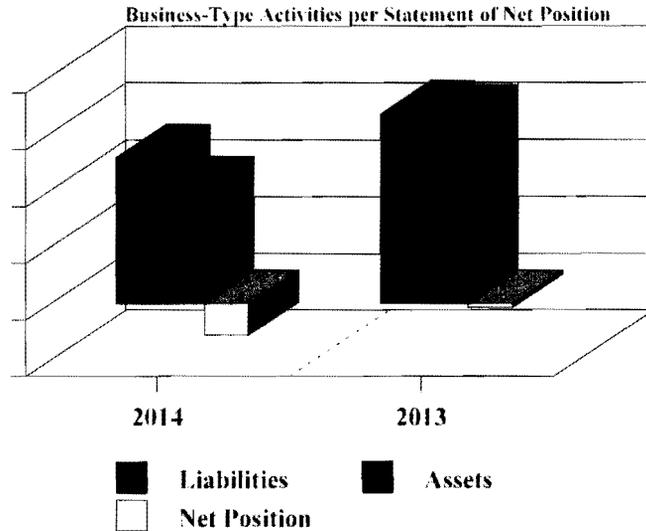
The following chart depicts the total assets, liabilities and net position for the business-type activities from the Government-Wide Statement of Net Position.

Condensed Statement of Net Position
Business-Type Activities

	<u>2014</u>	<u>2013</u>	<u>Percentage Change</u>
Current assets	\$ 1,061,609	983,664	8%
Capital assets, net	949,033	2,273,770	-58%
Total assets	<u>2,010,642</u>	<u>3,257,434</u>	-38%
Current liabilities	912,465	1,383,470	-34%
Long-term debt	1,657,759	1,944,623	-15%
Total liabilities	<u>2,570,224</u>	<u>3,328,093</u>	-23%
Net position:			
Net investment in capital assets	(683,051)	350,831	-295%
Restricted	123,469	(421,490)	-129%
Total net position	<u>\$ (559,582)</u>	<u>(70,659)</u>	692%

The following chart depicts the City's Business-Type Activities assets, liabilities and net position for the fiscal years ended September 30, 2014 and 2013, respectively.

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2014



Landfill Management Fund

Comparative financial data of the Landfill Management Fund for the September 30, 2014 and 2013 is presented below:

	2014	2013
Operating Revenues	\$ 2,477,945	\$ 2,299,532
Operating Expenses	1,919,776	2,338,796
Operating Income (Loss)	\$ 558,169	\$ (39,264)

General Fund Budgeting Highlights

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

Capital Assets and Long-Term Debt

The following section shows what the capital assets consist of for both the Governmental and Business-Type Activities at September 30, 2014 and 2013, respectively.

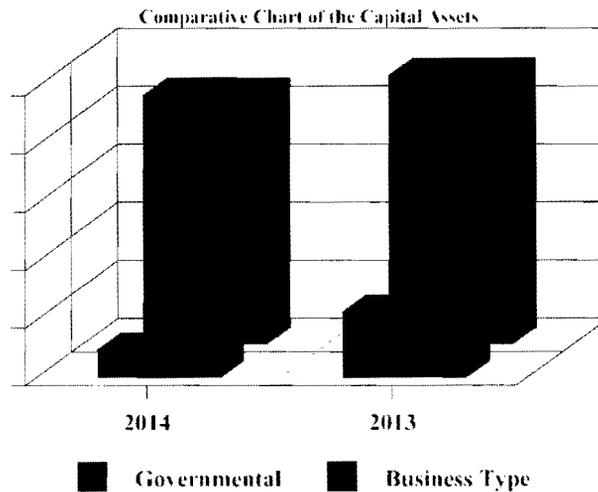
City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Capital Assets at September 30, 2014
Governmental Activities

	<u>September 30, 2014</u>	<u>September 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 3,018,667	3,057,047	-1%
Construction in progress	0	1,512,317	-100%
Buildings	5,805,669	5,745,699	1%
Infrastructure	3,710,496	11,611,222	-68%
Mobile equipment	2,194,478	2,335,064	-6%
Furniture and equipment	574,629	465,342	23%
Accumulated depreciation	(6,737,751)	(15,485,892)	-56%
Total	\$ 8,566,188	9,240,799	-7%

Capital Assets at September 30, 2014
Business-Type Activities

	<u>September 30, 2014</u>	<u>September 30, 2013</u>	<u>Percentage Change</u>
Land	\$ 38,380	212,700	-82%
Site preparations	1,013,723	1,593,733	-36%
Equipment under capital leases	0	2,100,356	-100%
Vehicles and equipment	874,288	2,016,304	-57%
Accumulated depreciation	(977,358)	(3,649,323)	-73%
Total	\$ 949,033	2,273,770	-58%



City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Long-Term Debt

At September 30, 2014, the City of Canton had \$9,035,000 in outstanding General and Special Obligation Bonds, and \$2,941,917 in other long-term debt outstanding reported under the governmental activities. The City also reported \$1,620,000 in outstanding Special Obligation Bonds and \$12,084 in other long-term debt reported in the business-type activities.

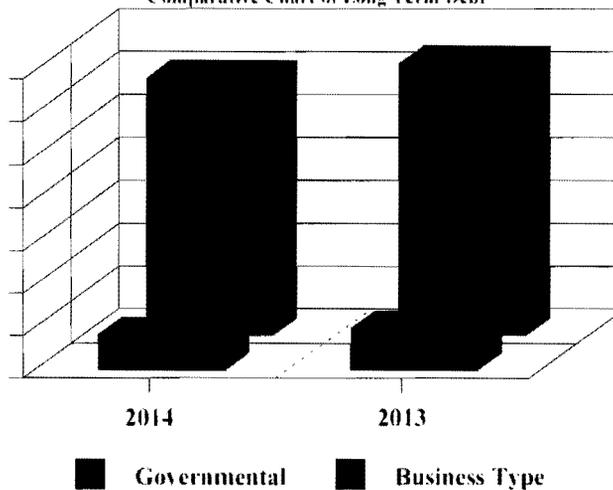
Outstanding Bonds and Other Long-Term Debt at Year End
Governmental Activities

	<u>September 30, 2014</u>	<u>September 30, 2013</u>	Percentage Change
Bonds	\$ 9,035,000	9,605,000	-6%
Other long term debt	2,941,917	3,058,074	-4%
Total	\$ 11,976,917	12,663,074	-5%

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

	<u>September 30, 2014</u>	<u>September 30, 2013</u>	Percentage Change
Bonds	\$ 1,620,000	1,840,000	-12%
Other long term debt	12,084	82,939	-85%
Total	\$ 1,632,084	1,922,939	-15%

Comparative Chart of Long Term Debt



City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2014

Current Financial Related Activities

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

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

Federal funding has been acquired to improve several major connector roads in the city including Union Street and Watford Parkway. Union Street and Woodland Parkway are under construction. Watford Parkway completed in spring of 2015.

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

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

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

Contacting the City's Finance Department

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

RECEIVED

FEB 23 2016

FINANCIAL STATEMENTS

CITY OF CANTON
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets:				
Cash and cash equivalents	\$ 1,160,382	\$ 251,663	\$ 1,412,045	\$ 2,371,366
Cash with fiscal agents	--	30,288	30,288	--
Investments	--	705,754	705,754	--
Accounts receivable, net	379,357	73,904	453,261	2,404,501
Inventory	--	--	--	1,257,075
Prepaid items	--	--	--	75,637
Internal balances	267	(267)	--	--
Restricted Assets:				
Cash and cash equivalents	--	--	--	13,009,910
Accrued interest receivable	--	--	--	1,315
Notes, receivable, non-current	--	--	--	1,248,667
Deferred assessment charges	--	--	--	1,420,855
Land held for resale	--	--	--	1,026,670
Capital assets:				
Land and construction in progress	3,018,667	38,380	3,057,047	1,259,685
Other capital assets, net of accumulated depreciation	5,547,521	910,653	6,458,174	31,450,496
Total Assets	<u>10,106,194</u>	<u>2,010,375</u>	<u>12,116,569</u>	<u>55,526,177</u>
Liabilities:				
Accounts payable	441,809	105,966	547,775	1,387,051
Accrued liabilities	--	--	--	109,579
Wages and benefits payable	59,521	5,463	64,984	--
Sales tax payable	--	--	--	21,495
Interfund payables	--	--	--	48,803
Accrued Closure/Postclosure cost	--	772,129	772,129	--
Customer deposits	--	--	--	1,178,903
Interest payable	66,375	28,640	95,015	--
Bonds payable, current	630,000	240,000	870,000	--
Notes, and lease obligations, current	293,914	12,084	305,998	133,490
Bond discounts, current	(3,500)	--	(3,500)	--
Compensated absences, current	16,716	1,284	18,000	21,060
Assessments payable, current	--	--	--	96,454
Bonds payable, non-current	8,405,000	1,380,000	9,785,000	--
Notes, and lease obligations, noncurrent	2,648,003	--	2,648,003	503,283
Compensated absences, non-current	317,611	24,391	342,002	--
Bond discounts, non-current	(24,208)	--	(24,208)	--
Assessments payable, noncurrent	--	--	--	1,324,329
Total Liabilities	<u>12,851,241</u>	<u>2,569,957</u>	<u>15,421,198</u>	<u>4,824,447</u>
Net Position				
Net Investment in Capital Assets	(3,383,021)	(683,051)	(4,066,072)	32,468,169
Restricted For:				
General government	2,994	--	2,994	--
Capital projects	313,644	--	313,644	13,011,225
Unemployment benefits	27,715	--	27,715	--
Public works	11,902	123,469	135,371	--
Public safety	12,677	--	12,677	--
Court services	397	--	397	--
Unrestricted	268,645	--	268,645	5,222,336
Total Net Position	<u>\$ (2,745,047)</u>	<u>\$ (559,582)</u>	<u>\$ (3,304,629)</u>	<u>\$ 50,701,730</u>

The accompanying notes are an integral part of this statement.

