

## OFFICE OF THE STATE AUDITOR REPORT NOTE:

*Section 7-7-211, Mississippi Code Annotated (1972)* gives the Office of the State Auditor the authority to audit, with the exception of municipalities, any governmental entity in the state. In the case of municipalities, *Section 21-35-31, Mississippi Code Annotated (1972)* requires municipalities to obtain an annual audit performed by a private CPA firm and submit that audit report to the Office of the State Auditor. The Office of the State Auditor files these audit reports for review in case questions arise related to the municipality.

As a result, the following document was not prepared by the Office of the State Auditor. Instead, it was prepared by a private CPA firm and submitted to the Office of the State Auditor. The document was placed on this web page as it was submitted and no review of the report was performed by the Office of the State Auditor prior to finalization of the report. 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.

CITY OF CANTON, MISSISSIPPI  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED SEPTEMBER 30, 2018

City of Canton, Mississippi  
Annual Financial Report  
For the Year Ended September 30, 2018

Table of Contents

	<u>Page #</u>
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION .....	1
REQUIRED SUPPLEMENTARY INFORMATION:	
Management's Discussion and Analysis .....	4
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position .....	14
Statement of Activities .....	15
Fund Financial Statements:	
Balance Sheet - Governmental Funds .....	16
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	19
Statement of Net Position - Proprietary Funds.....	20
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds.....	21
Statement of Cash Flows - Proprietary Funds.....	22
Notes to the Financial Statements .....	24
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule – General Fund .....	58
Schedule of the City's Proportionate Share of the Net Pension Liability.....	60
Schedule of the City's Pension Contributions .....	61
Notes to the Required Supplementary Information.....	62

City of Canton, Mississippi  
Annual Financial Report  
For the Year Ended September 30, 2018

Table of Contents - Continued

	<u>Page #</u>
OTHER SUPPLEMENTARY INFORMATION	
Combining Statements:	
Combining Balance Sheet Nonmajor Governmental Funds .....	64
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds .....	65
Combining Balance Sheet Nonmajor Special Revenue Funds .....	66
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Special Revenue Funds .....	67
Combining Balance Sheet - Nonmajor Debt Service Funds .....	68
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Debt Service Funds .....	69
Combining Balance Sheet - Nonmajor Capital Project Funds .....	70
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Capital Projects Funds .....	71
Budgetary Comparison Schedules:	
Budgetary Comparison Schedule - Police Communication Fund .....	72
Budgetary Comparison Schedule - Levi Economic Development Fund .....	73
Budgetary Comparison Schedule - Brownfields Assessment Grant Fund .....	74
Budgetary Comparison Schedule - Library Fund .....	75
Budgetary Comparison Schedule - Debt Service Sinking Fund .....	76
Budgetary Comparison Schedule - Wal-Mart TIF Bond Fund .....	77
Budgetary Comparison Schedule - TIF Bond Sinking Fund .....	78
Budgetary Comparison Schedule - Medical Center/Nissan TIF Bond Fund .....	79
Budgetary Comparison Schedule - SAAB Park Improvements Fund .....	80
Budgetary Comparison Schedule - Landfill Fund .....	81

City of Canton, Mississippi  
Annual Financial Report  
For the Year Ended September 30, 2018

Table of Contents - Continued

	<u>Page #</u>
OTHER SUPPLEMENTARY INFORMATION - Continued	
Other Schedules:	
Schedule of Surety Bonds for Municipal Employees.....	82
Schedule of Long-term Debt.....	83
REPORTS ON INTERNAL CONTROL AND COMPLIANCE	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	84
Independent Auditors' Report on Compliance with State Laws and Regulations.....	86
SCHEDULE OF FINDINGS AND RESPONSES .....	88

## FINANCIAL SECTION

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MEMBERS  
AMERICAN INSTITUTE  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT**

MEMBERS  
MISSISSIPPI SOCIETY OF CERTIFIED  
PUBLIC ACCOUNTANTS

Honorable Mayor  
and Honorable Members of the City Council  
City of Canton, Mississippi

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Canton, Mississippi (the City) as of and for the year ended September 30, 2018, 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.

**Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City's discretely presented component units, Canton Municipal Utilities and the Canton Convention and Visitors Bureau, which represent 100 percent of the assets, net position, and revenues of the City's discretely presented component units. Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City's discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' 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 auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, and the Schedules of the City's Proportionate Share of the Net Pension Liability and the City's Pension Contributions on pages 4 through 13 and 58 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required 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 required supplementary information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

(Continued)



### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements, budgetary comparison schedules, and other schedules as listed in the Other Supplementary Information section of the table of contents 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, budgetary comparison schedules, and other schedules 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. In our opinion, the combining and individual nonmajor fund financial statements, budgetary comparison schedules, and other schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, on our consideration of the City of Canton, Mississippi's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Canton, Mississippi's internal control over financial reporting and compliance.

*Thom, Brown & Rouse Co.*

June 29, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### City of Canton, Mississippi Management's Discussion and Analysis For the Year Ended September 30, 2018

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, 2018. 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 \$626,819 in 2018, which represents a 5% decrease from fiscal year 2017.
- General revenues were \$8,920,655, or 75%, of the City's revenues in 2018. This amount was less than the prior year (2017), which consisted of \$10,195,565 in general revenues. Program specific revenues in the form of charges for services accounted for \$2,683,555, or 23%, of total revenues, compared with \$3,537,736 in 2017.
- The City had \$12,455,572 in expenses, an amount that decreased when compared with the \$14,020,509 in expenses for the prior year; \$2,683,555 of these current year expenses were offset by program specific charges for services. General revenues of \$8,920,655 were not adequate to provide for the net expenses of these programs, and the City experienced a \$626,819 decrease in net position in the current year as a result.
- Among the major funds, the General Fund had \$8,716,180 in revenues and \$9,864,638 in expenditures. In 2017 the General Fund had \$9,924,432 in revenues and \$10,103,478 in expenditures. The General Fund's fund balance decreased by \$164,373 from 2017 to 2018.
- The Landfill Fund had \$1,752,122 in revenues and \$1,879,850 in expenses. Its net loss was \$127,728 for the current year. In 2017, it showed \$2,499,094 in revenues and \$2,131,203 in expenses.
- Capital assets, net of accumulated depreciation, decreased by \$262,254 in the governmental activities. This decrease in the governmental activities was primarily due to the recording of depreciation expense during the year.
- Capital assets increased \$952,881 in the business-type activity mainly due to the additions to construction in progress.

(Continued)

City of Canton, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018

- Long-term liabilities decreased by \$538,430 in the governmental activities from 2017 to 2018. The decrease in the governmental activities was mainly due to principal payments made on outstanding long-term debt and a decrease in the City's proportionate share of the net pension liability of the state retirement system.
- Long-term liabilities decreased by \$374,074 in the business-type activity from 2017 to 2018. The decrease in the business-type activity was mainly due to scheduled debt principal payments.

**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 this year?" The Statement of Net Position and the Statement of Activities answer this question.

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

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

(Continued)

City of Canton, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018

In the Statement of Net Position and the Statement of Activities, all of the City's activities are reported in Governmental Activities and the Business-type Activity, which include all of the City's services including police, fire, administration, public works, waste collection, and all other departments.

The City of Canton has Component units reported in the City's financial statements as follows:

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

**Canton Convention and Visitors Bureau** - Canton Convention and Visitors Bureau (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 Mississippi Department of Revenue and subsequently remitted to the Bureau by the City. All activities necessary to provide services are accounted for by Canton Convention and Visitors Bureau including, but not limited to, administration, operations, maintenance, financing and related debt service. The Bureau is governed by a seven-member board of commissioners appointed by the City. These commissioners, to the extent possible, are owners and/or operators of hotels, motels, and restaurants within the City of Canton.

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

Canton Municipal Utilities  
127 West Peace Street  
Canton, Mississippi 39046  
(601) 859-2921

Canton Convention and Visitors Bureau  
147 North Union Street  
Canton, Mississippi 39046  
(601) 859-1307

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City of Canton, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018

**Reporting the City of Canton's Most Significant Funds**

**Fund Financial Statements**

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

**Governmental Funds**

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

**The City of Canton as a Whole**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the government's financial position. In the case of the City, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$13,893,578 as of September 30, 2018, which results in a negative net position.

**GOVERNMENTAL ACTIVITIES**

The City's governmental activities account for all of the City's services and activities except for the landfill and waste collection activity which is reflected as a business-type activity.

The following table presents a summary of the City's Governmental Activities net position at September 30, 2018 and 2017, respectively.

(Continued)

City of Canton, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018

**Governmental Activities Net Position (in thousands)**

	<b>2018</b>	<b>2017 (as restated)</b>	<b>Percentage Change</b>
Current assets	\$ 8,597	\$ 7,282	18%
Capital assets, net	<u>9,708</u>	<u>9,970</u>	-3%
<b>Total Assets</b>	<u>18,305</u>	<u>17,252</u>	6%
 <b>Deferred outflows of resources</b>	 1,072	 1,593	 -33%
Current liabilities	1,663	672	147%
Long-term liabilities	<u>23,025</u>	<u>23,563</u>	-2%
<b>Total Liabilities</b>	<u>24,688</u>	<u>24,235</u>	2%
 <b>Deferred inflows of resources</b>	 <u>5,783</u>	 <u>5,205</u>	 11%
 <b>Net Position:</b>			
Net investment in capital assets	1,135	668	70%
Restricted	602	365	65%
Unrestricted	<u>(12,831)</u>	<u>(11,628)</u>	10%
<b>Total Net Position (deficit)</b>	<u>\$ (11,094)</u>	<u>\$ (10,595)</u>	5%

Current assets and current liabilities both increased in 2018 because the City received the proceeds of tax increment financing bonds at year end but had not paid the \$1 million funding owed to the project developers for the related project costs incurred.

The deferred inflows and outflows of resources both changed in 2018 as a result of the City's participation in the state retirement plan.

The governmental activities' net investment in capital assets amount was \$1,135,220. 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, \$602,191 of the governmental activities' net position was restricted as to the use of these funds. A majority of the restricted net position is expendable for debt service. The governmental activities' unrestricted net position had a negative balance of \$12,830,855.

(Continued)

City of Canton, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018

**Governmental Activities Changes in Net Position (in thousands)**

	2018	2017 (as restated)	Amount Change	Percentage Change
<b>Revenues</b>				
Program Revenues:				
Charges for services	\$ 947	\$ 1,069	\$ (122)	-11.4%
Operating grants and contributions	225	168	57	33.9%
General Revenues:				
Property taxes	4,686	4,408	278	6.3%
Local sales tax	626	615	11	1.8%
Franchise tax	124	154	(30)	-19.5%
Intergovernmental	3,497	3,412	85	2.5%
Appropriation from component unit	-	1,050	(1,050)	-100.0%
Other	(12)	123	(135)	-109.8%
<b>Total Revenues</b>	<b><u>10,093</u></b>	<b><u>10,999</u></b>	<b><u>(906)</u></b>	<b>-8.2%</b>
<b>Expenses</b>				
General Government	2,411	3,056	(645)	-21.1%
Public Safety	3,816	4,721	(905)	-19.2%
Public Works	1,197	1,315	(118)	-9.0%
Culture and Recreation	727	1,102	(375)	-34.0%
Economic Development	1,650	615	1,035	168.3%
Health and Welfare	131	216	(85)	-39.4%
Interest on Long-Term Debt	660	629	31	4.9%
<b>Total Expenses</b>	<b><u>10,592</u></b>	<b><u>11,654</u></b>	<b><u>(1,062)</u></b>	<b>-9.1%</b>
<b>Change in Net Position</b>	<b>(499)</b>	<b>(655)</b>	<b>156</b>	<b>-23.8%</b>
<b>Beginning Net Position, as restated</b>	<b><u>(10,594)</u></b>	<b><u>(9,939)</u></b>	<b><u>(655)</u></b>	<b>6.6%</b>
<b>Ending Net Position, as restated</b>	<b><u>\$ (11,093)</u></b>	<b><u>\$ (10,594)</u></b>	<b><u>\$ (499)</u></b>	<b>4.7%</b>

The primary sources of general revenues are property taxes and sales taxes. 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. General sales tax was 30% of governmental activities' revenue in fiscal year 2018. The general sales tax revenue of the City in fiscal year 2018 was \$3.1 million, which is a slight increase over the 2017 \$3.0 million amount. Property tax revenue was \$4.7 million in 2018 and was 46% of the governmental activities' revenue. Total governmental activities revenue was \$10.1 million, a decrease of 8% from the prior year. The decrease was due primarily to not receiving any appropriations from Canton Municipal Utilities for 2018.