CITY OF CANTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position		Component Units
		Charges for Services	Governmental Activities	Business-type Activities	Total	
Primary government:						
Governmental activities:						
General government	\$ 5,302,997	\$ --	\$ (5,302,997)		\$ (5,302,997)	
Public Safety:						
Police	2,006,604	--	(2,006,604)		(2,006,604)	
Fire	1,800,246	--	(1,800,246)		(1,800,246)	
Other	469,672	--	(469,672)		(469,672)	
Public services	1,588,423	--	(1,588,423)		(1,588,423)	
Health and welfare	15	--	(15)		(15)	
Culture and recreation	735,358	--	(735,358)		(735,358)	
Interest on long-term debt	814,178	--	(814,178)		(814,178)	
Business-type Activities:						
Landfill	2,019,298	2,477,945	--	\$ 458,647	458,647	
Total Business-type Activities	2,019,298	2,477,945	--	458,647	458,647	
Total Primary Government	\$ 14,736,791	\$ 2,477,945	(12,717,493)	458,647	(12,258,846)	
COMPONENT UNITS:						
Canton Convention and Visitors Bureau	790,293	146,518				(643,775)
Canton Redevelopment Authority	309,225	(26,770)				(335,995)
Canton Municipal Authority	22,776,890	23,353,365				576,475
Total Component Units	\$ 23,876,408	\$ 23,473,113				(403,295)
General Revenues:						
Taxes			7,048,952	183	7,049,135	575,018
Franchise taxes(foes)			129,279	--	129,279	--
Other taxes			876,217	--	876,217	10,764
Fines and Fees			378,793	--	378,793	40,000
Licenses and permits			199,070	--	199,070	--
Intergovernmental			1,258,485	--	1,258,485	--
Unrestricted investment income			36,634	--	36,634	13,373
Canton Municipal Utilities			1,955,034	200,000	2,155,034	--
COPS Grant			46,652	--	46,652	--
Grants and donations			51,517	--	51,517	250,000
Other income			--	--	--	462,630
Miscellaneous			268,317	--	268,317	--
Total General Revenues			12,248,950	200,183	12,449,133	1,351,785
Transfers			250,000	(250,000)	--	(1,806,534)
Special items			--	--	--	(1,145,525)
Total General Revenues, Transfers and Special Items			12,498,950	(49,817)	12,449,133	(1,600,274)
Change in Net Position			(218,543)	408,830	190,287	(2,003,569)
Net Position - Beginning			(324,573)	(70,659)	(395,232)	52,705,298
Prior Period Adjustment			(2,201,931)	(897,753)	(3,099,684)	--
Net Position - Restated			(2,526,504)	(968,412)	(3,494,916)	52,705,298
Net Position - Ending			\$ (2,745,047)	\$ (559,582)	\$ (3,304,629)	\$ 50,701,729

The accompanying notes are an integral part of this statement.

CITY OF CANTON
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014

Exhibit A-3

	General Fund	Special Obligation Bond Series 2011A Fund	Wal-mart Feather Lane Fund	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 744,177	\$ 338,153	\$ --	\$ 78,052	\$ 1,160,382
Accounts receivable	379,357	--	--	--	379,357
Due from other funds	171,034	--	--	--	171,034
Total Assets	<u>\$ 1,294,568</u>	<u>\$ 338,153</u>	<u>\$ --</u>	<u>\$ 78,052</u>	<u>\$ 1,710,773</u>
Liabilities and Fund Balances:					
Liabilities:					
Accounts payable	\$ 144,860	\$ --	\$ 242,198	\$ 54,751	\$ 441,809
Wages payable	59,521	--	--	--	59,521
Due to other funds	125,238	--	--	45,529	170,767
	<u>329,619</u>	<u>--</u>	<u>242,198</u>	<u>100,280</u>	<u>672,097</u>
Fund Balances:					
Restricted:					
Capital projects	--	338,153	--	--	338,153
Unemployment benefits	--	--	--	27,715	27,715
General government	--	--	--	2,994	2,994
Public works	--	--	--	11,902	11,902
Public safety	--	--	--	12,677	12,677
Court services	--	--	--	397	397
Unassigned	964,949	--	(242,198)	(77,913)	644,838
Total Fund Balances	<u>964,949</u>	<u>338,153</u>	<u>(242,198)</u>	<u>(22,228)</u>	<u>1,038,676</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, 2014**

Total fund balances for governmental funds balance sheet	\$ 1,038,676
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.	8,566,188
Payables for bond principal which are not due in the current period are not reported in the funds.	(9,035,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(66,375)
Other long-term liabilities which are not due in the current period are not reported in the funds.	(2,941,917)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(334,327)
Bond discounts are reported and amortized in the SOA.	<u>27,708</u>
Net position of governmental activities	<u>\$ (2,745,047)</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, 2014

EXHIBIT A-5

	General Fund	Special Obligation Bond Series 2011A Fund	Wal-mart Feather Lane Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Property taxes	\$ 3,202,188	\$ --	\$ --	\$ 931,622	\$ 4,133,810
Sales taxes	2,887,420	--	--	--	2,887,420
Franchise taxes (fees)	129,279	--	--	--	129,279
Other taxes	12,474	--	--	--	12,474
Licenses and permits	206,877	--	--	--	206,877
Other fees	512,353	--	--	--	512,353
Fines and forfeitures	730,183	--	--	--	730,183
Investment income	36,528	1	--	105	36,634
Grants and donations	95,911	--	--	2,258	98,169
Charges for services	1,795,816	--	--	159,218	1,955,034
Rental income	19,915	--	--	--	19,915
Intergovernmental programs	813,284	--	--	445,201	1,258,485
Other	15,483	--	--	141,777	157,260
Total Revenues	10,457,711	1	--	1,680,181	12,137,893
Expenditures:					
General Government	3,284,924	1,275,115	--	526,209	5,086,248
Public safety:					
Police	2,323,176	--	--	--	2,323,176
Fire	2,086,502	--	--	--	2,086,502
Other	443,813	--	--	100,481	544,294
Public services	1,286,842	--	242,198	306,978	1,836,018
Culture and recreation	848,721	--	--	--	848,721
Economic development and assistance	213,366	--	--	23,115	236,481
Economic opportunity	200,730	--	--	--	200,730
Debt Service:					
Principal	97,481	--	--	588,676	686,157
Interest	--	--	--	560,490	560,490
Miscellaneous	52,288	2	--	162,362	214,652
Total Expenditures	10,837,843	1,275,117	242,198	2,268,311	14,623,469
Excess of Revenues Over (Under) Expenditures	(380,132)	(1,275,116)	(242,198)	(588,130)	(2,485,576)
Other Financing Sources (Uses):					
Transfers from other funds	328,210	--	--	347,664	675,874
Transfers to other funds	(214,999)	(132,665)	--	(78,210)	(425,874)
Insurance recovery	21,610	--	--	--	21,610
Other Income	89,447	--	--	--	89,447
Total Other Financing Sources (Uses)	224,268	(132,665)	--	269,454	361,057
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(155,864)	(1,407,781)	(242,198)	(318,676)	(2,124,519)
Fund Balances:					
Fund Balances - Beginning	1,120,813	1,745,934	--	296,448	3,163,195
Fund Balances - Ending	\$ 964,949	\$ 338,153	\$ (242,198)	\$ (22,228)	\$ 1,038,676

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, 2014*

Net change in fund balances - total governmental funds	\$ (2,124,519)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,924,730
The depreciation of capital assets used in governmental activities is not reported in the funds.	(397,410)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	570,000
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	116,157
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(253,378)
(Increase) decrease in accrued interest from beginning of period to end of period.	3,190
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(53,813)
Bond discounts are reported in the funds but not in the SOA.	<u>(3,500)</u>
Change in net position of governmental activities	<u>\$ (218,543)</u>

The accompanying notes are an integral part of this statement.

CITY OF CANTON
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014

	Enterprise Fund	Landfill Fund
Assets		
Cash and cash equivalents	\$ 251,663	
Cash with fiscal agents	30,288	
Investments	705,754	
Accounts Receivable	73,904	
Capital Assets:		
Land	38,380	
Other capital assets, net of accumulated depreciation	910,653	
Total Assets	<u>2,010,642</u>	
Liabilities:		
Accounts payable	105,966	
Wages and benefits payable	5,463	
Interfund payables	267	
Accrued Closure/Postclosure care cost	772,129	
Interest payable	28,640	
Bonds payable, current	240,000	
Notes and lease obligations, current	12,084	
Compensated absences, current	1,284	
Bonds payable, noncurrent	1,380,000	
Compensated absences, noncurrent	24,391	
Total Liabilities	<u>2,570,224</u>	
Net Position:		
Net investment in capital assets	(683,051)	
Restricted for:		
Public Works	123,469	
Total Net Position	<u>\$ (559,582)</u>	

The accompanying notes are an integral part of this statement.

RECEIVED
FEB 23 2016

CITY OF CANTON
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Enterprise Fund
	Landfill Fund
Operating Revenues:	
Charges for Services	\$ 2,477,945
Total Operating Revenues	<u>2,477,945</u>
Operating Expenses:	
Personal services - salaries and wages	276,516
Personal services - employee benefits	124,931
Purchased professional and technical services	1,192,994
Supplies	1,601
Landfill expenses	174,250
Depreciation	149,484
Total Operating Expenses	<u>1,919,776</u>
Operating Income (Loss)	<u>558,169</u>
Non-Operating Revenues (Expenses):	
Debt Service Interest	(99,522)
Other	200,183
Total Non-Operating Revenues (Expenses)	<u>100,661</u>
Net Income (Loss) before Transfers	<u>658,830</u>
Transfers to other funds	(250,000)
Total transfers	<u>(250,000)</u>
Net Income (Loss)	<u>408,830</u>
Net Position:	
Net Position - Beginning, as previously reported	(70,659)
Prior Period Adjustment	(897,753)
Net Position - Beginning, as restated	<u>(968,412)</u>
Net Position - Ending	<u>\$ (559,582)</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, 2014

	Enterprise Fund Landfill Fund
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 2,573,753
<i>Cash Payments to Employees for Services</i>	(391,993)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(1,012,951)
<i>Other Operating Cash Receipts (Payments)</i>	(88,421)
Net Cash Provided (Used) by Operating Activities	<u>1,080,388</u>
Cash Flows from Non-capital Financing Activities:	
<i>Transfers From (To) Primary Government</i>	(250,000)
<i>Transfers From (To) Other Funds</i>	267
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(249,733)</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Principal and Interest Paid</i>	(394,380)
<i>Acquisition or Construction of Capital Assets</i>	(262,522)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(656,902)</u>
Cash Flows from Investing Activities:	
<i>Purchase of Investment Securities</i>	17,184
Net Cash Provided (Used) for Investing Activities	<u>17,184</u>
Net Increase (Decrease) in Cash and Cash Equivalents	190,937
Cash and Cash Equivalents at Beginning of Year	60,726
Cash and Cash Equivalents at End of Year	<u>\$ 251,663</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 558,169
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	149,484
<i>Other receipts (payments)</i>	200,183
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	126,096
<i>Decrease (Increase) in Cash with fiscal agents</i>	(30,288)
<i>Increase (Decrease) in Accounts Payable</i>	21,001
<i>Increase (Decrease) in Accrued Wages Payable</i>	5,463
<i>Increase (Decrease) in Compensated Absences</i>	3,991
<i>Increase (Decrease) in Accrued Closure/Postclosure Cost</i>	46,289
Total Adjustments	<u>522,219</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,080,388</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, 2014

CITY OF CANTON, MISSISSIPPI

Notes to the Financial Statements
For the Year Ended September 30, 2014

INDEX

NOTE #

I. Summary of Significant Accounting Policies.	34
Introduction	34
A. Financial Reporting Entity.	35
B. Government-Wide and Fund Financial Statements.	37
C. Basis of Presentation.	38
D. Basis of Accounting.	40
E. Encumbrances	40
F. Budgets and Budgetary Information.	41
G. Unearned Revenue	41
H. Fund Balances	41
I. Cash and Other Deposits and Cash Equivalents	42
J. Investments	43
K. Inventories and Prepaid Items	43
L. Account Receivable	43
M. Interfund Transactions and Balances	43
N. Restricted Net Position	44
O. Capital Assets and Long-term Liabilities	45
P. Compensated Absences	46
2. Cash, Other Deposits and Investments.	47
3. Receivables.	49
4. Property Taxes.	49
5. Capital Assets.	50
6. Long-term Debt Obligations.	51
7. Business-Type Activities, Capital Assets.	56
8. Business-Type Activities, Long-term Debt.	57
9. Refunding Bonds.	58
10. Defined Benefit Pension Plan.	58
11. Segment Information for Enterprise Funds.	59
12. Risk Management.	59
13. Municipal Solid Waste Landfill (MSWLF).	60
14. Transfers Between Primary Government and Some Component Units.	62
15. Insurance Loss Recoveries	62
16. Prior Period Adjustments	62
17. Deficit Fund Balance of Individual Funds	63
18. Subsequent Event	63

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

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, 2014.

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

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

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

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

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

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

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

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

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

A. FINANCIAL REPORTING ENTITY

COMPONENT UNITS

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

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

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

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

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

RELATED ORGANIZATIONS

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

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

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

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

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

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

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The government-wide Statement of Activities reflects both the gross and net costs per functional category (Police, Fire, Public Works, etc.), which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, etc.).

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

This government-wide focus is more on the sustain ability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements emphasize the major funds. Non-major funds (by category) are summarized into a single column.

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

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

C. BASIS OF PRESENTATION

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

1. Major Governmental Funds

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

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

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

Special Obligation Bond Series 2011A Fund - This is a capital service fund that accounts for the accumulation of financial resources for the payment of principal and interest on the City's special obligation bond.

Wal-Mart Feather Lane Fund - This is a capital project fund that accounts for Wal-Mart traffic improvement projects. The City plans to fund this capital project with funds from a proposed Tax Increment Bond.

2. Proprietary Funds

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

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

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

3. Non-Current Governmental Assets/Liabilities

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

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 and all liabilities associated with the operation of these activities are included on the balance sheet.

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

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

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

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

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

E. ENCUMBRANCES

An encumbrance system is maintained to account for commitments resulting from approved purchase orders, work orders and contracts. All encumbrances lapse at year-end; accordingly, no encumbrances were outstanding at September 30, 2014.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

F. BUDGETS AND BUDGETARY INFORMATION

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

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

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

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

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

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

G. UNEARNED REVENUE

In the government-wide and proprietary fund financial statements, unearned revenues are recognized when assets are received prior to being earned. Unearned revenues are also recognized in the governmental funds financial statements, which are recognized when revenues are 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, 2014

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

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

Committed fund balance includes amounts that can be used only for the specific purposes pursuant to constraints imposed by a formal action of the Board of Alderman, the City's highest level of decision-making authority. Currently there is no committed fund balance for this city.

Assigned fund balance includes amounts that are 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.

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, 2014

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 of the disbursing fund. Reimbursements of the expenditures made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures in the reimbursed fund. Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

The following is a summary of interfund transactions and balances:

A. Due To/From Other Funds:

	<u>Due from</u>	<u>Due to</u>
Governmental Funds:		
Proprietary Funds	\$	267
General Fund	171,034	125,238
Other Governmental Funds		<u>45,529</u>
Total	<u>\$ 171,034</u>	<u>171,034</u>

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

B. Transfers In and Transfers Out:

	<u>Transfers In</u>	<u>Transfers Out</u>
Governmental Funds:		
General Fund	\$ 328,210	214,999
Special Obligation Bond Series 2011A Fund		132,665
Proprietary Funds		250,000
Other Governmental Funds	<u>347,664</u>	<u>78,210</u>
Total	<u>\$ 675,874</u>	<u>675,874</u>

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

N. RESTRICTED NET POSITION

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

The following is a summary of restricted net position:

Restricted for:

Court services	\$	397
Unemployment benefits		27,715
Debt service		313,644
Public works		11,902
Public safety		12,677
General government		2,994
Total	\$	<u>369,329</u>

O. CAPITAL ASSETS AND LONG - TERM LIABILITIES

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

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

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

All propriety funds are accounted for on an economic measurement focus. This means that all assets and liabilities (whether current or noncurrent) associated with their activity are included 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.

RECEIVED
FEB 23 2016

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

Capital asset thresholds are as follows:

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

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

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

P. COMPENSATED ABSENCES

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

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

The respective liabilities are computed utilizing the specific identification method (i.e., each employee's actual accumulated personal leave days are multiplied by the applicable actual per day salary). The City's liability for compensated absences is not recorded in the governmental funds, for such liability may be paid from financial resources not currently available. Compensated absences are reported in governmental funds only if they have matured.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

2. CASH, OTHER DEPOSITS, AND INVESTMENTS

A. Cash and Other Deposits

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

The carrying amount of the city's deposits with financial institutions in the governmental funds was \$1,160,382 and \$251,663 in the business-type activities. The bank balance was \$1,531,404.

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, 2014, none of the city's bank balance of \$1,531,404 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 \$30,288 in the business-type activities.

C. Investments

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

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

Concentration of Credit Risk. Disclosures of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

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, 2014, the city had the following investments:

Investment Type	Fair Value	Credit Ratings	Percentage of Investments	Interest Rates
Federal Agricultural Mortgage Corporation	\$ 128,267	Unrated	18.17%	2.10-4.16%
Federal Home Loan Banks	323,475	AA+	45.83%	1.625-4.75%
Federal National Mortgage Association	254,012	AA+	35.99%	0.875-2.4%
Total Investments	\$ 705,754		100%	

Investment Maturities in Years

Investment Type	Less Than 1	1-5	6-10
Federal Agricultural Mortgage Corporation		20,419	107,848
Federal Home Loan Banks	101,627	221,848	
Federal National Mortgage Association		254,012	

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, 2014, \$0 of the city's investment balance was insured and was exposed to custodial credit risk as follows:

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

Uninsured and Uncollateralized	\$	0
Uninsured and collateral held by pledging bank's department not in city's name		705,754
Total	\$	<u>705,754</u>

3. RECEIVABLES

A. Accounts Receivable

Accounts receivable at September 30, 2014, consisted of the following:

	<u>General Fund</u>	<u>Enterprise Fund</u>	<u>Accounts Receivable</u>
Property Taxes	\$ 47,446		47,446
Sales & Tourism Tax	281,763		281,763
Customers	47,673	73,721	121,394
Others	2,475	183	2,658
Total	<u>\$ 379,357</u>	<u>73,904</u>	<u>453,261</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, 2014, upon which the levy was based, was \$76,297,821. The taxes thus assessed are due and payable as follows:

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

If taxes remain unpaid, the property subject to a tax lien is sold for taxes on the fourth Monday of August. Property taxes receivable reported in the government-wide Statement of Net Position and the governmental funds Balance Sheet represent amounts due for unpaid delinquent property taxes at September 30, 2014. Property taxes that are not considered "available" have been reported as deferred revenues in the governmental funds Balance Sheet.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

5. CAPITAL ASSETS

	Balance 10-1-2013	Additions	Adjustments	Balance 9-30-2014
<u>Non-depreciable capital assets:</u>				
Land	\$ 3,057,047		(38,380)	3,018,667
Construction in progress	1,512,317	1,213,483	(2,725,800)	0
Total non-depreciable capital assets	<u>4,569,364</u>	<u>1,213,483</u>	<u>(2,764,180)</u>	<u>3,018,667</u>
<u>Depreciable capital assets:</u>				
Buildings	5,745,699		59,970	5,805,669
Infrastructure	11,611,222		(7,900,726)	3,710,496
Mobile equipment, including equipment under capital lease	2,335,064	385,171	(525,757)	2,194,478
Furniture and equipment	465,342	326,076	(216,789)	574,629
Total depreciable capital assets	<u>20,157,327</u>	<u>711,247</u>	<u>(8,583,302)</u>	<u>12,285,272</u>
<u>Less accumulated depreciation for:</u>				
Buildings	(3,448,068)	(73,991)	7,808,766	4,286,707
Infrastructure	(9,441,560)	(125,600)	1,147,619	(8,419,541)
Mobile equipment	(2,239,410)	(133,357)	189,166	(2,183,601)
Furniture and equipment	(356,854)	(64,462)		(421,316)
Total accumulated depreciation	<u>(15,485,892)</u>	<u>(397,410)</u>	<u>9,145,551</u>	<u>(6,737,751)</u>
Total depreciable capital assets, net	<u>4,671,435</u>	<u>313,837</u>	<u>562,249</u>	<u>5,547,521</u>
Governmental activities capital assets, net	\$ <u>9,240,799</u>	<u>1,527,320</u>	<u>(2,201,931)</u>	<u>8,566,188</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, 2014