Governmental activities expenses were \$10.6 million for 2018, a decrease of 9% from the prior year. The decrease in expenses was primarily the result of budget reductions in all departments to coincide with lower revenues for the year. The economic development expenses increased in 2018 as a result of the \$1 million funding to the project developers in relation to tax increment financing bonds that were issued in 2018.

(Continued)



City of Canton, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018

**BUSINESS-TYPE ACTIVITY**

The City's business-type activity consists of the Landfill Fund, which accounts for the City's solid waste collection and landfill activity.

The following schedule depicts the net position of the business-type activity.

**Business-Type Activity Net Position (in thousands)**

	2018	2017 (as restated)	Percentage Change
Current assets	\$ 1,637	\$ 2,426	-33%
Capital assets, net	1,985	1,031	93%
<b>Total assets</b>	<u>3,622</u>	<u>3,457</u>	5%
 <b>Deferred outflows of resources</b>	 <u>28</u>	 <u>93</u>	 -70%
 Current liabilities	 814	 249	 227%
Long-term liabilities	<u>5,566</u>	<u>5,940</u>	-6%
<b>Total liabilities</b>	<u>6,380</u>	<u>6,189</u>	3%
 <b>Deferred inflows of resources</b>	 <u>70</u>	 <u>33</u>	 112%
 <b>Net position:</b>			
Net investment in capital assets	(1,796)	(2,692)	-33%
Unrestricted	<u>(1,004)</u>	<u>20</u>	-5120%
<b>Total net position (deficit)</b>	<u>\$ (2,800)</u>	<u>\$ (2,672)</u>	5%

The current assets decreased and current liabilities increased in 2018 primarily as a result of landfill cell 2A construction project costs paid (a reduction of the current asset cash) in 2018 and project costs incurred but not yet paid at year end (an increase in current liabilities). These construction project costs were also the reason for the increase in capital assets in 2018 since the landfill cell 2A project is a capital asset that will be depreciated over its useful life once its use begins.

(Continued)

City of Canton, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018

**Business-Type Activity Changes in Net Position (in thousands)**

	2018	2017 (as restated)	Amount Change	Percentage Change
<b>Revenues</b>				
Program Revenues:				
Charges for services	\$ 1,737	\$ 2,469	\$ (732)	-29.6%
Operating grants and contributions	-	26	(26)	-100.0%
General Revenues:				
Other	(2)	4	(6)	-150.0%
<b>Total Revenues</b>	<b>1,735</b>	<b>2,499</b>	<b>(764)</b>	<b>-30.6%</b>
<b>Expenses</b>				
Landfill	1,863	2,131	(268)	-12.6%
<b>Total Expenses</b>	<b>1,863</b>	<b>2,131</b>	<b>(268)</b>	<b>-12.6%</b>
<b>Change in Net Position</b>	<b>(128)</b>	<b>368</b>	<b>(496)</b>	<b>-134.8%</b>
<b>Beginning Net Position, as restated</b>	<b>(2,672)</b>	<b>(3,040)</b>	<b>368</b>	<b>-12.1%</b>
<b>Ending Net Position, as restated</b>	<b>\$ (2,800)</b>	<b>\$ (2,672)</b>	<b>\$ (128)</b>	<b>4.8%</b>

Decreased usage of the landfill in 2018 resulted in a decrease in both revenue from charges for services and expenses.

**General Fund Budget 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.

General Fund revenues were \$1.8 million more than budgeted as a result of proceeds from tax increment financing bonds issued and equipment capital lease financing agreements in 2018 that were not budgeted. General Fund expenditures were \$1.4 million more than budgeted as a result of the economic development funding provided to the developers of the tax increment financing bonds project and the public works capital outlay for equipment related to the capital lease financing.

(Continued)

City of Canton, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018

**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, 2018 and 2017, respectively.

**Capital Assets at September 30, 2018 and 2017  
Governmental Activities (in thousands)**

	2018	2017	Percentage Change
Land	\$ 2,978	\$ 2,978	0%
Buildings	6,346	6,346	0%
Infrastructure	5,972	5,972	0%
Vehicles	2,172	2,297	-5%
Equipment	820	584	40%
Accumulated depreciation	(8,580)	(8,207)	5%
<b>Total</b>	<b>\$ 9,708</b>	<b>\$ 9,970</b>	<b>-3%</b>

**Capital Assets at September 30, 2018 and 2017  
Business-Type Activities (in thousands)**

	2018	2017	Percentage Change
Land	\$ 38	\$ 38	0%
Construction in progress	1,576	512	208%
Land improvements	1,052	1,014	4%
Vehicles	110	110	0%
Equipment	757	757	0%
Accumulated depreciation	(1,548)	(1,399)	11%
<b>Total</b>	<b>\$ 1,985</b>	<b>\$ 1,032</b>	<b>92%</b>

Governmental activities equipment increased in 2018 as a result of equipment acquired through capital lease financing.

Business-type activity construction in progress increased in 2018 as a result of the landfill cell 2A construction project that was completed in 2018 but the usage of which did not begin until after year end.

(Continued)

City of Canton, Mississippi  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018

**Long-Term Liabilities**

The City issued \$1.3 million of tax increment financing bonds for an economic development project in 2018, and also entered into \$236 thousand of capital lease financing obligations for public works equipment.

The City's net pension liability decreased as a result of a decrease in the City's proportion of participation in the Public Employees Retirement System of Mississippi as compared to other participating entities.

**Current Financial Related Activities**

The City has acquired funding to renovate SAAB Park. The Mississippi Development Authority has provided a loan for \$700 thousand to provide a new restroom facility, amphitheater stage, new sidewalks within the park, a covered pavilion, splash pad and fencing near southwest entrance. The project is expected to be completed during fiscal year 2020-2021.

The City was also awarded a \$884 thousand grant from the Federal Emergency Management Agency to hire six new fire fighters. The duration of the grant is three years and will provide payment of salaries and overtime for all six fire fighters. The purpose of the grant is to help communities meet industry minimum standards and attain 24-hour staffing to provide adequate protection from fire and fire-related hazards.

**Contacting the City's Finance Department**

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

## BASIC FINANCIAL STATEMENTS

**CITY OF CANTON**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2018**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activity	Total	Canton Convention and Visitors Bureau	Canton Municipal Utilities
<b>Assets:</b>					
Cash and cash equivalents	\$ 2,801,138	\$ 521,707	\$ 3,322,845	\$ 156,963	\$ 557,052
Accounts receivable, net	5,765,301	256,507	6,021,808	-	3,683,302
Inventory	-	-	-	769	1,370,414
Prepaid items	76,327	-	76,327	-	148,574
Due from component units	-	50,172	50,172	-	-
Interfund balances	(45,731)	45,731	-	-	-
Restricted Assets:					
Cash and cash equivalents	-	185,563	185,563	1,382	1,478,831
Investments	-	577,781	577,781	-	8,675,373
Other investments	-	-	-	-	10,749
Deferred capital assessment charges	-	-	-	-	1,025,572
Capital assets:					
Land and construction in progress	2,977,827	1,614,070	4,591,897	960,000	2,271,132
Other capital assets, net of accumulated depreciation	6,730,410	370,500	7,100,910	265,530	26,435,503
Total Assets	<u>18,305,272</u>	<u>3,622,031</u>	<u>21,927,303</u>	<u>1,384,644</u>	<u>45,656,502</u>
<b>Deferred Outflows of Resources:</b>					
Deferred outflows of resources - pension	250,845	28,118	278,963	53,581	1,246,407
Deferred outflows of resources - debt advance refunding	821,524	-	821,524	-	-
Total Deferred Outflows of Resources	<u>1,072,369</u>	<u>28,118</u>	<u>1,100,487</u>	<u>53,581</u>	<u>1,246,407</u>
<b>Liabilities:</b>					
Accounts payable	1,195,158	757,595	1,952,753	14,048	1,967,622
Wages and benefits payable	241,064	17,379	258,443	-	27,449
Due to other governments	76,162	-	76,162	6,200	-
Due to component units	105,531	-	105,531	-	-
Due to primary government	-	-	-	-	50,172
Customer deposits	-	-	-	-	1,331,600
Interest payable	45,689	39,625	85,314	-	-
Bonds payable, current	1,045,000	145,000	1,190,000	-	-
Notes and lease obligations, current	191,267	772,291	963,558	-	127,741
Compensated absences, current	14,420	1,302	15,722	-	95,406
Bonds payable, non-current	10,080,441	2,275,947	12,356,388	-	-
Notes and lease obligations, noncurrent	1,717,833	40,030	1,757,863	-	1,042,249
Compensated absences, non-current	298,929	32,949	331,878	-	230,347
Accrued closure/post-closure care costs	-	1,487,057	1,487,057	-	-
Net pension liability	9,676,720	811,366	10,488,086	293,738	10,179,712
Total Liabilities	<u>24,688,214</u>	<u>6,380,541</u>	<u>31,068,755</u>	<u>313,986</u>	<u>15,052,298</u>
<b>Deferred Inflows of Resources:</b>					
Unavailable revenue - property taxes					
levied for subsequent year	4,685,135	-	4,685,135	-	-
Deferred inflows of resources - pension	1,097,736	69,742	1,167,478	24,211	250,893
Total Deferred Inflows of Resources	<u>5,782,871</u>	<u>69,742</u>	<u>5,852,613</u>	<u>24,211</u>	<u>250,893</u>
<b>Net Position:</b>					
Net Investment in Capital Assets	1,135,220	(1,795,825)	(660,605)	1,225,530	27,119,608
Restricted for:					
Debt service	554,695	-	554,695	-	-
Public works	14,962	-	14,962	-	-
Public safety	12,361	-	12,361	-	-
Unemployment benefits	20,173	-	20,173	-	-
Other specific purposes	-	-	-	7,582	-
Unrestricted	(12,830,855)	(1,004,309)	(13,835,164)	(133,084)	4,480,110
Total Net Position	<u>\$ (11,093,444)</u>	<u>\$ (2,800,134)</u>	<u>\$ (13,893,578)</u>	<u>\$ 1,100,028</u>	<u>\$ 31,599,718</u>

The accompanying notes are an integral part of this statement.

**CITY OF CANTON**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position				
					Primary Government			Component Units	
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activity	Total	Canton Convention and Visitors Bureau	Canton Municipal Utilities
<b>PRIMARY GOVERNMENT:</b>									
Governmental Activities:									
General government	\$ 2,411,188	\$ 190,946	\$ 1,450	\$ -	\$ (2,218,792)		\$ (2,218,792)		
Public safety	3,815,698	601,692	106,787	-	(3,107,219)		(3,107,219)		
Public works	1,197,336	-	116,106	-	(1,081,230)		(1,081,230)		
Culture and recreation	726,742	76,765	200	-	(649,777)		(649,777)		
Economic development	1,650,273	-	-	-	(1,650,273)		(1,650,273)		
Health and welfare	131,207	77,138	-	-	(54,069)		(54,069)		
Interest on long-term debt	660,189	-	-	-	(660,189)		(660,189)		
Total Governmental Activities	10,592,633	946,541	224,543	-	(9,421,549)		(9,421,549)		
Business-type Activity:									
Landfill	1,862,939	1,737,014	-	-		\$ (125,925)	(125,925)		
Total Business-type Activity	1,862,939	1,737,014	-	-		(125,925)	(125,925)		
Total Primary Government	\$ 12,455,572	\$ 2,683,555	\$ 224,543	\$ -	(9,421,549)	(125,925)	(9,547,474)		
<b>COMPONENT UNITS:</b>									
Canton Convention and Visitors Bureau	\$ 713,170	\$ 216,087	\$ 643,574	\$ -				\$ 146,491	
Canton Municipal Utilities	24,595,779	22,634,603	-	105,307					\$ (1,855,869)
Total Component Units	\$ 25,308,949	\$ 22,850,690	\$ 643,574	\$ 105,307				146,491	(1,855,869)
General Revenues:									
Property taxes					4,685,902	-	4,685,902	-	-
Local sales tax					626,162	-	626,162	-	-
Franchise taxes based on gross receipts					124,469	-	124,469	-	-
Intergovernmental grants and shared revenues not restricted to specific programs					3,497,452	-	3,497,452	-	-
Unrestricted investment income (loss)					224	(1,803)	(1,579)	56	-
Loss on capital asset sales and disposals					(11,751)	-	(11,751)	-	-
Total General Revenues					8,922,458	(1,803)	8,920,655	56	-
Change in Net Position					(499,091)	(127,728)	(626,819)	146,547	(1,855,869)
Net Position - Beginning, as restated					(10,594,353)	(2,672,406)	(13,266,759)	953,481	33,455,587
Net Position - Ending					\$ (11,093,444)	\$ (2,800,134)	\$ (13,893,578)	\$ 1,100,028	\$ 31,599,718

The accompanying notes are an integral part of this statement.

**CITY OF CANTON**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>Debt Service Sinking Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 2,246,290	\$ 191,766	\$ 363,082	\$ 2,801,138
Accounts receivable	4,313,125	1,287,003	165,173	5,765,301
Prepaid items	76,327	-	-	76,327
Due from other funds	169,569	4,512	-	174,081
Total Assets	<u>\$ 6,805,311</u>	<u>\$ 1,483,281</u>	<u>\$ 528,255</u>	<u>\$ 8,816,847</u>
<b>Liabilities:</b>				
Accounts payable	\$ 1,159,507	\$ -	\$ 35,651	\$ 1,195,158
Wages and benefits payable	241,064	-	-	241,064
Due to other governments	74,568	-	1,594	76,162
Due to component units	105,531	-	-	105,531
Due to other funds	50,243	-	169,569	219,812
Total Liabilities	<u>1,630,913</u>	<u>-</u>	<u>206,814</u>	<u>1,837,727</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue - court fines	198,016	-	-	198,016
Unavailable revenue - property taxes levied for subsequent year	<u>3,321,243</u>	<u>1,264,345</u>	<u>99,547</u>	<u>4,685,135</u>
Total Deferred Inflows of Resources	<u>3,519,259</u>	<u>1,264,345</u>	<u>99,547</u>	<u>4,883,151</u>
<b>Fund Balances:</b>				
Nonspendable - prepaid items	76,327	-	-	76,327
Restricted for:				
Debt service	-	218,936	335,759	554,695
Public works	-	-	14,962	14,962
Public safety	-	-	12,361	12,361
Unemployment benefits	20,173	-	-	20,173
Unassigned	<u>1,558,639</u>	<u>-</u>	<u>(141,188)</u>	<u>1,417,451</u>
Total Fund Balances	<u>1,655,139</u>	<u>218,936</u>	<u>221,894</u>	<u>2,095,969</u>
Total Liabilities and Fund Balances	<u>\$ 6,805,311</u>	<u>\$ 1,483,281</u>	<u>\$ 528,255</u>	<u>\$ 8,816,847</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, 2018**

Total fund balances - governmental funds	\$ 2,095,969
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,708,237
Receivables that are not available to pay for current period expenditures are recorded as deferred inflows in the funds.	198,016
Deferred outflows and inflows of resources related to the pension plan are applicable to future periods and therefore are not reported in the funds:	
Deferred outflows of resources related to the pension plan	250,845
Deferred inflows of resources related to the pension plan	(1,097,736)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Accrued interest on long-term debt	(45,689)
Bonds payable, net of premiums	(11,125,441)
Notes and capital leases payable	(1,909,100)
Compensated absences payable	(313,349)
Net pension liability	(9,676,720)
Governmental funds report the effect of advance refundings of long-term debt when debt is first issued, but these amounts are deferred and amortized in the statement of activities	<u>821,524</u>
Net position of governmental activities	<u><u>\$ (11,093,444)</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF CANTON**  
**STATEMENT OF REVENUE, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>Debt Service Sinking Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 3,341,773	\$ 1,260,080	\$ 84,049	\$ 4,685,902
Local sales tax	626,162	-	-	626,162
Franchise taxes	124,469	-	-	124,469
Licenses and permits	346,397	-	-	346,397
Intergovernmental	3,633,122	-	86,524	3,719,646
Fines and forfeitures	362,877	-	-	362,877
Investment income	75	-	149	224
Grants and donations	2,350	-	-	2,350
Charges for services, rent and fees	278,955	-	-	278,955
Total Revenues	8,716,180	1,260,080	170,722	10,146,982
<b>Expenditures:</b>				
Current:				
General government	2,344,239	41,375	2,760	2,388,374
Public safety	3,692,844	-	138	3,692,982
Public works	864,358	-	86,524	950,882
Culture and recreation	610,122	-	87,738	697,860
Economic development	1,650,273	-	-	1,650,273
Health and welfare	133,878	-	-	133,878
Debt Service:				
Principal	143,948	843,154	130,000	1,117,102
Interest and fees	188,995	276,568	90,556	556,119
Capital outlay:				
Public works	235,981	-	-	235,981
Total Expenditures	9,864,638	1,161,097	397,716	11,423,451
Excess of Revenues Over (Under) Expenditures	(1,148,458)	98,983	(226,994)	(1,276,469)
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	-	-	325,108	325,108
Transfers to other funds	(281,907)	-	(43,201)	(325,108)
Issuance of long-term debt	1,550,981	-	-	1,550,981
Proceeds from capital asset sales and disposals	43,757	-	-	43,757
Total Other Financing Sources (Uses)	1,312,831	-	281,907	1,594,738
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	164,373	98,983	54,913	318,269
<b>Fund Balances:</b>				
Fund Balances - Beginning, as restated	1,490,766	119,953	166,981	1,777,700
Fund Balances - Ending	\$ 1,655,139	\$ 218,936	\$ 221,894	\$ 2,095,969

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, 2018**

Net change in fund balances - total governmental funds	\$ 318,269
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues are recognized on the full accrual basis for the Statement of Activities, but receivables that are not available to pay for current period expenditures are not recognized on the fund statements	(41,687)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these capital assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlays on the fund statements	235,981
Depreciation expense on the Statement of Activities	(442,727)
Remaining undeprciated cost removed upon sale or disposal of capital assets on the Statement of Activities	(55,508)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and refunding gain or loss when debt is first issued, whereas, these amounts are amortized over the life of the debt in the Statement of Activities:	
Issuance of long-term debt	(1,550,981)
Principal payments on long-term debt	1,117,103
Amortization of deferred amount from advance refunding of long-term debt	(114,090)
Amortization of discount on debt issuance	10,445
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. Following are the changes in these accrued expenses:	
Accrued interest not yet due on long-term debt	(425)
Accrued compensated absences	(2,886)
The Statement of Activities reports pension expense and other activity related to changes in the net pension liability and the related deferred inflows and outflows of resources.	27,415
Change in net position of governmental activities - Statement of Activities	<u>\$ (499,091)</u>

The accompanying notes are an integral part of this statement.

**CITY OF CANTON**  
**STATEMENT OF NET POSITION - PROPRIETARY FUND**  
**SEPTEMBER 30, 2018**

	Enterprise Fund
	Landfill Fund
<b>Assets:</b>	
Current Assets:	
Cash and cash equivalents	\$ 521,707
Accounts receivable	256,507
Due from component units	50,172
Due from other funds	45,731
Total Current Assets	<u>874,117</u>
Noncurrent Assets:	
Restricted for closure/post-closure care costs:	
Cash and cash equivalents	185,563
Investments	577,781
Capital assets:	
Land and construction in progress	1,614,070
Other capital assets, net of accumulated depreciation	370,500
Total Noncurrent Assets	<u>2,747,914</u>
Total Assets	<u>3,622,031</u>
<b>Deferred Outflows of Resources</b>	
Deferred outflows of resources - pension	28,118
Total Deferred Outflows of Resources	<u>28,118</u>
<b>Liabilities:</b>	
Current Liabilities:	
Accounts payable	757,595
Wages and benefits payable	17,379
Accrued interest payable	39,625
Bonds payable, current portion	145,000
Notes and capital leases payable, current portion	772,291
Compensated absences, current portion	1,302
Total Current Liabilities	<u>1,733,192</u>
Noncurrent Liabilities:	
Bonds payable	2,275,947
Notes and capital leases payable	40,030
Compensated absences	32,949
Accrued closure/post-closure care costs	1,487,057
Net pension liability	811,366
Total Noncurrent Liabilities	<u>4,647,349</u>
Total Liabilities	<u>6,380,541</u>
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources - pension	69,742
Total Deferred inflows of resources	<u>69,742</u>
<b>Net Position:</b>	
Net investment in capital assets	(1,795,825)
Unrestricted	(1,004,309)
Total Net Position	<u>\$ (2,800,134)</u>

The accompanying notes are an integral part of this statement.

**CITY OF CANTON**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN NET POSITION - PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Enterprise Fund
	Landfill Fund
<b>Operating Revenues:</b>	
Charges for services	\$ 1,735,329
Other revenues	1,685
Total Operating Revenues	<u>1,737,014</u>
<b>Operating Expenses:</b>	
Personnel services	474,702
Other services and charges	1,001,298
Supplies and materials	99,273
Depreciation	148,807
Total Operating Expenses	<u>1,724,080</u>
Operating Income	<u>12,934</u>
<b>Non-Operating Revenues (Expenses):</b>	
Investment interest	15,108
Loss on investments	(16,911)
Interest expense	<u>(138,859)</u>
Total Non-Operating Revenues (Expenses)	<u>(140,662)</u>
Change in Net Position	(127,728)
<b>Net Position:</b>	
Net Position - Beginning, as restated	<u>(2,672,406)</u>
Net Position - Ending	<u><u>\$ (2,800,134)</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF CANTON**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Enterprise Fund
	<u>Landfill Fund</u>
<b>Cash Flows from Operating Activities:</b>	
Receipts from customers	\$ 2,173,126
Receipts from others	1,685
Payments to employees for salaries and benefits	(421,685)
Payments to suppliers and service providers	(987,377)
Net Cash Provided by Operating Activities	<u>765,749</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Acquisition or construction of capital assets	(554,561)
Principal paid on capital debt	(441,196)
Interest and fees paid on capital debt	(138,400)
Net Cash Used for Capital & Related Financing Activities	<u>(1,134,157)</u>
<b>Cash Flows from Investing Activities:</b>	
Purchases of investments	(149,653)
Proceeds from investment sales and maturities	250,000
Investment interest received	15,108
Net Cash Provided by Investing Activities	<u>115,455</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(252,953)
Cash and Cash Equivalents at Beginning of Year	<u>960,223</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 707,270</u></u>

The accompanying notes are an integral part of this statement.

**CITY OF CANTON**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Enterprise Fund</u> <u>Landfill Fund</u>
<b>Reconciliation of Operating Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Operating Income	\$ 12,934
Adjustments to Reconcile Operating Income to	
Net Cash Provided by Operating Activities:	
Depreciation	148,807
(Increase) decrease in:	
Accounts receivable	437,673
Due from component units	125
Due from other funds	(19,768)
Deferred outflows of resources - pension	64,396
Increase (decrease) in:	
Accounts payable	18,521
Wages and benefits payable	2,397
Accrued closure/post-closure care costs	114,440
Compensated absences	6,214
Net pension liability	(56,870)
Deferred inflows of resources - pension	36,880
Total Adjustments	<u>752,815</u>
Net Cash Provided by Operating Activities	<u>\$ 765,749</u>
 <b>Summary of Cash and Cash Equivalents at End of Year:</b>	
Cash and cash equivalents	\$ 521,707
Restricted for closure/post-closure care costs:	
Cash and cash equivalents	185,563
Total Cash and Cash Equivalents at End of Year	<u>\$ 707,270</u>
 <b>Non-cash capital and related financing activities:</b>	
Accounts payable for capital assets at end of year	<u>\$ 547,127</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, 2018

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. FINANCIAL REPORTING ENTITY**

The City of Canton, Mississippi (the City) is incorporated under the laws of the State of Mississippi. The City operates under the Mayor-Council form of government with a full-time Mayor elected from the City at large and seven part-time Council members (the City Council) elected from wards. The City's major operations include police and fire protection, parks and recreation, public works, a cemetery, a landfill, and general administrative services.

The City's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments. The more significant accounting policies established in GAAP and used by the City are discussed below.

**COMPONENT UNITS**

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

Canton Municipal Utilities (CMU) – 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 Council.

Canton Convention and Visitors Bureau - Canton Convention and Visitors Bureau (the 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 by the Mississippi Department of Revenue and remitted to the City, which in turn provides the funds 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 Council. These commissioners, to the extent possible, are owners and/or operators of hotels, motels, and restaurants within the City.

(Continued)



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The above-mentioned discretely presented component units issue separately-audited financial statements, which may be obtained from:

Canton Municipal Utilities  
127 West Peace Street  
Canton, Mississippi 39046  
(601) 859-2921

Canton Convention and Visitors Bureau  
147 North Union Street  
Canton, Mississippi 39046  
(601) 859-1307

**RELATED ORGANIZATIONS**

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

Madison County Library System – The library system is governed by a seven-member board of directors, of which two members are appointed by the City. The City provides funding to the library system from property taxes levied by the City for library purposes, 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, while the two remaining directors are elected. The City approves the tax millage of the school 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 who govern the housing authority, but it has no significant control over the management, budget, or operating policies of the housing authority.