6. LONG - TERM OBLIGATIONS

A. Changes in Long - Term Obligations

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

	Balance 10-1-2013	Additions	Reductions	Balance 9-30-2014	Amounts due within one year
General Obligation Bonds	\$ 3,015,000		200,000	2,815,000	260,000
Special Obligation Bond, Series 2011A	4,000,000			4,000,000	
Special Obligation Bond, Series 2011B	250,000		125,000	125,000	125,000
Special Obligation Bond, Series 2011C	2,340,000		245,000	2,095,000	245,000
Total	<u>9,605,000</u>	<u>0</u>	<u>570,000</u>	<u>9,035,000</u>	<u>630,000</u>
Other Long - Term Debt					
Urban Renewal Bonds	1,056,600		20,808	1,035,792	28,538
Allison Wells Note	16,464		16,464	0	
Pierce Contender	62,203		19,714	42,489	20,717
Multipurpose & Equine Ctr. Construction	580,180		34,205	545,975	34,896
Canton Municipal Utilities	1,216,667			1,216,667	191,667
Fire Truck	118,147		17,153	100,994	18,096
Breathing Air Compressor	7,813		7,813	0	
Total Other Long - Term Debt	<u>3,058,074</u>	<u>0</u>	<u>116,157</u>	<u>2,941,917</u>	<u>293,914</u>
Total General Long - Term Debt	<u>12,663,074</u>	<u>0</u>	<u>686,157</u>	<u>11,976,917</u>	<u>923,914</u>
Compensated Absences	\$ 280,514	53,813		334,327	16,716

	Balance 10-1-2013	Change	Balance 9-30-2014	Amounts due within one year
Bond Discounts	\$ (31,208)	3,500	(27,708)	3,500

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

B. Currently Outstanding Long-Term Obligations

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

	<u>Date of Obligation</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance 9-30-2014</u>
<u>General Obligation Bonds</u>					
General Obligation Bonds	1/1/08	7/1/22	4.75-5.00%	\$ 3,500,000	2,815,000
Special Obligation Bond, Series 2011A	8/10/11	10/1/31	5.75%	4,000,000	4,000,000
Special Obligation Bond, Series 2011B	8/10/11	10/1/15	1.4-1.9%	600,000	125,000
Special Obligation Bond, Series 2011C	8/10/11	10/1/21	4.59%	2,580,000	2,095,000
Total				\$ 10,680,000	9,035,000
<u>Other Long - Term Debt</u>					
Urban Renewal Bonds	3/24/00	3/24/35	5.130%	\$ 1,299,200	1,035,792
Allison Wells Note	12/15/93	12/15/13	3.0%	500,000	0
Pierce Contender	6/22/06	6/22/16	5.09%	178,750	42,489
Fire Truck	9/5/10	9/5/19	3.30%	173,460	100,994
Multipurpose & Equine Ctr. Construction	6/9/08	6/1/28	2.00%	750,000	545,975
Breathing Air Compressor	4/15/11	12/15/13		28,190	0
Canton Municipal Utilities	9/30/00	9/30/17	0%	1,375,000	1,216,667
Total Other Long - Term Debt				\$ 4,304,600	2,941,917

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

General Obligation Bonds

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

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

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 630,000	243,739	873,739
2016	670,000	217,581	887,581
2017	605,000	190,693	795,693
2018	645,000	162,043	807,043
2019	675,000	130,617	805,617
2020 - 2024	2,810,000	613,201	3,423,201
2025 - 2029	1,920,000	705,813	2,625,813
2030 - 2032	1,080,000	128,225	1,208,225
Total	\$ 9,035,000	2,391,912	11,426,912

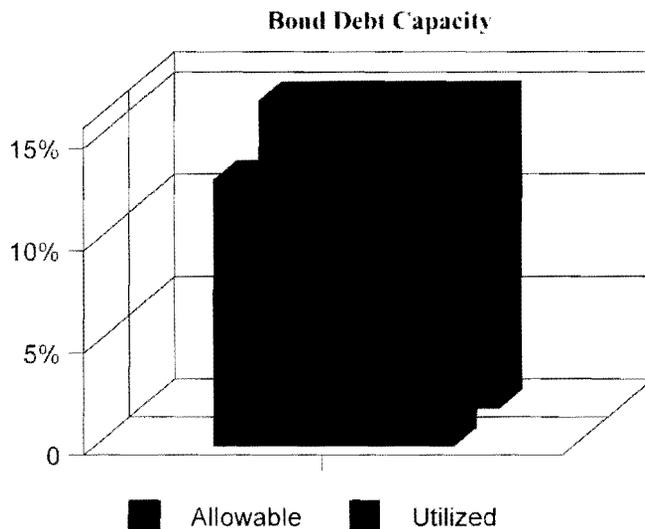
This debt is to be retired from the Sinking Fund.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

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, 2014, the amount of outstanding bonded debt was equal to 12% of property assessments of \$76,297,821, computed as follows:

Bonded Debt:	
General Obligation Bonds	\$ 9,035,000
Enterprise Funds	1,620,000
Less Excludable Debt:	
Enterprise Funds	<u>(1,620,000)</u>
Total Debt Subject to Limitation	<u>9,035,000</u>
Assessed Valuation	\$ 76,297,821
Percentage	11.84%



City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

Other Long - term Debt

Urban Renewal Bonds

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

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	
	\$1,299,200	3/24/2000	3/24/2035	
<u>Year Ending</u>				
<u>June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$	28,538	52,948	81,486
2016		30,001	51,485	81,486
2017		31,538	49,948	81,486
2018		33,154	48,332	81,486
2019		34,854	46,632	81,486
2020 - 2024		202,965	204,465	407,430
2025 - 2029		260,585	146,845	407,430
2030 - 2034		334,565	72,865	407,430
2035		79,592	4,553	84,145
Total	\$	1,035,792	678,073	1,713,865

This debt is to be retired from the Sinking Fund.

Allison Wells Note

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

Pierce Contender

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

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	
	\$178,750	6/22/2006	2/22/2016	
<u>Year Ending</u>				
<u>June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$	20,717	2,163	22,880
2016		21,772	1,108	22,880
Total	\$	42,489	3,271	45,760

This debt is to be retired from the General Fund.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

Multipurpose & Equine Center Construction

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

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	
	\$750,000	6/09/2008	6/01/2028	
<u>Year Ending</u>				
<u>June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$	34,896	10,615	45,511
2016		35,600	9,911	45,511
2017		36,319	9,193	45,512
2018		37,052	8,460	45,512
2019		37,800	7,712	45,512
2020 - 2024		200,755	26,801	227,556
2025 - 2028		163,553	6,375	169,928
Total	\$	545,975	79,067	625,042

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

Canton Municipal Utilities

A maturity schedule for the loan is as follows:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	
	\$1,375,000	9/30/2000	9/30/2019	
<u>Year Ending</u>				
<u>June 30</u>		<u>Principal</u>		
2015	\$	191,667		
2016		191,667		
2017		191,667		
2018		220,833		
2019		420,833		
Total	\$	1,216,667		

This debt is to be retired from the Public Utility Fund.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

Fire Truck

A maturity schedule for the loan is as follows:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	
	\$173,460	9/5/2010	9/05/2019	
<u>Year Ending</u>				
<u>June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$	18,096	5,555	23,651
2016		19,091	4,559	23,650
2017		20,141	3,509	23,650
2018		21,249	2,402	23,651
2019		22,417	1,233	23,650
Total	\$	100,994	17,258	118,252

This debt is to be retired from the General Fund.

Breathing Air Compressor

This debt was paid off and 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, 2014.

	<u>Landfill Management Balance 10-01-2013</u>	<u>Additions</u>	<u>Adjustments</u>	<u>Landfill Management Balance 9-30-2014</u>
<u>Non-depreciable capital assets:</u>				
Land	\$ 212,700		(174,320)	38,380
Total non-depreciable capital assets	212,700	0	(174,320)	38,380
<u>Depreciable capital assets:</u>				
Site Preparations	1,593,733		(580,010)	1,013,723
Equipment Under Capital Lease	2,100,356		(2,100,356)	0
Vehicles and Equipment	2,016,304	262,522	(1,404,538)	874,288
Total depreciable capital assets	5,710,393	262,522	(4,084,904)	1,888,011
<u>Less accumulated depreciation for:</u>				
Site Preparations	(660,654)	(101,372)	204,478	(557,548)
Equipment Under Capital Lease	(1,412,216)		1,412,216	0
Vehicles and Equipment	(1,576,453)	(48,112)	1,204,755	(419,810)
Total accumulated depreciation	(3,649,323)	(149,484)	2,821,449	(977,358)
Total depreciable capital assets, net	2,061,070	113,038	(1,263,455)	910,653
Governmental activities capital assets, net	\$ 2,273,770	113,038	(1,437,775)	949,033

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

Adjustments were made to properly present capital assets.

8. BUSINESS - TYPE ACTIVITIES, LONG - TERM DEBT

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

	Balance 10-1-2013	Additions	Retirements	Balance 9-30-2014	Amounts due within one year
<u>Special Obligation Bonds</u>					
Special Obligation Bonds	\$ 1,840,000		220,000	1,620,000	240,000
Total	1,840,000	0	220,000	1,620,000	240,000
<u>Other Long - Term Debt</u>					
John Deer Tractor	82,939		70,855	12,084	
Total Enterprise Fund Debt	82,939	0	70,855	12,084	0
Compensated Absences	\$ 21,684	3,991		25,675	1,284

Special Obligation Bonds

The Special Obligation Bonds are issued in accordance with Mississippi Development Bank enacted November 5, 2007 pursuant to Section 31-25-27 and 31-25-103 of the Mississippi Code Annotated. At September 30, 2014, the amount borrowed and payable on this obligation was \$1,620,000.

A maturity schedule for the loan is as follows:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	
	\$3,020,000	6/1/2008	9/30/2020	
<u>Year Ending</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30				
2015	\$	240,000	85,860	325,860
2016		250,000	73,140	323,140
2017		260,000	59,890	319,890
2018		280,000	23,055	303,055
2019		290,000	31,270	321,270
2020		300,000	15,900	315,900
Total	\$	1,620,000	289,115	1,909,115

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

Other Long - Term Debt

John Deere Tractor 001-0065864

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

<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>		
\$331,166	12/17/2009	12/17/2014		
<u>Year Ending</u>			<u>Principal</u>	<u>Interest</u>
<u>June 30</u>				
2015	\$		<u>12,084</u>	<u>60</u>
				<u>12,144</u>

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, 2014, \$741,814 of the refunding bonds, outstanding were defeased.

At September 30, 2014, City management believes that the City has complied with all requirements of its various debt agreements.