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 City's Mayor. 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 but which are not funded by the City and have no adopted budgets or operating expenses:

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

(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**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). The landfill is classified as a business-type activity in the government-wide financial statements and as a proprietary enterprise fund in the fund financial statements. Both the government-wide and fund financial statements categorize the City's remaining activities as governmental type. The government-wide financial statements are presented on a full accrual basis using the economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt, deferred outflows and inflows of resources, and long-term obligations.

The government-wide Statement of Activities reflects both the gross and net costs per functional category (Public Safety, Public Works, etc.), which are otherwise being supported by general government revenues (property taxes, intergovernmental revenues, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function (Public Safety, Public Works, etc.). These include charges for certain services that are provided by the City (e.g., permits, licenses, 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 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.). The City does not allocate indirect costs to functions.

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

The governmental funds' statements in the fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each governmental fund statement, which briefly explains the adjustments necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

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

(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

The focus of government-wide financial statements is on the City as a whole. The focus of the fund financial statements is on the major governmental and 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**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City, is considered particularly important to users, or meets the following criteria:

- a. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

General Fund

The General Fund is the primary operating fund of the City and is used to account for all activities except those which are legally or administratively required to be accounted for in other funds.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted or committed to expenditures for certain purposes.

Debt Service Funds

Debt service funds account for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the city other than debt service payments made by enterprise funds.

Capital Project Funds

Capital project funds are used to account for resources restricted for the acquisition of specific capital projects other than those financed by enterprise funds.

(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**Proprietary Funds**

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector.

**1. Major Governmental Funds**

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 and capital improvement costs that are not paid through other funds are paid from this fund.

Debt Service Sinking Fund - This fund accounts for the resources related to the repayment of debt principal and interest.

**2. Proprietary Fund**

The City has one proprietary enterprise fund, the Landfill Fund, and this fund is a major fund of the City. All revenues and expenses for the City's solid waste collection and landfill operations are reflected in the Landfill Fund.

**D. BASIS OF PRESENTATION**

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

The fund financial statements are maintained on the modified accrual basis of accounting. Under this method of accounting, revenues are recognized in the period in which they become measurable and available. The term "available" is limited to amounts collectible within sixty days after the fiscal year end. Property taxes levied for use in the subsequent year are levied prior to the fiscal year-end but are reflected as deferred inflows or resources since they are not available for use in the current year. Interest income is recorded as it is earned. Federal and State reimbursement type grants are recorded as revenue when related eligible expenditures are met.

(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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

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, 2018.

**F. BUDGETS AND BUDGETARY INFORMATION**

All funds of the City are budgeted, and budgetary appropriations lapse at year-end. The budgets are adopted annually in September by the Mayor and the City Council, and subsequent amendments are made during the fiscal year upon the approval of the Mayor and the City Council.

All amendments to the budget at the legal level of control must be approved by the City's Mayor and Board of Alderman.

Expenditures other than capital outlay, elections, and emergency expenditures may not legally exceed budgeted appropriations at the purpose level (e.g., personnel services; contractual services; supplies and materials; grants, subsidies and allocations; capital outlay; and debt service) within each department.

**G. UNEARNED REVENUE**

In the government-wide and fund financial statements, a liability for unearned revenues is reflected when assets are received prior to being earned.

**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 by 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:

(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

*Nonspendable fund balance* includes assets that are 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 assets that are legally or contractually required to remain intact.

*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 specific purposes, pursuant to constraints imposed by a formal action of the City Council, the City's highest level of decision-making authority.

*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 City's director of finance pursuant to authorization under the policies adopted by the City.

*Unassigned fund balance* is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund is 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 CASH EQUIVALENTS**

Cash consists of amounts on deposit with financial institutions, petty cash, and money market mutual fund shares, and certificates of deposit with maturity dates within 90 days of the date acquired by the City.

**J. INVENTORY AND PREPAID ITEMS**

Inventories of materials and supplies 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.

(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

**K. ACCOUNTS RECEIVABLE**

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

**L. INTERFUND TRANSACTIONS AND BALANCES**

In general, eliminations have been made within the financial statements 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 in the government-wide financial statements.

In the fund financial statements, transactions for services rendered by one fund to another are treated as revenues of the recipient fund and expenditures/expenses of the disbursing fund. Reimbursements of the expenditure/expenses made by one fund for another are recorded as expenditures in the reimbursing fund and as a reduction of expenditures/expenses in the reimbursed fund.

Transfers represent flows of assets between funds of the primary government without equivalent flows of assets in return and without a requirement for payment.

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.

**M. CAPITAL ASSETS**

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 in the government-wide financial statements at actual or estimated historical cost based on appraisals or deflated current replacement cost. Donated assets are reported at estimated fair value at the time received.

Maintenance, repairs, and minor equipment are charged to operations when incurred. Expenses that materially change capacities or extend useful lives are capitalized. Upon sale or retirement of capital assets, 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.

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.

(Continued)

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

Capital asset thresholds are as follows:

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

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

Computer Equipment and Peripherals	3 years
Vehicles and Equipment	5 years
Heavy Equipment	10-20 years
Furniture and Fixtures	7 years
Improvements other than Buildings	20 years
Buildings	40 years
Infrastructure:	
Roads	20 years
Bridge	30-50 years

**N. LONG-TERM DEBT DISCOUNTS, PREMIUMS, AND ISSUANCE COSTS**

In the governmental fund financial statements, long-term debt discounts, premiums, and issuance costs related to long-term debt are treated as period costs in the year of debt issuance.

In the proprietary fund and government-wide financial statements, long-term debt discounts and premiums are amortized over the term of the related long-term debt, using the effective interest method. The discounts and premiums are presented as a reduction or increase, respectively, of the face amount of the long-term debt. Debt issuance costs are reported as expenses in the year of the debt issuance. Gains (losses) on debt refundings are reported as deferred inflows/outflows of resources.

**O. COMPENSATED ABSENCES**

Upon termination of employment, the City provides payment of accrued personal leave, up to a maximum of 240 hours, to the departing employee. 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 "Compensated Absences." Similar amounts related to the Proprietary Fund are accrued in the Enterprise Fund. Typically, the Accrued Compensated Absences liability of the governmental activities has been paid from the General Fund.

(Continued)



**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued**

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 hourly pay rate). Compensated absences liabilities are not reported in the governmental funds because they are not a fund liability until payment is due.

**P. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES**

In addition to assets, the financial statements will sometimes report a separate section for Deferred Outflows of Resources. This separate financial statement element represents a consumption of net position that applies to a future period and, consequently, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has deferred outflows of resources related to pensions and advance refunding of long-term debt.

In addition to liabilities, the financial statements will sometimes report a separate section for Deferred Inflows of Resources. This separate financial statement element represents an acquisition of net position that applies to a future period and, consequently, will not be recognized as an inflow of resources (revenue) until then. The City has deferred inflows of resources related to pensions, property taxes levied for use in the subsequent year, and receivables that are not yet available.

**Q. NET POSITION**

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

1. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of bonds, notes, or other borrowings attributable to the acquisition, construction or improvements of those assets.
2. Restricted net position - Consists of net position with constraints placed on use by external groups, such as creditors, grantors or contributors, by laws and regulations of other governments, or by law through constitutional provisions or enabling legislation.
3. Unrestricted net position – Consists of all net position not meeting the definition of “net investment in capital assets” or “restricted net position”.

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

**R. USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred outflows and inflows of resources, and disclosures. Actual results could differ from those estimates.

(Continued)

## NOTE 2. DEPOSITS AND INVESTMENTS

### A. Deposits

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

The carrying amount of the City's deposits with financial institutions was \$2,338,840 at September 30, 2018, and the bank balance was \$2,677,367. The difference between the carrying amount and the bank balance results primarily from outstanding checks that have not yet cleared the bank.

*Custodial Credit Risk - Deposits.* Custodial credit risk is defined as the risk that, in the event of a financial institution's failure, the city's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. One of the financial institutions utilized by the City did not have the City's deposits classified as public funds under the Mississippi collateral pool and had not pledged collateral for the City's deposits; consequently, the majority of the City deposits at September 30, 2018, were uninsured and uncollateralized, as follows:

Insured by the Federal Deposit Insurance Corporation (FDIC)	\$ 490,310
Uninsured and uncollateralized	<u>2,187,057</u>
Total bank balance of deposits	<u>\$2,677,367</u>

### B. Investments

Investments are reported at fair value. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

As of September 30, 2018, all of the City's investments (including money market mutual fund shares classified as cash equivalents) were categorized as Level 1 investments valued using quoted market prices, as follows:

Cash equivalents	\$1,169,568
Investments	<u>577,781</u>
Total	<u>\$1,747,349</u>

The investments of Canton Municipal Utilities (a component unit) at September 30, 2018, consisted of certificates of deposit.

(Continued)

**NOTE 2. DEPOSITS AND INVESTMENTS - Continued**

*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 the maturities for specific individual investments.

*Concentration of Credit Risk.* As of September 30, 2018, the City had the following investments and cash equivalents:

<u>Description</u>	<u>Fair Value</u>	<u>Interest Rate(s)</u>	<u>Credit Rating</u>	<u>%</u>
<b>Investments:</b>				
Federal Agricultural Mortgage Corp. notes	\$ 123,147	2.10-4.16%	Unrated	7%
Federal Home Loan Bank consol. bonds	103,374	4.63%	AA+	6%
Federal Home Loan Mortgage Corp. notes	118,346	1.40-2.25%	AA+	7%
U.S. Treasury notes	<u>232,914</u>	1.38-2.25%	AA+	<u>13%</u>
Total Investments	577,781			33%
<b>Cash Equivalents:</b>				
Federated U.S. Treasury Cash Reserves				
Money Market Mutual Fund shares	<u>1,169,568</u>	N/A	AAAm	<u>67%</u>
	<u>\$1,747,349</u>			<u>100%</u>

<u>Description</u>	<u>Investment Maturities in Years</u>		
	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
<b>Investments:</b>			
Federal Agricultural Mortgage Corp. notes	\$ -	\$ 123,147	\$ -
Federal Home Loan Bank consol. bonds	-	103,374	-
Federal Home Loan Mortgage Corp. notes	69,252	49,094	-
U.S. Treasury notes	<u>-</u>	<u>184,677</u>	<u>48,237</u>
	69,252	460,292	48,237
<b>Cash Equivalents:</b>			
Federated U.S. Treasury Cash Reserves			
Money Market Mutual Fund shares	<u>1,169,568</u>	<u>-</u>	<u>-</u>
	<u>\$1,238,820</u>	<u>\$ 460,292</u>	<u>\$48,237</u>

*Credit Risk.* Pursuant to state statute, the City is allowed to invest excess funds in: (1) direct obligations of the United States of America, the State of Mississippi, or a county or municipality of Mississippi; (2) in obligations issued or guaranteed in full as to principal and interest by the United States of America and which are subject to a repurchase agreement with a qualified depository; (3) 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 counterparty's failure, the City will not be able to recover the value of its investments that are in the possession of an outside party. The City does not have a formal investment policy that addresses custodial credit risk. All of the City's investments and cash equivalents were held by financial institutions and were not insured.

(Continued)

**NOTE 3. INTERFUND TRANSACTIONS AND BALANCES**

The following is a summary of interfund transactions and balances:

A. Due To/From Other Funds:

	Due from:		<u>Totals</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	
<u>Due to:</u>			
General Fund	\$ -	\$169,569	\$169,569
Debt Service Sinking Fund	4,512	-	4,512
Landfill Fund	45,731	-	45,731
Totals	<u>\$ 50,243</u>	<u>\$169,569</u>	<u>\$219,812</u>

Due From/To Other Funds balances result primarily from General Fund payments for capital project expenditures that will be reimbursed by pending debt and grant proceeds and are therefore expected to be repaid within one year from the date of the financial statements.

B. Transfers In and Transfers Out:

	Transfer from:		<u>Totals</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	
<u>Transfer to:</u>			
Nonmajor Governmental Funds	<u>\$281,907</u>	<u>\$ 43,201</u>	<u>\$325,108</u>

Transfers between funds were primarily made in order to provide funds for required debt service payments.