10. DEFINED BENEFIT PENSION PLAN

Plan Description

The City of Canton, Mississippi contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing, multiple-employer, defined benefit public employee pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

Funding Policy

PERS members are required to contribute 9.00% of their annual covered salary and the City is required to contribute at an actuarially determined rate. The contribution rate is 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State Mississippi Legislature. The City's contributions to PERS for the fiscal years ending September 30, 2014, 2013 and 2012 were \$694,167, \$608,303, and \$540,810, respectively, which equaled the required contributions for each year.

11. SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains one Enterprise Fund. Segment information for the year ended September 30, 2014 follows:

	<u>Landfill</u>
Operating Revenues	\$ 2,477,945
Operating Expenses	<u>1,919,776</u>
Operating Income	<u>558,169</u>
Net Position	<u>(559,582)</u>

12. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carried commercial insurance for these risks through the Mississippi Municipal Liability Insurance Plan until they were dropped from coverage in 2003. Subsequent to that time the City obtained liability insurance through another carrier. However, several lawsuits were filed in the interim during which the City was not covered by any liability insurance. The outcome and even the probability of these litigations is unknown at the date of this report. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

13. MUNICIPAL LANDFILL (MSWLF)

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

- a. Direct Costs - Those costs incurred for a specific purpose which are uniquely traceable to that purpose.
- b. Indirect Costs - Those governmental expenditures that support general service and are directly related to the cost of providing Landfill management services. These costs are allocated to Landfill management by actual costs methods.
- c. Landfill Closure and Postclosure Care Costs - The October 9, 1991, Environmental Protection Agency (EPA) rule, "Landfill Disposal Facility Criteria", established closure requirements for all municipal Landfill landfills that receive Landfill after requirements for all municipal Landfill landfills that receive Landfill after October 9, 1991. The EPA rule also establishes thirty-one Postclosure care requirements for landfills that accept Landfill after October 9, 1993. The effect of the EPA rule is to commit landfill owners to perform certain closing functions and postclosure monitoring and maintenance functions as a condition for the right to operate the landfill in the current period. Certain costs of meeting the EPA rule will be paid during the active current operation of the landfill. However, some of the requirements for closure and postclosure care will result in payments after the landfill stops accepting Landfill or after the landfill is closed (during the thirty-year postclosure period).

Closure and postclosure care costs are recognized as current costs while the landfill is operating, regardless of when cash disbursements are made. Accordingly, a portion of the estimated total current cost of closure and postclosure care is recognized as an expense and as a liability in each period that the landfill accepts Landfill. Recognition begins on the date that the landfill begins accepting Landfill, continues in each period that accepts waste, and is fully recognized by the time it stops accepting waste. Recognition is based on a systematic and rational method that assigns estimated total current cost to each period based on landfill use (capacity filled) rather than on the passage of time. Current costs are adjusted each year for the effects of inflation or deflation and changes in operation conditions which increase or decrease estimated total closure/postclosure care costs.

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

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

Total capacity (current estimates)	3,786,526	tons
Capacity used:		
Capacity used at 10-01-13	1,077,034	tons
Capacity used in the current year	<u>(173,509)</u>	tons
Total capacity filled (24.93%)	903,525	tons
Waste received in current year 2013 - 2014	<u>40,458</u>	
Total capacity filled at	<u>943,983</u>	
Capacity remaining (current estimates)	3,746,068	tons

Estimated total closure/postclosure care costs \$ 1,388,661

Liability for closure/postclosure care costs at September 30, 2014, based on landfill capacity used to date:

Liability as previously reported	\$ 1,265,862
Correcting adjustment for cost recognition	\$ (540,022)
Liability for current year net of adjustment	
for prior year closure cost	<u>\$ 46,289</u>
Total liability	\$ 772,129
Remaining closure/postclosure care to be recognized	<u>\$ 616,532</u>

Estimated remaining landfill life based on current usage 83 years

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

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

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

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, 2014. 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, 2014.

15. INSURANCE LOSS RECOVERIES

The City received \$21,610 in insurance loss recoveries related to worker's compensation refund during the 2013 - 2014 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as expenditures.

16. PRIOR PERIOD ADJUSTMENTS

A summary of significant Net Position adjustments is as follows:

Exhibit A-2 - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
<u>Governmental Activities</u>	
Adjustments were made to properly present capital assets at year end.	\$ (2,201,931)
Total Governmental Activities	<u>(2,201,931)</u>
<u>Business-type Activities</u>	
Adjustments were made to properly present capital assets at year end.	\$ (1,437,775)
Adjustments were made to properly record accrued closure/postclosure care cost at year end.	540,022
Total Business-Type Activities	<u>(897,753)</u>
Total Primary Government	\$ <u>(3,099,684)</u>

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

<u>Explanation(s)</u>	<u>Amount</u>
<u>Enterprise Fund</u>	
See above	\$ <u>(897,753)</u>

City of Canton, Mississippi

Notes to the Financial Statements
For the Year Ended September 30, 2014

17. DEFICIT FUND BALANCE OF INDIVIDUAL FUNDS

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

	<u>Amount</u>
<u>Debt Service Fund</u>	
Sinking Fund	\$ 35,921
<u>Capital Project Funds</u>	
Wal-Mart Feather Lane Fund	242,198
Connector Road Fund	34,103
Watford Parkway Fund	4,611
Union Street Overlay Fund	1,484
Signalization - Hwy 22 Commercial Fund	2,723
Flood Control Project Fund	1,373
Drainage Improvement Project Fund	<u>10,457</u>
Total	<u>\$ 332,870</u>

These deficits are not in violation of State law and will be remedied by the proceeds of bonds already issued, or as in the debt service fund, will be remedied as bonds are paid off and expenditures decrease.

18. SUBSEQUENT EVENT

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

In April 2015, the City was approved of a tax increment financing revenue bond totaling \$2,705,000. It will bear interest at 3.35-4.0% and will mature on March 1, 2032.

The City acquired a capital lease for a fire truck in the amount of \$375,000.

The City might lose up to \$1.7 million in revenue beginning the fiscal year end of 2016, due to Canton Municipal Utilities will no longer provide the City with the same amount of funding. If this does occur, the City could lose almost 17% of their revenue.

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, 2014

Exhibit B-1

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Property taxes	\$ 3,031,230	3,031,230	3,202,188	170,958
Sales taxes	3,124,618	3,124,618	2,887,420	(237,198)
Franchise taxes (fees)			129,279	129,279
Other taxes			12,474	12,474
Licenses and permits	299,000	299,000	206,877	(92,123)
Other fees	1,000	1,000	512,353	511,353
Fines and forfeitures	1,035,891	1,035,891	730,183	(305,708)
Investment income			36,528	36,528
Grants and donations			95,911	95,911
Charges for services	1,687,500	1,687,500	1,795,816	108,316
Rental income			19,915	19,915
Intergovernmental programs	613,000	613,000	813,284	200,284
Other			15,483	15,483
Total Revenues	9,792,239	9,792,239	10,457,711	665,472
Expenditures:				
Current:				
General government:				
Personnel services	922,884	966,012	1,033,388	67,376
Contractual services	102,000	119,036	105,432	(13,604)
Consumable supplies & materials	1,693,533	1,997,575	2,135,491	137,916
Grants, subsidies & allocations	30,000	20,000	10,613	(9,387)
	2,748,417	3,102,623	3,284,924	182,301
Public safety:				
Personnel services	3,793,227	4,088,929	3,896,667	192,262
Contractual services	343,436	393,436	325,802	67,634
Consumable supplies & materials	350,000	403,200	340,892	62,308
Grants, subsidies & allocations	85,600	301,058	290,130	10,928
	4,572,263	5,186,623	4,853,491	333,132
Public services:				
Personnel services	631,159	728,004	760,348	(32,344)
Contractual services	188,500	188,500	176,815	11,685
Consumable supplies & materials	45,000	57,000	28,396	28,604
Grants, subsidies & allocations	344,000	334,767	321,283	13,484
	1,208,659	1,308,271	1,286,842	21,429
Culture and recreation:				
Personnel services	481,252	509,067	414,000	95,067
Contractual services	145,300	156,300	171,400	(15,100)
Consumable supplies & materials	277,500	272,500	208,828	63,672
Grants, subsidies & allocations	30,000	54,838	54,493	345
	934,052	992,705	848,721	143,984
Economic development and assistance:				
Personnel services	190,718	200,580	198,019	589,317
Contractual services	11,000	11,000	7,143	29,143
Consumable supplies & materials	10,500	17,157	8,204	35,861
	212,218	228,737	213,366	654,321
Economic opportunity:				
Personnel services	152,060	169,788	148,672	21,116
Contractual services	7,100	8,600	5,954	2,646
Consumable supplies & materials	8,500	7,000	1,870	5,130
Grants, subsidies & allocations	35,000	44,234	44,234	-
	202,660	229,622	200,730	28,892
Debt Service:				
Principal	82,000	112,000	97,481	14,519
Miscellaneous	-	-	52,288	(52,288)
	82,000	112,000	149,769	(37,769)
Total Expenditures	19,838,538	22,209,162	10,837,843	(52,288)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(10,046,299)	(12,416,923)	(380,132)	12,036,791
Other Financing Sources (Uses):				
Transfers from other funds	168,400	526,947	328,210	(198,737)
Transfers to other funds	-	-	(214,999)	(214,999)
Insurance recovery	-	-	21,610	21,610
Other income	-	-	89,447	89,447
Total Other Financing Sources (Uses)	168,400	526,947	224,268	(302,679)
Net Change in Fund Balances	(9,877,899)	(11,889,976)	(155,864)	11,734,112
Fund Balances - Beginning	-	-	1,120,813	1,120,813
Fund Balances - Ending	\$ (9,877,899)	(11,889,976)	964,949	12,854,925

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

City of Canton, Mississippi

Notes to the Required Supplementary Information
For the Year Ended September 30, 2014

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

This page left blank intentionally.

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.

RECEIVED

FEB 23 2016

CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 SEPTEMBER 30, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:				
Cash and cash equivalents	\$ 55,685	\$ 21,020	\$ 1,347	\$ 78,052
Total Assets	\$ 55,685	\$ 21,020	\$ 1,347	\$ 78,052
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
Accounts payable	\$ --	\$ --	\$ 54,751	\$ 54,751
Due to other funds	--	45,529	--	45,529
	--	45,529	54,751	100,280
FUND BALANCES:				
RESTRICTED:				
Unemployment benefits	27,715	--	--	27,715
General government	2,994	--	--	2,994
Debt service	--	11,412	--	11,412
Capital projects	--	--	1,347	1,347
Public works	11,902	--	--	11,902
Public safety	12,677	--	--	12,677
Court services	397	--	--	397
UNRESTRICTED	--	(35,921)	(54,751)	(90,672)
Total Fund Balances	55,685	(24,509)	(53,404)	(22,228)
Total Liabilities and Fund Balances	\$ 55,685	\$ 21,020	\$ 1,347	\$ 78,052

CITY OF CANTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenues:				
Property taxes	\$ --	\$ 931,622	\$ --	\$ 931,622
Investment income	90	--	15	105
Grants and donations	2,258	--	--	2,258
Charges for services	159,218	--	--	159,218
Intergovernmental programs	445,201	--	--	445,201
Other	--	--	141,777	141,777
Total Revenues	606,767	931,622	141,792	1,680,181
Expenditures:				
General Government	604,419	--	--	604,419
Public safety:				
Other	--	--	100,481	100,481
Public services	--	--	228,768	228,768
Economic development and assistance	--	23,115	--	23,115
Debt Service:				
Principal	--	588,676	--	588,676
Interest	--	560,490	--	560,490
Miscellaneous	67,920	94,378	64	162,362
Total Expenditures	672,339	1,266,659	329,313	2,268,311
Excess of Revenues Over (Under) Expenditures	(65,572)	(335,037)	(187,521)	(588,130)
Other Financing Sources (Uses):				
Transfers from other funds	--	215,000	132,664	347,664
Transfers to other funds	--	--	(78,210)	(78,210)
Total Other Financing Sources (Uses)	--	215,000	54,454	269,454
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(65,572)	(120,037)	(133,067)	(318,676)
Fund Balances:				
Fund Balances - Beginning	121,257	95,528	79,663	296,448
Fund Balances - Ending	\$ 55,685	\$ (24,509)	\$ (53,404)	\$ (22,228)

SPECIAL REVENUE FUNDS

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

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

1. Police Communication Fund
2. Delores Blackmon Escrow Fund
3. CDBG 1995 Project Grant
4. 1996 Home Rehabilitation Grant
5. Bertha Ratcliff Housing
6. Levi Economic Development Fund
7. Multi Purpose Complex Arena
8. Court Services Fund
9. Task Force Drug Seizure Fund
10. Employment Insurance Revolving
11. Police MCPP Fund
12. CDBG Katrina Grant Sound Stage Fund

This page left blank intentionally.

CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2014

	Police Communication Fund	Delores Blackmon Escrow Fund	CDBG 1995 Project Grant	1996 HOME Rehabilitation Grant
ASSETS:				
Cash and cash equivalents	\$ 276	\$ 2,705	\$ 1	\$ --
Total Assets	\$ 276	\$ 2,705	\$ 1	\$ --
LIABILITIES AND FUND BALANCES:				
LIABILITIES:				
	--	--	--	--
FUND BALANCES:				
RESTRICTED:				
Unemployment benefits	\$ --	\$ --	\$ --	\$ --
General government	--	2,705	--	--
Public works	--	--	--	--
Public safety	276	--	1	--
Court services	--	--	--	--
Total Fund Balances	276	2,705	1	--
Total Liabilities and Fund Balances	\$ 276	\$ 2,705	\$ 1	\$ --

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

CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2014

	Employment Insurance Revolving	Police MCP Fund	CDBG Katrina Grant Sound Stage Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
Assets:				
Cash and cash equivalents	\$ 27,715	\$ 307	\$ --	\$ 55,685
Total Assets	\$ 27,715	\$ 307	\$ --	\$ 55,685
Liabilities and Fund Balances:				
Liabilities:				
	--	--	--	--
Fund Balances:				
Restricted:				
Unemployment benefits	\$ 27,715	\$ --	\$ --	\$ 27,715
General government	--	--	--	2,994
Public works	--	--	--	11,902
Public safety	--	307	--	12,677
Court services	--	--	--	397
Total Fund Balances	27,715	307	--	55,685
Total Liabilities and Fund Balances	\$ 27,715	\$ 307	\$ --	\$ 55,685

This page left blank intentionally.

CITY OF CANTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Police Communication Fund	Delores Blackmon Escrow Fund	CDBG 1995 Project Grant	Bertha Ratcliff Housing
Revenues:				
Investment income	\$ --	\$ --	\$ --	\$ --
Grants and donations	--	--	--	--
Charges for services	--	--	--	--
Intergovernmental programs	--	--	--	--
Total Revenues	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Expenditures:				
General Government	--	--	--	--
Debt Service:				
Miscellaneous	--	30	--	--
Total Expenditures	<u> --</u>	<u> 30</u>	<u> --</u>	<u> --</u>
Excess of Revenues Over (Under) Expenditures	<u> --</u>	<u> (30)</u>	<u> --</u>	<u> --</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u> --</u>	<u> --</u>	<u> --</u>	<u> --</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u> --</u>	<u> (30)</u>	<u> --</u>	<u> --</u>
Fund Balances:				
Fund Balances - Beginning	276	2,735	1	289
Fund Balances - Ending	<u>\$ 276</u>	<u>\$ 2,705</u>	<u>\$ 1</u>	<u>\$ 289</u>

Levi Econ. Development Fund	Multi Purpose Complex Arena	Court Services Fund	Task Force Drug Seizure Fund	Employment Insurance Revolving
\$ 21	\$ --	\$ --	\$ --	\$ 69
--	--	--	2,258	--
--	--	--	--	--
--	--	--	--	--
21	--	--	2,258	69
--	--	--	--	--
15	15	67,860	--	--
15	15	67,860	--	--
6	(15)	(67,860)	2,258	69
--	--	--	--	--
6	(15)	(67,860)	2,258	69
8,858	3,053	68,257	9,835	27,646
\$ 8,864	\$ 3,038	\$ 397	\$ 12,093	\$ 27,715

CITY OF CANTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Police MCPP Fund	CDBG Katrina Grant Sound Stage Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenues:			
Investment income	\$ --	\$ --	\$ 90
Grants and donations	--	--	2,258
Charges for services	--	159,218	159,218
Intergovernmental programs	--	445,201	445,201
Total Revenues	--	604,419	606,767
Expenditures:			
General Government	--	604,419	604,419
Debt Service:			
Miscellaneous	--	--	67,920
Total Expenditures	--	604,419	672,339
Excess of Revenues Over (Under) Expenditures	--	--	(65,572)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	--	--	(65,572)
Fund Balances:			
Fund Balances - Beginning	307	--	121,257
Fund Balances - Ending	\$ 307	\$ --	\$ 55,685

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

CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR DEBT SERVICE FUNDS
 SEPTEMBER 30, 2014

	Sinking Fund	Industrial Bond Retirement	Total Nonmajor Debt Service Funds (See Exhibit C-1)
ASSETS:			
Cash and cash equivalents	\$ 9,608	\$ 11,412	\$ 21,020
Total Assets	\$ 9,608	\$ 11,412	\$ 21,020
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Due to other funds	\$ 45,529	\$ --	\$ 45,529
	<u>45,529</u>	<u>--</u>	<u>45,529</u>
FUND BALANCES:			
RESTRICTED:			
Debt service		11,412	11,412
UNRESTRICTED	(35,921)		(35,921)
Total Fund Balances	(35,921)	11,412	(24,509)
Total Liabilities and Fund Balances	\$ 9,608	\$ 11,412	\$ 21,020

CITY OF CANTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Sinking Fund	Industrial Bond Retirement	Total Nonmajor Debt Service Funds (See Exhibit C-2)
Revenues:			
Property taxes	\$ 931,622	\$ --	\$ 931,622
Total Revenues	<u>931,622</u>	<u>--</u>	<u>931,622</u>
Expenditures:			
Economic development and assistance	23,115	--	23,115
Debt Service:			
Principal	588,676	--	588,676
Interest	560,490	--	560,490
Miscellaneous	94,363	15	94,378
Total Expenditures	<u>1,266,644</u>	<u>15</u>	<u>1,266,659</u>
Excess of Revenues Over (Under) Expenditures	<u>(335,022)</u>	<u>(15)</u>	<u>(335,037)</u>
Other Financing Sources (Uses):			
Transfers from other funds	215,000	--	215,000
Total Other Financing Sources (Uses)	<u>215,000</u>	<u>--</u>	<u>215,000</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(120,022)</u>	<u>(15)</u>	<u>(120,037)</u>
Fund Balances:			
Fund Balances - Beginning	84,101	11,427	95,528
Fund Balances - Ending	<u>\$ (35,921)</u>	<u>\$ 11,412</u>	<u>\$ (24,509)</u>

CAPITAL PROJECT FUNDS

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

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

1. Special Obligation Bond Series 2011A Fund
2. Wal-Mart Feather Lane Fund
3. CDBG Fund
4. 2006 Fulton Street Sewer Improvement Fund
5. Connector Road Fund
6. Watford Parkway Fund
7. Union Street Overlay Fund
8. 2007 GO PI Bond Series Fund
9. Signalization - Hwy 22 Commercial Fund
10. Flood Control Project Fund
11. Drainage Improvement Project Fund
12. GOB 96 Construction Fund

CITY OF CANTON
SPECIAL OBLIGATION BOND SERIES 2011A FUND
CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Exhibit C-7

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Investment income	\$ -	-	1	1
Total Revenues	-	-	1	1
Expenditures:				
Contractual services	2,185,591	2,185,591	1,270,006	915,585
Consumable supplies and materials	-	-	5,111	(5,111)
Total Expenditures	2,185,591	2,185,591	1,275,117	910,474
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,185,591)	(2,185,591)	(1,275,116)	910,475
Non-Operating Revenues (Expenses):				
Transfers out	-	-	(132,665)	(132,665)
Total Other Financing Sources (Uses)	-	-	(132,665)	(132,665)
Net Change in Fund Balances	(2,185,591)	(2,185,591)	(1,407,781)	777,810
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	\$ (2,185,591)	(2,185,591)	(1,407,781)	777,810

CITY OF CANTON
WAL-MART FEATHER LANE FUND
CAPITAL PROJECT FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2014

Exhibit C-8

	Budgeted Amounts		Actual	Variance with
	Original	Final		Final Budget
				Positive (Negative)
Revenues:				
Total Revenues	0	0	0	0
Expenditures:				
Consumable supplies and materials	0	0	218,742	(218,742)
Grants, subsidies and allocations	0	1,832,659	23,456	1,809,203
Total Expenditures	0	1,832,659	242,198	1,590,461
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(1,832,659)	(242,198)	1,590,461
Other Financing Sources (Uses):				
Other financing sources	1,800,000	1,800,000	0	(1,800,000)
Total Other Financing Sources (Uses)	1,800,000	1,800,000	0	(1,800,000)
Net Change in Fund Balances	1,800,000	(32,659)	(242,198)	(209,539)
Fund Balances - Beginning	0	0	0	0
Fund Balances - Ending	1,800,000	(32,659)	(242,198)	(209,539)

This page left blank intentionally.