(Continued)

**NOTE 4. RECEIVABLES**

Accounts receivable at September 30, 2018, consisted of the following:

	General Fund	Debt Service Sinking Fund	Nonmajor Governmental Funds	Landfill Fund	Totals
Property taxes	\$ 3,391,292	\$ 1,287,003	\$ 101,141	\$ -	\$ 4,779,436
Sales taxes	616,043	-	-	-	616,043
Franchise taxes	41,804	-	-	-	41,804
Court fines	1,511,891	-	-	-	1,511,891
Federal grants	-	-	64,032	-	64,032
Landfill charges	-	-	-	385,129	385,129
Other	10,119	-	-	-	10,119
Gross receivables	5,571,149	1,287,003	165,173	385,129	7,408,454
Allowance for uncollectible amounts	(1,258,024)	-	-	(128,622)	(1,386,646)
Net receivables	<u>\$ 4,313,125</u>	<u>\$ 1,287,003</u>	<u>\$ 165,173</u>	<u>\$ 256,507</u>	<u>\$ 6,021,808</u>

Deferred inflows of resources related to the receivables consisted of the following at September 30, 2018:

	General Fund	Debt Service Sinking Fund	Nonmajor Governmental Funds	Landfill Fund	Totals
Property taxes levied for the subsequent year	\$ 3,321,243	\$ 1,264,345	\$ 99,547	\$ -	\$ 4,685,135
Court fines unavailable for current use	198,016	-	-	-	198,016
	<u>\$ 3,519,259</u>	<u>\$ 1,264,345</u>	<u>\$ 99,547</u>	<u>\$ -</u>	<u>\$ 4,883,151</u>

**NOTE 5. PROPERTY TAXES**

Property taxes on real and personal property, exclusive of automobiles, that is held on January 1 of a given year is assessed for taxation in the ensuing calendar year. This tax levy, which establishes a lien against the underlying property, is made by the City in its September board meeting. The taxes thus assessed are due and payable in the following year, as follows:

- 1<sup>st</sup> installment (50%) on or before February 1<sup>st</sup>
- 2<sup>nd</sup> installment (25%) on or before May 1<sup>st</sup>
- Final installment (25%) on or before August 1<sup>st</sup>

If taxes remain unpaid, the property subject to a tax lien is sold for taxes on the fourth Monday of August.

Tax millage levies for the year ended September 30, 2018, were as follows:

General Fund	39.95
Debt service	15.35
Library	<u>1.02</u>
Total mills	<u>56.32</u>

(Continued)

**NOTE 6. CAPITAL ASSETS**

Capital asset activity of the primary government for the year ended September 30, 2018, was as follows:

	Balance October 1, 2017	Additions	Disposals	Balance September 30, 2018
<b>Governmental Activities:</b>				
Non-depreciable capital assets:				
Land	\$ 2,977,827	\$ -	\$ -	\$ 2,977,827
Total non-depreciable capital assets	<u>2,977,827</u>	<u>-</u>	<u>-</u>	<u>2,977,827</u>
Depreciable capital assets:				
Buildings	6,345,669	-	-	6,345,669
Infrastructure	5,972,287	-	-	5,972,287
Vehicles	2,297,076	-	(124,817)	2,172,259
Equipment	584,180	235,981	-	820,161
Total depreciable capital assets	<u>15,199,212</u>	<u>235,981</u>	<u>(124,817)</u>	<u>15,310,376</u>
Less accumulated depreciation for:				
Buildings	3,894,461	70,034	-	3,964,495
Infrastructure	2,246,438	204,761	-	2,451,199
Vehicles	1,707,783	114,099	(69,309)	1,752,573
Equipment	357,866	53,833	-	411,699
Total accumulated depreciation	<u>8,206,548</u>	<u>442,727</u>	<u>(69,309)</u>	<u>8,579,966</u>
Total depreciable capital assets, net	<u>6,992,664</u>	<u>(206,746)</u>	<u>(55,508)</u>	<u>6,730,410</u>
Governmental activities capital assets, net	<u>\$ 9,970,491</u>	<u>\$ (206,746)</u>	<u>\$ (55,508)</u>	<u>\$ 9,708,237</u>

(Continued)

**NOTE 6. CAPITAL ASSETS - Continued**

	Balance October 1, 2017	Additions	Disposals	Balance September 30, 2018
<b>Business-Type Activity:</b>				
Non-depreciable capital assets:				
Land	\$ 38,380	\$ -	\$ -	\$ 38,380
Construction in progress	512,182	1,063,508	-	1,575,690
Total non-depreciable capital assets	550,562	1,063,508	-	1,614,070
Depreciable capital assets:				
Land improvements	1,013,723	38,180	-	1,051,903
Vehicles	109,876	-	-	109,876
Equipment	757,069	-	-	757,069
Total depreciable capital assets	1,880,668	38,180	-	1,918,848
Less accumulated depreciation for:				
Land improvements	821,116	91,235	-	912,351
Vehicles	92,161	7,301	-	99,462
Equipment	486,264	50,271	-	536,535
Total accumulated depreciation	1,399,541	148,807	-	1,548,348
Total depreciable capital assets, net	481,127	(110,627)	-	370,500
Business-type activity capital assets, net	\$ 1,031,689	\$ 952,881	\$ -	\$ 1,984,570

Depreciation expense was charged to functions as follows:

**Governmental Activities:**

General government	\$ 21,776
Public safety	137,072
Public works	255,788
Culture and recreation	27,012
Health and welfare	1,079
Total depreciation - governmental activities	<u>\$ 442,727</u>

**Business-Type Activity:**

Landfill	<u>\$ 148,807</u>
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Construction in progress at September 30, 2018, consisted of the following:

	Spent to September 30, 2018	Remaining Commitment
<b>Business-Type Activity:</b>		
Landfill cell 2A	<u>\$ 1,575,690</u>	<u>\$ -</u>

(Continued)

**NOTE 6. CAPITAL ASSETS - Continued**

Capital asset activity of the component units for the year ended September 30, 2018, was as follows:

	Balance October 1, <u>2017</u>	<u>Additions</u>	<u>Disposals</u>	Balance September 30, <u>2018</u>
<b>Canton Municipal Utilities:</b>				
Non-depreciable capital assets:				
Land	\$ 1,333,945	\$ 115,839	\$ (5,000)	\$ 1,444,784
Construction in progress	133,908	1,136,994	(444,554)	826,348
Total non-depreciable capital assets	<u>1,467,853</u>	<u>1,252,833</u>	<u>(449,554)</u>	<u>2,271,132</u>
Depreciable capital assets:				
Gas system	10,940,787	69,567	-	11,010,354
Electric system	3,133,278	1,937	(6,698)	3,128,517
Water system	18,460,043	208,217	-	18,668,260
Sewer system	15,161,339	-	-	15,161,339
Nissan and Beattie's Bluff	17,414,936	-	-	17,414,936
Generation	4,242,389	-	-	4,242,389
Equipment and other	6,198,135	523,625	-	6,721,760
Total depreciable capital assets	<u>75,550,907</u>	<u>803,346</u>	<u>(6,698)</u>	<u>76,347,555</u>
Less accumulated depreciation for:				
Gas system	4,335,547	486,634	-	4,822,181
Electric system	2,461,123	112,771	(6,698)	2,567,196
Water system	16,207,627	614,053	-	16,821,680
Sewer system	12,585,845	341,221	-	12,927,066
Nissan and Beattie's Bluff	6,324,836	435,374	-	6,760,210
Generation	1,979,456	139,999	-	2,119,455
Equipment and other	3,737,977	156,287	-	3,894,264
Total accumulated depreciation	<u>47,632,411</u>	<u>2,286,339</u>	<u>(6,698)</u>	<u>49,912,052</u>
Total depreciable capital assets, net	<u>27,918,496</u>	<u>(1,482,993)</u>	<u>-</u>	<u>26,435,503</u>
Canton Municipal Utilities capital assets, net	<u>\$ 29,386,349</u>	<u>\$ (230,160)</u>	<u>\$ (449,554)</u>	<u>\$ 28,706,635</u>

(Continued)



**NOTE 6. CAPITAL ASSETS - Continued**

	Balance October 1, 2017	Additions	Disposals	Balance September 30, 2018
<b>Canton Convention and Visitors Bureau:</b>				
Non-depreciable capital assets:				
Land	\$ 960,000	\$ -	\$ -	\$ 960,000
Total non-depreciable capital assets	960,000	-	-	960,000
Depreciable capital assets:				
Buildings	130,076	-	-	130,076
Leasehold improvements	344,415	5,650	(4,572)	345,493
Mobile and special events equipment	30,094	-	-	30,094
Furniture and equipment	121,467	-	-	121,467
Total depreciable capital assets	626,052	5,650	(4,572)	627,130
Less accumulated depreciation for:				
Buildings	49,945	3,335	-	53,280
Leasehold improvements	200,337	17,162	(4,572)	212,927
Mobile and special events equipment	30,094	-	-	30,094
Furniture and equipment	50,779	14,520	-	65,299
Total accumulated depreciation	331,155	35,017	(4,572)	361,600
Total depreciable capital assets, net	294,897	(29,367)	-	265,530
Canton Convention and Visitors Bureau capital assets, net	\$ 1,254,897	\$ (29,367)	\$ -	\$ 1,225,530

**NOTE 7. SHORT-TERM DEBT**

The City issued short-term debt to provide necessary cash in the General Fund prior to the collection of current year property ad valorem taxes. Following is a summary of the City's short-term debt activity for the year ended September 30, 2018:

Description	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018
Governmental Activities:				
Tax Anticipation Note	\$ -	\$1,000,000	\$1,000,000	\$ -

(Continued)

**NOTE 8. LONG-TERM LIABILITIES**

Following is a summary of changes in the primary government's long-term liabilities:

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Due within one year
<b>Governmental Activities:</b>					
General Obligation Bonds	\$ 8,230,000	\$ -	\$ (810,000)	\$ 7,420,000	\$ 830,000
Tax Increment Financing Bonds	2,455,000	1,315,000	(130,000)	3,640,000	215,000
Bond Premiums	75,886	-	(10,445)	65,441	-
Total Bonds Payable	10,760,886	1,315,000	(950,445)	11,125,441	1,045,000
US Department of Agriculture Loan	944,393	-	(33,154)	911,239	34,853
Mississippi Development Authority Loan	436,284	-	(37,072)	399,212	37,471
Capital Lease Obligations	469,545	235,981	(106,877)	598,649	118,943
Total Notes and Lease Obligations Payable	1,850,222	235,981	(177,103)	1,909,100	191,267
Total Long-Term Debt Payable	12,611,108	1,550,981	(1,127,548)	13,034,541	1,236,267
Compensated Absences Payable	310,463	17,306	(14,420)	313,349	14,420
Net Pension Liability	10,641,469	-	(964,749)	9,676,720	-
Total Long-Term Liabilities, Governmental Activities	\$ 23,563,040	\$ 1,568,287	\$ (2,106,717)	\$ 23,024,610	\$ 1,250,687

The compensated absences payable and net pension liability of the governmental activities are typically paid by the General Fund.

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Due within one year
<b>Business-Type Activity:</b>					
Revenue Bonds	\$ 2,585,000	\$ -	\$ (140,000)	\$ 2,445,000	\$ 145,000
Bond Discounts	(27,391)	-	3,338	(24,053)	-
Total Bonds Payable	2,557,609	-	(136,662)	2,420,947	145,000
Capital Lease Obligations	1,113,517	-	(301,196)	812,321	772,291
Total Long-Term Debt Payable	3,671,126	-	(437,858)	3,233,268	917,291
Compensated Absences Payable	28,037	7,516	(1,302)	34,251	1,302
Accrued Closure/Post-Closure Care Costs	1,372,617	114,440	-	1,487,057	-
Net Pension Liability	868,236	-	(56,870)	811,366	-
Total Long-Term Liabilities, Business-Type Activities	\$ 5,940,016	\$ 121,956	\$ (496,030)	\$ 5,565,942	\$ 918,593

(Continued)

**NOTE 8. LONG-TERM LIABILITIES - Continued**

The primary government's long-term debt outstanding at September 30, 2018, consists of the following:

	<u>Date of Obligation</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance September 30, 2018</u>
<b>Governmental Activities:</b>					
Bonds:					
General Obligation Refunding Bonds, Series 2016	4/28/2016	10/1/2031	1.00-2.75%	\$ 7,170,000	\$ 6,440,000
General Obligation Refunding Bonds, Series 2011	10/8/2011	10/1/2021	4.59%	2,580,000	980,000
Tax Increment Financing Bonds, Series 2015	3/24/2015	3/1/2032	3.35-4.00%	2,705,000	2,325,000
Tax Increment Financing Bonds, Series 2018	9/12/2018	10/1/2030	4.35%	1,315,000	1,315,000
Bond premiums					65,441
Total Bonds, Governmental Activities					<u>\$ 11,125,441</u>
Loans:					
US Department of Agriculture Loan	3/24/2000	3/24/2035	5.13%	\$ 1,299,200	\$ 911,239
Mississippi Development Authority Loan	6/9/2008	6/1/2028	2.00%	750,000	399,212
Total Loans, Governmental Activities					<u>\$ 1,310,451</u>
Capital Lease Obligations:					
Fire truck	9/5/2010	9/5/2019	5.50%	\$ 173,460	\$ 22,418
Fire truck	11/1/2014	11/1/2024	3.62%	375,000	276,145
Police vehicles	5/2/2016	5/2/2019	5.95%	106,436	27,472
Police vehicles	3/31/2017	3/31/2021	5.45%	79,929	47,866
Bulldozer	2/13/2018	1/13/2023	3.94%	140,122	131,990
Backhoe	5/2/2018	4/2/2023	5.30%	95,859	92,758
Total Capital Lease Obligations, Governmental Activities					<u>\$ 598,649</u>
<b>Business-Type Activity:</b>					
Bonds:					
Revenue Refunding Mississippi Development Bank Bonds, Series 2016	12/15/2016	6/1/2031	3.63-5.00%	\$ 2,785,000	\$ 2,445,000
Bond discounts					(24,053)
Total Bonds, Business-Type Activities					<u>\$ 2,420,947</u>
Capital Lease Obligations:					
Tractor	10/23/2014	10/23/2019	2.29%	\$ 86,405	\$ 20,499
Knuckle boom loader	4/1/2015	4/1/2020	4.00%	140,998	66,860
Landfill compactor	6/13/2016	6/1/2019	1.95%	471,201	247,266
Tractor	8/23/2016	9/1/2019	1.95%	391,439	238,848
Tractor	9/12/2016	9/1/2019	1.95%	391,439	238,848
Total Capital Lease Obligations, Business-Type Activities					<u>\$ 812,321</u>

(Continued)

**NOTE 8. LONG-TERM LIABILITIES - Continued**

The City has financed the acquisition of certain equipment and vehicles through lease agreements that qualify as capital leases for accounting purposes. Therefore, the leases have been recorded as capital lease obligations at the present value of the future minimum lease payments as of the date of their inception. Amortization of the capital lease assets is included in depreciation expense. As of September 30, 2018, the capital lease assets and related accumulated depreciation were as follows:

	Cost	Accumulated Depreciation	Net
Governmental activities	\$ 970,806	\$ (251,444)	\$ 719,362
Business-type activities	1,481,482	(318,872)	1,162,610
	<u>\$ 2,452,288</u>	<u>\$ (570,316)</u>	<u>\$ 1,881,972</u>

Following is a summary of changes in the component units' long-term liabilities:

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Due within one year
<b>Canton Municipal Utilities:</b>					
Capital Lease Obligations	\$ -	\$ 150,411	\$ (5,993)	\$ 144,418	\$ 19,806
Member Pay Assessments Payable	1,130,401	-	(104,829)	1,025,572	107,935
Total Notes and Lease Obligations Payable	1,130,401	150,411	(110,822)	1,169,990	127,741
Compensated Absences Payable	254,287	71,466	-	325,753	95,406
Net Pension Liability	9,522,214	656,958	-	10,179,172	-
Total Long-Term Liabilities, Canton Municipal Utilities	<u>\$ 10,906,902</u>	<u>\$ 878,835</u>	<u>\$ (110,822)</u>	<u>\$ 11,674,915</u>	<u>\$ 223,147</u>

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Due within one year
<b>Canton Convention and Visitors Bureau:</b>					
Notes Payable	\$ 7,079	\$ -	\$ (7,079)	\$ -	\$ -
Capital Lease Obligations	31,120	-	(31,120)	-	-
Total Notes and Lease Obligations Payable	38,199	-	(38,199)	-	-
Net Pension Liability	266,973	26,765	-	293,738	-
Total Long-Term Liabilities, Canton Convention and Visitors Bureau	<u>\$ 305,172</u>	<u>\$ 26,765</u>	<u>\$ (38,199)</u>	<u>\$ 293,738</u>	<u>\$ -</u>

(Continued)

**NOTE 8. LONG-TERM LIABILITIES - Continued**

The annual requirements to amortize the primary government's long-term debt outstanding at September 30, 2018, including interest, by source of retirement are as follows:

**General Fund:**

Year Ending September 30,	Mississippi Development Authority Loan			Capital Lease Obligations		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 37,471	\$ 7,710	\$ 45,181	\$ 118,943	\$ 25,221	\$ 144,164
2020	38,647	6,946	45,593	71,998	19,409	91,407
2021	39,428	6,167	45,595	75,071	16,334	91,405
2022	40,224	5,372	45,596	60,558	13,123	73,681
2023	41,035	4,562	45,597	186,047	7,550	193,597
2024-2028	202,407	10,089	212,496	86,032	4,702	90,734
Total	\$ 399,212	\$ 40,846	\$ 440,058	\$ 598,649	\$ 86,339	\$ 684,988

**Debt Service Funds:**

Year Ending September 30,	General Obligation Bonds			Tax Increment Financing Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 830,000	\$ 191,758	\$ 1,021,758	\$ 215,000	\$ 146,624	\$ 361,624
2020	860,000	167,130	1,027,130	225,000	135,554	360,554
2021	860,000	141,382	1,001,382	235,000	127,115	362,115
2022	820,000	115,376	935,376	245,000	118,293	363,293
2023	410,000	98,976	508,976	250,000	109,086	359,086
2024-2028	2,185,000	355,678	2,540,678	1,410,000	393,651	1,803,651
2029-2033	1,455,000	78,314	1,533,314	1,060,000	98,436	1,158,436
Total	\$ 7,420,000	\$ 1,148,614	\$ 8,568,614	\$ 3,640,000	\$ 1,128,759	\$ 4,768,759

Year Ending September 30,	US Department of Agriculture Loan		
	Principal	Interest	Total
2019	\$ 34,853	\$ 46,632	\$ 81,485
2020	36,640	44,846	81,486
2021	38,518	42,968	81,486
2022	40,492	40,994	81,486
2023	42,567	38,919	81,486
2024-2028	247,881	159,549	407,430
2029-2033	318,254	89,176	407,430
2034-2038	152,034	12,273	164,307
Total	\$ 911,239	\$ 475,357	\$ 1,386,596

(Continued)

**NOTE 8. LONG-TERM LIABILITIES - Continued**

**Enterprise Fund - Landfill Fund:**

Year Ending September 30,	Revenue Refunding Mississippi Development Bank Bonds			Capital Lease Obligations		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 145,000	\$ 111,638	\$ 256,638	\$ 772,291	\$ 12,848	\$ 785,139
2020	150,000	106,382	256,382	40,030	1,221	41,251
2021	155,000	100,944	255,944	-	-	-
2022	160,000	95,326	255,326	-	-	-
2023	170,000	88,126	258,126	-	-	-
2024-2028	965,000	318,352	1,283,352	-	-	-
2029-2033	700,000	71,250	771,250	-	-	-
Total	\$ 2,445,000	\$ 892,018	\$ 3,337,018	\$ 812,321	\$ 14,069	\$ 826,390

The annual requirements to amortize the component units long-term debt outstanding at September 30, 2018, including interest, are as follows:

**Canton Municipal Utilities:**

Year Ending September 30,	Member Pay Assessments Payable			Capital Lease Obligations	
	Principal	Interest	Total	Total	
2019	\$ 107,935	\$ 24,945	\$ 132,880	\$ 24,812	
2020	110,950	21,930	132,880	24,812	
2021	114,059	18,821	132,880	24,812	
2022	117,266	15,614	132,880	24,812	
2023	115,569	17,311	132,880	60,017	
2024-2028	349,364	27,103	376,467	-	
2029-2033	110,429	2,347	112,776	-	
Total	\$ 1,025,572	\$ 128,071	\$ 1,153,643	Total minimum payments 159,265	
				Less amount representing interest (14,847)	
				Present value of future minimum lease payments \$ 144,418	

(Continued)

**NOTE 8. LONG-TERM LIABILITIES - Continued**

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, thereby increasing the allowable bonded debt to no greater than 20% of the assessed value. As of September 30, 2018, the debt margin was as follows:

Total bonded debt	\$13,505,000
Less: Tax increment financing bonds	(3,640,000)
Enterprise fund revenue bonds	<u>(2,445,000)</u>
Bonded debt subject to 15% limitation	<u>\$7,420,000</u>
Assessed property values	\$82,199,304
Percentage of applicable bonded debt to the assessed property values	9.03%

**Advance Refunded Bonds**

In a prior year, the City refunded certain bonds in advance by placing the proceeds of new bonds in an irrevocable escrow account to provide for all future debt service payments on the old bonds. This qualifies as an in-substance defeasance of the old bonds, and accordingly the escrow account assets and the liability for the in-substance defeased bonds are not reflected in the City's financial statements. As of September 30, 2018, \$4,000,000 of these in-substance defeased bonds remained outstanding.

**Revenue Pledged to Secure Debt**

The City has pledged its share of general sales tax collected by the State to secure its loan payable to the Mississippi Development Authority for certain public improvement projects. The City received general sales tax revenue totaling \$3,075,132 during the current year and made current year principal and interest payments on the loan payable to the State totaling \$45,530, which was approximately 2% of the pledged revenue. As of September 30, 2018, the future principal and interest requirements for the loan payable totaled \$440,058, and the maturity date of the loan payable is June, 2028.

The City has pledged incremental ad valorem and sales tax revenues resulting from commercial development projects to secure limited obligation tax increment financing bonds that were issued to fund the projects. The City's incremental ad valorem and sales tax revenues received in the current year totaled \$173,201. The current year principal and interest payments made by the City on the limited obligation bonds totaled \$220,556, which was approximately 127% of the pledged revenues. As of September 30, 2018, the future principal and interest requirements for the bonds totaled \$4,768,759, and the maturity dates extend through March, 2032.

(Continued)

**NOTE 8. LONG-TERM LIABILITIES - Continued**

The City has pledged Landfill Fund revenues, net of operating expenses, as well as its share of general sales tax collected by the State to secure its revenue bonds issued for a capital improvement project. The Landfill Fund had operating income of \$12,934 in the current year, and the current year principal and interest payments made by the City on the revenue bonds totaled \$254,890, which was approximately 1,971% of the pledged Landfill Fund operating income and 8% of the pledged general sales tax revenue. As of September 30, 2018, the future principal and interest requirements for the revenue bonds totaled \$3,337,018, and the maturity dates extend through June, 2031.

**NOTE 9. OPERATING LEASE OBLIGATIONS**

The City is obligated under certain noncancellable equipment leases with terms greater than one year that are classified as operating leases. Operating leases do not give rise to property rights; therefore, the equipment under operating leases agreements is not reflected in the City's capital assets. Future minimum operating lease payments under these agreements as of September 30, 2018, is as follows:

Year Ending September 30,	Governmental Activities	Business-Type Activities
2019	\$ 22,602	\$ 41,233
2020	21,047	41,233
2021	12,404	41,233
2022	-	41,233
2023	-	17,181
	<u>\$ 56,053</u>	<u>\$ 182,113</u>

Total rental expenditures for operating leases of the City for the year ended September 30, 2018, were \$19,715 and \$41,233 for the governmental activities and business-type activities, respectively.

**NOTE 10. DEFINED BENEFIT PENSION PLAN****General Information about the Plan**

*Plan Description:* The City contributes to the Public Employees Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan for all eligible employees. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That information may be obtained by writing to Public Employees Retirement System, PERS Building, 429 Mississippi Street, Jackson, MS 39201-1005, by calling (601) 359-3589 or 1-800-444-PERS, or through the [www.pers.ms.gov](http://www.pers.ms.gov) website.

(Continued)



**NOTE 10. DEFINED BENEFIT PENSION PLAN - Continued**

*Benefits Provided:* Plan members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2% of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5% for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. A member may elect a reduced retirement allowance payable for life with the provision that, after death, a beneficiary receives benefits for life or for a specified number of years. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. In the event of death prior to retirement of any member whose spouse and/or children are not entitled to a retirement allowance, the deceased member's accumulated contributions and interest are paid to the designated beneficiary.

*Funding Policy:* PERS members are required to contribute 9% of their annual covered salary, and the City is required to contribute at an actuarially-determined rate. The City's contribution rate is 15.75% of the annual covered payroll through June 30, 2019, and 17.4% thereafter. The contribution requirements of PERS members are established and may be amended only by the State of Mississippi Legislature. The City's contributions (excluding amounts withheld from members' salaries) to PERS for the year ended September 30, 2018, were \$650,705, which was equal to 100% of the required contributions for the year, and includes \$83,629 payable at September 30, 2018.

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

At September 30, 2018, the City reported a liability of \$10,488,086 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the ratio of the City's PERS contributions to the total of all employers' PERS contributions for the measurement year.