RECEIVED

FEB 23 2016

CITY OF CANTON
 COMBINING BALANCE SHEET
 NONMAJOR CAPITAL PROJECTS FUNDS
 SEPTEMBER 30, 2014

	CDBG Fund	2006 Fulton Street Sewer Improvement	Connector Road Fund
ASSETS:			
Cash and cash equivalents	\$ 1,262	\$ --	\$ --
Total Assets	\$ 1,262	\$ --	\$ --
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ --	\$ --	\$ 34,103
	--	--	34,103
FUND BALANCES:			
RESTRICTED:			
Capital projects	1,262	--	--
UNRESTRICTED			
Total Fund Balances	--	--	(34,103)
	1,262	--	(34,103)
Total Liabilities and Fund Balances	\$ 1,262	\$ --	\$ --

Watford Parkway Fund	Union Street Overlay Fund	2007 GO PI Bond Series Fund	Signalization - Hwy 22 Commercial Fund	Flood Control Project Fund
\$ --	\$ --	\$ 1	\$ --	\$ --
\$ --	\$ --	\$ 1	\$ --	\$ --
\$ 4,611	\$ 1,484	\$ --	\$ 2,723	\$ 1,373
4,611	1,484	--	2,723	1,373
--	--	1	--	--
(4,611)	(1,484)	--	(2,723)	(1,373)
(4,611)	(1,484)	1	(2,723)	(1,373)
\$ --	\$ --	\$ 1	\$ --	\$ --

CITY OF CANTON
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
SEPTEMBER 30, 2014

	Drainage Improvement Project Fund	GOB 96 Construction Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-1)
ASSETS:			
Cash and cash equivalents	\$ --	\$ 84	\$ 1,347
Total Assets	\$ --	\$ 84	\$ 1,347
LIABILITIES AND FUND BALANCES:			
LIABILITIES:			
Accounts payable	\$ 10,457	\$ --	\$ 54,751
	<u>10,457</u>	<u>--</u>	<u>54,751</u>
FUND BALANCES:			
RESTRICTED:			
Capital projects	--	84	84
UNRESTRICTED			
Total Fund Balances	<u>(10,457)</u>	<u>84</u>	<u>(10,457)</u>
	<u>(10,457)</u>	<u>84</u>	<u>(53,404)</u>
Total Liabilities and Fund Balances	\$ --	\$ 84	\$ 1,347

This page left blank intentionally.

CITY OF CANTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	CDBG Fund	2006 Fulton Street Sewer Improvement	Connector Road Fund
Revenues:			
Investment income	\$ 1	\$ --	\$ --
Other	--	--	111,586
Total Revenues	<u>1</u>	<u>--</u>	<u>111,586</u>
Expenditures:			
Public safety:			
Other	--	--	--
Public services			
Other	--	--	145,746
Debt Service:			
Miscellaneous	10	15	30
Total Expenditures	<u>10</u>	<u>15</u>	<u>145,776</u>
Excess of Revenues Over (Under) Expenditures	<u>(9)</u>	<u>(15)</u>	<u>(34,190)</u>
Other Financing Sources (Uses):			
Transfers from other funds	--	--	--
Transfers to other funds	--	(78,210)	--
Total Other Financing Sources (Uses)	<u>--</u>	<u>(78,210)</u>	<u>--</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(9)</u>	<u>(78,225)</u>	<u>(34,190)</u>
Fund Balances:			
Fund balances - Beginning	1,271	78,225	87
Fund balances - Ending	<u>\$ 1,262</u>	<u>\$ --</u>	<u>\$ (34,103)</u>

Watford Parkway Fund	Union Stree Overlay Fund	2007 GO PI Bond Series Fund	Signalization - Hwy 22 Commercial Fund	Flood Control Project Fund
\$ --	\$ --	\$ 14	\$ --	\$ --
30,191	--	--	--	--
<u>30,191</u>	<u>--</u>	<u>14</u>	<u>--</u>	<u>--</u>
--	--	--	--	40,561
34,802	45,497	--	2,723	--
--	--	9	--	--
<u>34,802</u>	<u>45,497</u>	<u>9</u>	<u>2,723</u>	<u>40,561</u>
<u>(4,611)</u>	<u>(45,497)</u>	<u>5</u>	<u>(2,723)</u>	<u>(40,561)</u>
--	44,013	--	--	39,188
--	--	--	--	--
<u>--</u>	<u>44,013</u>	<u>--</u>	<u>--</u>	<u>39,188</u>
(4,611)	(1,484)	5	(2,723)	(1,373)
--	--	(4)	--	--
<u>\$ (4,611)</u>	<u>\$ (1,484)</u>	<u>\$ 1</u>	<u>\$ (2,723)</u>	<u>\$ (1,373)</u>

RECEIVED

FEB 23 2016

CITY OF CANTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Drainage Improvement Project Fund	GOB 96 Construction Fund	Total Nonmajor Capital Projects Funds (See Exhibit C-2)
Revenues:			
Investment income	\$ --	\$ --	\$ 15
Other	--	--	141,777
Total Revenues	<u> --</u>	<u> --</u>	<u>141,792</u>
Expenditures:			
Public safety:			
Other	59,920	--	100,481
Public services	--	--	--
Debt Service:			
Miscellaneous	--	--	64
Total Expenditures	<u>59,920</u>	<u> --</u>	<u>329,313</u>
Excess of Revenues Over (Under) Expenditures	<u>(59,920)</u>	<u> --</u>	<u>(187,521)</u>
Other Financing Sources (Uses):			
Transfers from other funds	49,463	--	132,664
Transfers to other funds	--	--	(78,210)
Total Other Financing Sources (Uses)	<u>49,463</u>	<u> --</u>	<u>54,454</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(10,457)</u>	<u> --</u>	<u>(133,067)</u>
Fund Balances:			
Fund Balances - Beginning	--	84	79,663
Fund Balances - Ending	<u>\$ (10,457)</u>	<u>\$ 84</u>	<u>\$ (53,404)</u>

This page left blank intentionally.

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, 2014

Exhibit C-11

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Operating Revenues:				
Charges for services	\$ -	2,295,000	2,477,945	182,945
Total Operating Revenues	-	2,295,000	2,477,945	182,945
Operating Expenses:				
Personal services - salaries and wages	428,693	455,814	276,516	179,298
Personal services - employee benefits	-	-	124,931	(124,931)
Purchased professional and technical services	1,122,500	1,122,500	1,192,994	(70,494)
Supplies	50,000	50,000	1,601	48,399
Landfill expenses	-	-	174,250	(174,250)
Depreciation	-	-	149,484	(149,484)
Capital outlay	358,547	-	-	-
Total Operating Expenses	1,959,740	1,628,314	1,919,776	(291,462)
Operating Income (Loss)	(1,959,740)	666,686	558,169	(108,517)
Non-Operating Revenues (Expenses):				
Debt Service Interest	(868,987)	(868,987)	(99,522)	769,465
Other	-	-	200,183	200,183
Total Non-Operating Revenues (Expenses)	(868,987)	(868,987)	100,661	969,648
Net Income (Loss) before Transfers	(2,828,727)	(202,301)	658,830	861,131
Transfers to other funds	(200,000)	(200,000)	(250,000)	(50,000)
Total Transfers	(200,000)	(200,000)	(250,000)	(50,000)
Net Change in Net Position	(3,028,727)	(402,301)	408,830	811,131
Net Position - Beginning, as previously reported	-	-	(70,659)	(70,659)
Prior Period Adjustment	-	-	(897,753)	(897,753)
Net Position - Beginning, as restated	-	-	(968,412)	(968,412)
Net Position - Ending	\$ (3,028,727)	(402,301)	(559,582)	(157,281)

This page left blank intentionally.

COMPONENT UNITS

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

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

CITY OF CANTON
 COMBINING STATEMENT OF NET POSITION
 COMPONENT UNITS
 SEPTEMBER 30, 2014

	Canton Canton and Visitors Bureau	Canton Redevelopment Authority	Canton Municipal Utilities	Total Component Units
ASSETS				
Cash and cash equivalents	\$ 26,084	\$ 950	\$ 2,344,332	\$ 2,371,366
Accounts Receivable	--	56	2,404,445	2,404,501
Inventories	4,069	32,531	1,220,475	1,257,075
Prepaid items	--	--	75,637	75,637
Restricted assets:				
Cash and cash equivalents	--	4,277	13,005,633	13,009,910
Accrued interest receivable	--	--	1,315	1,315
Notes, receivable, non-current	--	--	1,248,667	1,248,667
Deferred assessment charges	--	--	1,420,855	1,420,855
Land held for resale	--	1,026,670	--	1,026,670
Capital assets:				
Land and construction in progress	1,000,000	--	259,685	1,259,685
Other capital assets, net of accumulated depreciation	329,977	159,854	30,960,665	31,450,496
Total Assets	\$ 1,360,130	\$ 1,224,338	\$ 52,941,709	\$ 55,526,177
LIABILITIES:				
Accounts payable	73,554	40,967	1,272,530	1,387,051
Accrued liabilities	3,978	3,404	102,197	109,579
Sales tax payable	--	--	21,495	21,495
Interfund payables	--	--	48,803	48,803
Customer deposits	--	--	1,178,903	1,178,903
Interest payable	--	--	--	--
Bonds payable, current	--	--	--	--
Notes, and lease obligations, current	57,991	75,499	--	133,490
Compensated absences, current	--	21,060	--	21,060
Assessments payable, current	--	--	96,454	96,454
Notes, and lease obligations, non-current	87,567	415,716	--	503,283
Compensated absences, non-current	--	--	--	--
Assessments payable, non-current	--	--	1,324,330	1,324,330
Total Liabilities	223,090	556,646	4,044,712	4,824,448
NET POSITION:				
Net Investment in Capital Assets	1,184,419	159,854	31,123,896	32,468,169
Restricted for:				
Debt service	--	4,277	13,006,948	13,011,225
Unrestricted	(47,379)	503,561	4,766,153	5,222,335
Total Net Position	\$ 1,137,040	\$ 667,692	\$ 48,896,997	\$ 50,701,729

CITY OF CANTON
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - COMPONENT UNITS
FOR THE YEAR ENDED SEPTEMBER 30, 2014

	Canton Convention and Visitors Bureau	Canton Redevelopment Authority	Canton Municipal Utilities	Total Component Units
Operating Revenues:				
Connection charges and other sales	\$ --	\$ --	\$ 232,515	\$ 232,515
Fairs and festivals	102,040	--	--	102,040
Fuel adjustment electric	--	--	127,855	127,855
Fuel adjustment gas	--	--	(240,795)	(240,795)
Management fee	40,000	--	--	40,000
Parking tax revenues	--	10,764	--	10,764
Rent	--	1,500	--	1,500
Revenue from Madison County Waste Water Authority	--	--	1,279,849	1,279,849
Loss on sale of property	--	(28,270)	--	(28,270)
Unpledged revenues	--	--	21,953,941	21,953,941
Welcome center	44,478	--	--	44,478
Total Operating Revenues	\$ 186,518	\$ (16,006)	\$ 23,353,365	\$ 23,523,877
Operating Expenses:				
Cost of goods sold	--	--	12,686,620	12,686,620
Advertising	65,904	--	--	65,904
Chemicals	--	--	129,685	129,685
Dues and subscriptions	--	--	37,944	37,944
Application fees	--	599	--	599
Education	--	--	29,734	29,734
General administrative	25,203	--	--	25,203
Insurance	--	30,300	148,575	178,875
Property rehab	--	7,899	--	7,899
IT cost and supplies	--	--	36,326	36,326
Material and supplies	--	11,481	1,024,360	1,035,841
Lease office equipment and storage	--	4,702	--	4,702
Office expenses	--	20,468	--	20,468
Outside services	--	--	1,050,063	1,050,063
Payroll	178,707	--	--	178,707
Postage and printing	--	--	58,110	58,110
Professional services	51,848	35,018	3,903,394	3,990,260
Contract labor	--	21,660	--	21,660
Promotion and special events	193,859	4,257	--	198,116
Rent	20,350	--	57,099	77,449
Repairs and maintenance	53,840	--	320,715	374,555
Salaries, payroll taxes, fringe benefits	--	129,947	--	129,947
Telephone	--	--	53,851	53,851
Travel	8,675	763	9,163	18,601
Utilities	73,687	12,364	841,512	927,563
Vehicle	--	1,077	278,741	279,818
Depreciation	115,736	6,859	2,110,998	2,233,593
Miscellaneous	--	229	--	229
Total Operating Expenses	787,809	287,623	22,776,890	23,852,322
Operating Income (Loss)	(601,291)	(303,629)	576,475	(328,445)
Non-Operating Revenues (Expenses):				
Grants	--	250,000	--	250,000
Interest expense	(2,484)	(21,602)	--	(24,086)
Interest and investment revenue	18	6	13,349	13,373
Tourism tax revenue	575,018	--	--	575,018
Other income	--	5,161	454,217	459,378
Other expense	--	3,252	--	3,252
Total Non-Operating Revenues (Expenses)	572,552	236,817	467,566	1,276,935
Transfers	--	--	(1,806,534)	(1,806,534)
Special Items				
Donation of sound stage property	(1,145,525)	--	--	(1,145,525)
Total Special Items	(1,145,525)	--	--	(1,145,525)
Change in Net Position	(1,174,264)	(66,812)	(762,493)	(2,003,569)
Net Position - Beginning, as previously reported	2,311,304	734,504	49,659,490	52,705,298
Prior Period Adjustment	--	--	--	--
Net Position - Beginning, as restated	2,311,304	734,504	49,659,490	52,705,298
Net Position - Ending	\$ 1,137,040	\$ 667,692	\$ 48,896,997	\$ 50,701,729

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, 2014

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

City of Canton, Mississippi
Schedule of Long-Term Debt
For the Year Ended September 30, 2014

Schedule D-2

	Date of Obligation	Date of Maturity	Interest Rate	Original Amount	Balance	Current Year Transactions	Balance
					October 1, 2013	Retirements	September 30, 2014
Governmental Activities							
General Obligation Bonds							
GOB Public Improvement	1/1/2008	7/1/2022	4.75-5.0%	\$ 3,500,000	\$ 3,015,000	200,000	2,815,000
Discount on Bonds Issued				\$ (52,500)	(31,208)	3,500	(27,708)
Special Obligation Bond, Series 2011A	8/10/2011	10/1/2031	5.750%	\$ 4,000,000	4,000,000		4,000,000
Special Obligation Bond, Series 2011B	8/10/2011	10/1/2015	1.4-1.9%	\$ 600,000	250,000	125,000	125,000
Special Obligation Bond, Series 2011C	8/10/2011	10/1/2021	4.590%	\$ 2,580,000	2,340,000	245,000	2,095,000
Total General Obligation Bonds					<u>9,573,792</u>	<u>573,500</u>	<u>9,007,292</u>
Other Long-Term Debt							
Urban Renewal Bonds	3/24/2000	3/24/2035	5.13%	\$ 1,299,200	1,056,600	20,808	1,035,792
Allison Wells Note	12/15/1993	12/15/2013	3%	\$ 500,000	16,464	16,464	-
Canton Municipal Utilities	9/30/2000	9/30/2017	0.000%	\$ 1,375,000	1,216,667		1,216,667
Pierce Contender	6/22/2006	6/22/2016	5.09%	\$ 178,750	62,203	19,714	42,489
Multipurpose & Equine Center Constructio	6/9/2008	6/1/2028	2%	\$ 750,000	580,180	34,205	545,975
Fire Truck	9/5/2010	9/5/2019	3.30%	\$ 173,460	118,147	17,153	100,994
Breathing Air Compressor	4/15/2011	12/15/2013		\$ 28,190	7,813	7,813	-
Total Other Long-Term Debt					<u>3,058,074</u>	<u>116,157</u>	<u>2,941,917</u>
Total General Long-Term Debt					<u>\$ 12,631,866</u>	<u>689,657</u>	<u>11,949,209</u>
Business-Type Activities							
Special Obligation Bonds							
Special Obligation Revenue Bond	6/1/2008	9/30/2020	5.300%	\$ 3,020,000	\$ 1,840,000	220,000	1,620,000
Other Long-Term Debt							
John Deere Tractor 001-0065864	12/17/2009	12/17/2014	3.950%	\$ 331,166	82,939	70,855	12,084
Total Enterprise Fund					<u>\$ 1,922,939</u>	<u>290,855</u>	<u>1,632,084</u>

City of Canton, Mississippi
 Schedule of Expenditures of Federal Awards
 For the Year Ended September 30, 2014

Federal Agency/ Pass-Through Entity/ Program Title	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>		
Passed-through Mississippi Development Authority		
Community Development Block Grant - State's Program	14.228	\$ 445,201
Total passed-through Mississippi Development Authority		<u>445,201</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>		
Passed-through Mississippi Department of Public Safety		
Public Safety Partnership and Community Policing Grants	16.710	46,652
Edward Byrne Memorial Justice Assistance Grant Program	16.738	11,465
Total passed-through Mississippi Department of Public Safety		<u>58,117</u>
<u>U. S. DEPARTMENT OF TRANSPORTATION</u>		
Passed-through Mississippi Department of Transportation		
Highway Planning and Construction	20.205	35,000
Total passed-through Mississippi Department of Transportation		<u>35,000</u>
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>		
Passed-through Mississippi Transportation Commission		
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	154,388
Total passed-through Mississippi Transportation Commission		<u>154,388</u>
Total for all Federal Awards		<u>\$ 692,706</u>

Notes to Schedule

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

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and Board of Aldermen
City of Canton, Mississippi

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canton, Mississippi as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 16, 2015. Our report differed from the standard report because the City of Canton did not maintain adequate records documenting the existence, completeness, and valuation of the Capital Assets for both Governmental or Business-Type Activities. We did not audit the financial statements of the Canton Municipal Utilities, component unit, 95%, 96%, and 99%, respectively, of the assets, net position and revenues of the component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the component units, is based on the reports of the other auditors.

Internal Control Over Financial Reporting

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

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.

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

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies as Findings 2014-001 and 2014-002.

Compliance and Other Matters

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

City of Canton, Mississippi's Response to Findings

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
August 16, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Mayor and Board of Aldermen
City of Canton, Mississippi

Report on Compliance for Each Major Federal Program

We have audited City of Canton's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on City of Canton, Mississippi's major federal program for the year ended September 30, 2014. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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

Opinion on Each Major Federal Program

In our opinion, the City of Canton, Mississippi complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2014.

Report on Internal Control Over Compliance

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 16, 2015

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT
ON COMPLIANCE WITH STATE LAWS AND REGULATIONS

Mayor and Board of Aldermen
City of Canton, Mississippi

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canton, Mississippi as of and for the year ended September 30, 2014, which collectively comprise the City of Canton, Mississippi's basic financial statements and have issued our report thereon dated August 16, 2015. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*.

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

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

Finding #1

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

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

Recommendation:

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

Response:

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

Finding #2

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Response:

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

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

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

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
August 16, 2015

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

City of Canton, Mississippi
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2014

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? No.
 - b. Significant deficiency(ies) identified? Yes.
3. Noncompliance material to financial statements noted? Yes.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:
CFDA 14.228 - Community Development Block Grant - State's Program
8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No.

Section 2: Financial Statements Findings

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

Significant Deficiencies

Finding 2014-001:

Criteria:

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

Condition:

Although progress was made in the maintenance of capital assets, 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 the State Auditor. This prescribed policy includes records of asset additions and deletions as well as annual inventories and the reconciliation of that inventory with the City's records. Inventory was conducted but did not include cost.

Response:

The City adopted an internal control system for fixed assets in 2015 and began maintaining records. A physical inventory will be performed at September 30.

RECEIVED

FEB 23 2016

Finding 2014-002:

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Response:

The State of Mississippi requires that accounting records of municipalities be maintained on a cash basis for compliance with budgeting laws. In the future, a review will be made of subsequent receipts and payments to insure that all receivable and payables will be recorded at year-end.

Section III: Federal Award Findings and Questioned Costs

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