For the year ended June 30, 2018, the City's proportion was 0.063056%, which was a decrease of 0.006182% from its 0.069238% proportion for the year ended June 30, 2017.

For the year ended September 30, 2018, the City recognized pension expense of \$667,696 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

**NOTE 10. DEFINED BENEFIT PENSION PLAN - Continued**

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
<b>Governmental Activities:</b>		
Differences between expected and actual experience	\$ 42,422	\$ 40,793
Changes of assumptions	5,709	5,345
Net difference between projected and actual earnings on pension plan investments	-	192,359
Changes in the City's proportion	35,011	859,239
City's contributions subsequent to the measurement date	<u>167,703</u>	<u>-</u>
	<u>\$ 250,845</u>	<u>\$1,097,736</u>
	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
<b>Business-Type Activities:</b>		
Differences between expected and actual experience	\$ 3,557	\$ 3,420
Changes of assumptions	479	448
Net difference between projected and actual earnings on pension plan investments	-	16,129
Change in the City's proportion	10,021	49,745
City's contributions subsequent to the measurement date	<u>14,061</u>	<u>-</u>
	<u>\$ 28,118</u>	<u>\$ 69,742</u>

\$181,764 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended</u> <u>September 30,</u>	
2019	\$ (207,209)
2020	(335,720)
2021	(480,186)
2022	<u>(47,164)</u>
	<u>\$(1,070,279)</u>

(Continued)

**NOTE 10. DEFINED BENEFIT PENSION PLAN - Continued**

*Actuarial Assumptions:* The total pension liability in the June 30, 2018 PERS actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.25% - 18.50%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022, with males' rates set forward one year.

The actuarial assumptions used in the June 30, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2012, to June 30, 2016, and the experience report was dated April 18, 2017.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. broad	27%	4.60%
International equity	18	4.50
Emerging markets equity	4	4.75
Global	12	4.75
Fixed income	18	0.75
Real estate	10	3.50
Private equity	8	5.10
Emerging debt	2	2.25
Cash	1	0.00
	<u>100%</u>	

*Discount Rate:* The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current employee contribution rate (9%) and that employer contributions will be made at the current employer contribution rate (15.75%) through June 30, 2019, and at the revised contribution rate (17.4%) thereafter. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(Continued)

**NOTE 10. DEFINED BENEFIT PENSION PLAN - Continued**

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	<u>\$13,809,800</u>	<u>\$10,488,086</u>	<u>\$7,727,303</u>

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

**NOTE 11. MUNICIPAL SOLID WASTE LANDFILL (MSWLF)**

The City has operated a landfill in its current location since 1986 and has gradually increased the size of the original landfill. The City's landfill operations are accounted for in the Landfill Fund, which is an enterprise fund.

The U.S. Environmental Protection Agency (EPA) regulations and similar state regulations establish closure and post-closure requirements for municipal solid waste landfills (MSWLFs). The effect of the regulations is to obligate MSWLF owners and operators to perform certain closing functions and post-closure monitoring and maintenance functions as a condition for the right to operate the MSWLF in the current period. A portion of the current estimated total cost of MSWLF closure and post-closure care is required to be recognized as an expense and as a liability in each period that the MSWLF accepts solid waste. Recognition of the expense begins when the MSWLF begins accepting solid waste, continues in each period that it accepts waste, and must be completed by the time it stops accepting waste. The current estimated total cost is assigned to periods based on MSWLF usage rather than on the passage of time. The current estimated total cost is based on what it would cost to perform all closure and post-closure functions in the current year. However, the actual cost may be higher due to inflation, changes in technology, or changes in regulations. Following is a summary of the landfill capacity and estimated closure/post-closure care costs as of September 30, 2018:

Total estimated airspace capacity	2,144,000 cubic yards	
Capacity filled at September 30, 2018	1,939,564 cubic yards	90.46%
Capacity remaining at September 30, 2018	204,436 cubic yards	9.54%
Estimated remaining landfill life based on current rate of usage	3.29 years	

(Continued)

**NOTE 11. MUNICIPAL SOLID WASTE LANDFILL (MSWLF) - Continued**

Estimated total closure/post-closure care costs	\$1,643,797
Closure/post-closure care costs expense recognized in the year ended September 30, 2018	\$ 114,440
Closure/post-closure care costs expense liability recognized through September 30, 2018	\$1,487,057
Remaining closure/post-closure care costs to be recognized in the future	\$ 156,740

The City has established a trust account for the federal and state regulatory financial assurance requirements related to landfill closure and post-closure care cost. The restricted trust account balance was \$763,344 at September 30, 2018, and is reflected in the financial statements as restricted assets of the Landfill Fund. However, the City did not make the required 2018 annual trust account contribution, which should have been approximately \$177 thousand.

**NOTE 12. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Expenditures other than capital outlay, elections, and emergency expenditures may not legally exceed budgeted amounts at the purpose level within each department. Significant expenditures in excess of the budget for the year ended September 30, 2018, were as follows:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Excess</u>
<b>GENERAL FUND:</b>			
City Council:			
Grants, subsidies & allocations	\$ 600,000	\$ 1,642,583	\$ 1,042,583
Transfers to other funds	-	275,458	275,458
Debt service	244,432	332,943	88,511
Supervision and Finance:			
Contractual services	1,220,880	1,299,527	78,647
Police:			
Personnel services	1,444,630	1,524,988	80,358
Public Works:			
Personnel services	493,644	528,733	35,089
Contractual services	22,500	137,722	115,222
Consumable supplies & materials	163,000	196,469	33,469
<b>BROWNFIELDS ASSESSMENT GRANT FUND:</b>			
Contractual services	-	72,039	72,039
<b>DEBT SERVICE SINKING FUND:</b>			
Contractual services	-	41,375	41,375
<b>TIF BOND SINKING FUND:</b>			
Transfers to other funds	-	43,201	43,201

(Continued)

**NOTE 12. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued**

The individual funds that had deficit fund balances at September 30, 2018, were as follows:

Governmental Capital Project Funds:	
Connector Road Fund	\$ 26,261
SAAB Park Improvements Fund	\$ 114,927
Enterprise Fund :	
Landfill Fund	\$2,800,134

The deficit capital project fund balances will be remedied by the proceeds of long-term debt and grants subsequent to year end. The deficit enterprise fund balance will be remedied over the long term by future adjustments to the rates charged to customers.

**NOTE 13. EFFECT OF DEFERRED AMOUNTS IN NET POSITION**

The “net investment in capital assets” component of the governmental activities net position includes the effect of deferring the recognition of expenses related to debt advance refundings. The \$821,524, balance of the deferred outflows of resources related to debt advance refundings at September 30, 2018, will be recognized as an expense and decrease the net investment in capital assets net position over the next 13 years.

The governmental activities’ unrestricted net position includes the effect of deferring the recognition of adjustments to expense related to the pension plan. The \$250,845 balance of deferred outflows of resources and the \$1,097,736 balance of deferred inflows of resources at September 30, 2018, will be recognized as net reductions of expense and will increase the unrestricted net position over the next four years.

The business-type activity’s unrestricted net position includes the effect of deferring the recognition of adjustments to expense related to the pension plan. The \$28,118 balance of deferred outflows of resources and the \$69,742 balance of deferred inflows of resources at September 30, 2018, will be recognized as net reductions of expense and will increase the unrestricted net position over the next four years.

The governmental activities unrestricted net position includes the effect of deferring the recognition of \$4,685,135 related to receivables of an equal amount for property tax revenues that were levied for use in the subsequent year.

**NOTE 14. RISK MANAGEMENT**

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

(Continued)

Notes to the Financial Statements – Continued

**NOTE 15. CONTINGENCIES**

The City is party to various legal proceedings, many of which occur in the normal course of governmental operations. The City's insurance has denied coverage in several of the potential claims against the City. The City is vigorously defending against the claims but is unable to predict the outcome. If judgments against the City are rendered, the City could be liable for approximately \$110,000.

**NOTE 16. PRIOR PERIOD ADJUSTMENTS**

In 2018, the City discovered errors in the previously-issued financial statements for the year ended September 30, 2017. As a result, prior period adjustments were necessary to correct the net position and fund balance amounts as of September 30, 2017. Following is a summary of these error corrections:

**GOVERNMENTAL ACTIVITIES**

Net position at September 30, 2017, as previously reported	<u>\$ (10,411,066)</u>
Record bank account balance not previously reflected	5,387
Remove bond underwriter fee incorrectly treated as a bond discount instead of as an issuance cost	(62,140)
Correct overstated accrued interest liability on bonds	45,379
Correct understated deferred outflow of resources related to an advance refunding of bonds.	144,302
Correct overstated court fines receivable	(273,330)
Correct understated state assessments payable related to court fines received	(67,608)
Correct understated receivables:	
General sales tax	258,176
Local sales tax	49,462
Liquor tax	675
Franchise taxes	42,220
Special police services	10,118
Correct understated prepaid insurance asset	126,350
Correct understated local sales tax payable to a component unit	(97,841)
Correct understated balance of payroll-related liabilities	(98,333)
Correct understated compensated absences liability	(22,063)
Correct overstated pension-related deferred outflows of resources	(1,037,678)
Correct overstated pension-related deferred inflows of resources	688,604
Correct overstated net pension liability	<u>105,033</u>
Total prior period adjustment	(183,287)
Net position at September 30, 2017, as restated	<u><u>\$ (10,594,353)</u></u>

(Continued)

Notes to the Financial Statements – Continued

**NOTE 16. PRIOR PERIOD ADJUSTMENTS – Continued**

**BUSINESS-TYPE ACTIVITIES - LANDFILL FUND:**

Net position at September 30, 2017, as previously reported	\$ (2,080,220)
Record garbage collections receivable from Canton Municipal Utilities	50,297
Correct overstated payroll-related liabilities	2,117
Correct understated compensated absences liability	(1,992)
Record annual waste disposal state tax payable	(49,880)
Correct understated revenue bond discount	27,391
Correct overstated capital lease obligation	25,172
Correct overstated pension-related deferred outflows of resources	(14,340)
Correct overstated pension-related deferred inflows of resources	79,559
Correct understated net pension liability	(105,033)
Correct understated landfill closure/post-closure care costs liability	(605,477)
Total prior period adjustment	(592,186)
Net position at September 30, 2017, as restated	<u>\$ (2,672,406)</u>

**GENERAL FUND**

Fund balance at September 30, 2017, as previously reported	\$ 1,747,314
Reclassification of the Employment Insurance Revolving Fund to be part of the General Fund because special revenue fund requirements were not met	27,879
Record bank account balance not previously reflected	5,387
Correct overstated court fines receivable	(273,330)
Correct understated state assessments payable related to court fines received	(67,608)
Record deferred inflow of resources for unavailable court fines receivable	(239,703)
Correct understated receivables:	
General sales tax	258,176
Local sales tax	49,462
Liquor tax	675
Franchise taxes	42,220
Special police services	10,118
Correct understated prepaid insurance asset	126,350
Correct understated local sales tax payable to a component unit	(97,841)
Correct understated balance of payroll-related liabilities	(98,333)
Total prior period adjustment	(256,548)
Fund balance at September 30, 2017, as restated	<u>\$ 1,490,766</u>

(Continued)



Notes to the Financial Statements – Continued

**NOTE 16. PRIOR PERIOD ADJUSTMENTS - Continued**

**NONMAJOR GOVERNMENTAL FUNDS**

Fund balance at September 30, 2017, as previously reported	\$ 194,860
Reclassification of the Employment Insurance Revolving Fund to be part of the General Fund because special revenue fund requirements were not met	(27,879)
Total prior period adjustment	(27,879)
Fund balance at September 30, 2017, as restated	\$ 166,981

The effects of these error corrections on the change in net position for the year ended September 30, 2017, could not be determined.

**NOTE 17. SUBSEQUENT EVENTS**

Following is a summary of long-term debt issued by the City subsequent to September 30, 2018:

<u>Issuance Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Term in Years</u>	<u>Payments</u>	<u>Description</u>
10/4/2018	\$ 38,961	7.25%	4	Monthly	Equipment capital lease
2/20/2019	55,716	6.20%	4	Monthly	Vehicle capital leases
2/20/2019	83,574	5.95%	4	Monthly	Vehicle capital leases
7/16/2019	500,738	4.15%	3	Monthly	Equipment capital lease with a balloon payment at maturity
2/4/2020	114,971	6.75%	4	Monthly	Vehicle capital leases
1/7/2020	250,000	3.24%	5	Annual	General obligation note
2/4/2020	2,000,000	2.125-3%	20	Semi-annual	General obligation bonds
6/1/2021	168,720	1.44%	5	Annual	Equipment capital lease

In addition, the Mississippi Development Authority awarded a capital improvement loan of up to \$699,705 to the City on April 10, 2017, but the City had not yet drawn any proceeds from the loan as of September 30, 2018. Any proceeds from the loan bear interest at 2% and must be repaid in monthly installments over 20 years beginning one month after the project completion date. The loan is secured by the City's general sales tax revenue from the State of Mississippi.

## REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CANTON**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 3,318,326	\$ 3,318,326	\$ 3,502,773	\$ 184,447
General sales tax	2,830,500	2,830,500	3,076,987	246,487
Franchise taxes	160,000	160,000	124,885	(35,115)
Licenses and permits	312,000	312,000	346,397	34,397
Intergovernmental programs	399,790	399,790	563,285	163,495
Fines and forfeitures	600,000	600,000	362,877	(237,123)
Investment income	30,000	30,000	75	(29,925)
Grants and donations	38,170	58,170	2,350	(55,820)
Charges for services	241,450	301,450	249,436	(52,014)
Rental income	25,000	25,000	35,254	10,254
Local tourism sales tax	600,000	600,000	618,472	18,472
Bond issuance	-	-	1,315,000	1,315,000
Capital lease	-	-	235,981	235,981
Other	73,500	73,500	43,757	(29,743)
<b>Total Revenues</b>	<b>8,628,736</b>	<b>8,708,736</b>	<b>10,477,529</b>	<b>1,768,793</b>
Beginning Fund Balance	-	-	677,533	677,533
<b>Total Revenues and Beginning Fund Balance</b>	<b>8,628,736</b>	<b>8,708,736</b>	<b>11,155,062</b>	<b>2,446,326</b>
<b>Expenditures:</b>				
City Council:				
Grants, subsidies and allocations	600,000	600,000	1,642,583	1,042,583
Transfers to other funds	-	-	275,458	275,458
Debt service	244,432	244,432	332,943	88,511
	<b>844,432</b>	<b>844,432</b>	<b>2,250,984</b>	<b>1,406,552</b>
Supervision and Finance:				
Personnel services	676,960	676,960	646,635	(30,325)
Contractual services	1,160,880	1,220,880	1,299,527	78,647
Consumable supplies and materials	114,500	114,500	103,937	(10,563)
	<b>1,952,340</b>	<b>2,012,340</b>	<b>2,050,099</b>	<b>37,759</b>
Police:				
Personnel services	1,444,630	1,444,630	1,524,988	80,358
Contractual services	44,500	44,500	58,256	13,756
Consumable supplies and materials	204,400	204,400	182,756	(21,644)
	<b>1,693,530</b>	<b>1,693,530</b>	<b>1,766,000</b>	<b>72,470</b>
Court Services:				
Personnel services	230,876	230,876	255,637	24,761
Contractual services	223,600	223,600	22,168	(201,432)
Consumable supplies and materials	5,250	5,250	967	(4,283)
Capital outlay	1,800	1,800	-	(1,800)
	<b>461,526</b>	<b>461,526</b>	<b>278,772</b>	<b>(182,754)</b>
Fire:				
Personnel services	1,799,975	1,799,975	1,577,041	(222,934)
Contractual services	61,500	61,500	77,766	16,266
Consumable supplies and materials	52,800	72,800	69,593	(3,207)
Capital outlay	13,500	13,500	-	(13,500)
	<b>1,927,775</b>	<b>1,947,775</b>	<b>1,724,400</b>	<b>(223,375)</b>

(Continued)

**CITY OF CANTON**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CONTINUED**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Building and Development:				
Personnel services	180,734	180,734	181,081	347
Contractual services	5,000	5,000	9,133	4,133
Consumable supplies and materials	4,785	4,785	6,765	1,980
	<u>190,519</u>	<u>190,519</u>	<u>196,979</u>	<u>6,460</u>
Public Works:				
Personnel services	493,644	493,644	528,733	35,089
Contractual services	22,500	22,500	137,722	115,222
Consumable supplies and materials	163,000	163,000	196,469	33,469
Capital outlay	40,000	40,000	235,981	195,981
	<u>719,144</u>	<u>719,144</u>	<u>1,098,905</u>	<u>379,761</u>
Cemetery:				
Personnel services	149,675	149,675	129,143	(20,532)
Contractual services	1,800	1,800	-	(1,800)
Consumable supplies and materials	8,200	8,200	4,735	(3,465)
	<u>159,675</u>	<u>159,675</u>	<u>133,878</u>	<u>(25,797)</u>
Parks and Recreation:				
Personnel services	238,894	255,894	309,957	54,063
Contractual services	66,500	66,500	70,756	4,256
Consumable supplies and materials	69,500	69,500	54,555	(14,945)
Capital outlay	2,500	2,500	-	(2,500)
	<u>377,394</u>	<u>394,394</u>	<u>435,268</u>	<u>40,874</u>
Multi-Purpose Arena:				
Personnel services	103,664	86,664	8,221	(78,443)
Contractual services	72,000	72,000	53,075	(18,925)
Consumable supplies and materials	36,550	36,550	24,540	(12,010)
	<u>212,214</u>	<u>195,214</u>	<u>85,836</u>	<u>(109,378)</u>
Human and Cultural Needs:				
Personnel services	78,934	78,934	77,192	(1,742)
Contractual services	4,300	4,300	9,777	5,477
Consumable supplies and materials	1,300	1,300	12	(1,288)
	<u>84,534</u>	<u>84,534</u>	<u>86,981</u>	<u>2,447</u>
Total Expenditures	8,623,083	8,703,083	10,108,102	1,405,019
Ending Fund Balance	5,653	5,653	1,046,960	1,041,307
Total Expenditures and Ending Fund Balance	<u>\$ 8,628,736</u>	<u>\$ 8,708,736</u>	<u>\$ 11,155,062</u>	<u>\$ 2,446,326</u>

Reconciliation to the General Fund Balance Sheet:

Ending Fund Balance - Budgetary Basis	\$ 1,046,960
Accounts receivable at year end, net of related deferred inflows of resources	793,866
Accounts payable at year end that were not paid within 30 days after year end	<u>(185,687)</u>
Ending Fund Balance as reflected on the General Fund Balance Sheet	<u>\$ 1,655,139</u>

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

**CITY OF CANTON**  
Schedule of the City's Proportionate Share  
of the Net Pension Liability of the  
Public Employees Retirement System of Mississippi  
Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.063056%	0.069238%	0.071738%	0.069436%	0.071757%
City's proportionate share of the net pension liability	\$ 10,488,086	\$ 11,509,705	\$ 12,814,197	\$ 10,733,436	\$ 8,709,986
City's covered payroll for the measurement years ended June 30th	\$ 4,131,460	\$ 4,387,168	\$ 4,452,787	\$ 4,336,578	\$ 4,420,368
City's proportionate share of the net pension liability as a percentage of its covered payroll for the measurement years ended June 30th	253.86%	262.35%	287.78%	247.51%	197.04%
Plan fiduciary net position as a percentage of the total pension liability	62.54%	61.49%	57.47%	61.70%	67.21%

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

**CITY OF CANTON**  
Schedule of the City's Contributions to the  
Public Employees Retirement System of Mississippi  
Last Five Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually-required contributions for the fiscal years ended September 30th	\$ 650,705	\$ 690,979	\$ 701,314	\$ 683,011	\$ 696,208
Actual contributions for the fiscal years ended September 30th	650,705	690,979	701,314	683,011	696,208
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll for the fiscal years ended September 30th	\$ 4,131,460	\$ 4,387,168	\$ 4,452,787	\$ 4,336,578	\$ 4,420,368
Contributions as a percentage of covered payroll for the fiscal years ended September 30th	15.75%	15.75%	15.75%	15.75%	15.75%

The accompanying 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, 2018

Budgetary Comparison Schedule

**Basis of Presentation**

The budgetary basis amounts are presented on a modified cash basis of accounting as required by the State of Mississippi, which differs from generally accepted accounting principles. The budgetary basis only reflects revenues that were actually received during the fiscal year and only reflects expenditures incurred during the fiscal year that were paid no later than 30 days after the fiscal year end. Expenditures that were paid more than 30 days after the fiscal year end are reflected as budgetary basis expenditures of the following year.

Pension Schedules

**Changes of pension assumptions**

2017:

- The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.
- The wage inflation assumption was reduced from 3.75% to 3.25%.
- Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.
- The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

2016:

- The assumed rate of interest credited to employee contributions was changed from 3.5% to 2.0%.

2015:

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

**City of Canton, Mississippi**  
Notes to the Required Supplementary Information  
For the Year Ended September 30, 2018

**Changes in pension benefit provision**

2016:

- Effective July 1, 2016, the interest rate on employee contributions was revised to a calculation that is based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year, with a minimum rate of one percent and a maximum rate of five percent.

**Earlier years of pension information**

Because GASB Statement No. 68 was first implemented by the City for the year ended September 30, 2015, all ten years of the required supplementary information in accordance with GASB Statement No. 68 was not available. Additional years of data will be added as they become available.



## OTHER SUPPLEMENTARY INFORMATION

**CITY OF CANTON**  
**COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2018**

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
<b>Assets:</b>				
Cash and cash equivalents	\$ 27,323	\$ 335,759	\$ -	\$ 363,082
Accounts receivable	165,173	-	-	165,173
Total Assets	<u>\$ 192,496</u>	<u>\$ 335,759</u>	<u>\$ -</u>	<u>\$ 528,255</u>
<b>Liabilities:</b>				
Accounts payable	\$ 35,651	\$ -	\$ -	\$ 35,651
Due to other governments	1,594	-	-	1,594
Due to other funds	28,381	-	141,188	169,569
Total Liabilities	<u>65,626</u>	<u>-</u>	<u>141,188</u>	<u>206,814</u>
<b>Deferred Inflows of Resources:</b>				
Unavailable revenue - property taxes levied for subsequent year	99,547	-	-	99,547
Total Deferred Inflows of Resources	<u>99,547</u>	<u>-</u>	<u>-</u>	<u>99,547</u>
<b>Fund Balances:</b>				
Restricted for:				
Debt service	-	335,759	-	335,759
Public works	14,962	-	-	14,962
Public safety	12,361	-	-	12,361
Unrestricted	-	-	(141,188)	(141,188)
Total Fund Balances	<u>27,323</u>	<u>335,759</u>	<u>(141,188)</u>	<u>221,894</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 192,496</u>	<u>\$ 335,759</u>	<u>\$ -</u>	<u>\$ 528,255</u>

**CITY OF CANTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 84,049	\$ -	\$ -	\$ 84,049
Intergovernmental	86,524	-	-	86,524
Investment income	22	127	-	149
Total Revenues	<u>170,595</u>	<u>127</u>	<u>-</u>	<u>170,722</u>
<b>Expenditures:</b>				
Current:				
General government	2,760	-	-	2,760
Public safety	138	-	-	138
Public works	86,524	-	-	86,524
Culture and recreation	87,738	-	-	87,738
Debt Service:				
Principal	-	130,000	-	130,000
Interest and fees	-	90,556	-	90,556
Total Expenditures	<u>177,160</u>	<u>220,556</u>	<u>-</u>	<u>397,716</u>
Excess of Revenues Over (Under) Expenditures	<u>(6,565)</u>	<u>(220,429)</u>	<u>-</u>	<u>(226,994)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers from other funds	6,449	318,659	-	325,108
Transfers to other funds	-	(43,201)	-	(43,201)
Total Other Financing Sources (Uses)	<u>6,449</u>	<u>275,458</u>	<u>-</u>	<u>281,907</u>
Excess of Revenues Other Sources Over (Under) Expenditures and Other Uses	<u>(116)</u>	<u>55,029</u>	<u>-</u>	<u>54,913</u>
<b>Fund Balances:</b>				
Fund Balances - Beginning	27,439	280,730	(141,188)	166,981
Fund Balances - Ending	<u>\$ 27,323</u>	<u>\$ 335,759</u>	<u>\$ (141,188)</u>	<u>\$ 221,894</u>

**CITY OF CANTON**  
**COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2018**

	Police Communication Fund	Delores Blackmon Escrow Fund	Bertha Ratcliff Housing	Levi Econ. Development Fund	Multi Purpose Complex Arena	Task Force Drug Seizure Fund	Brownfields Assessment Grant Fund	Library Fund	Total Nonmajor Special Revenue Funds
<b>Assets:</b>									
Cash and cash equivalents	\$ 276	\$ 2,685	\$ 290	\$ 8,949	\$ 3,038	\$ 12,085	\$ -	\$ -	\$ 27,323
Accounts receivable	-	-	-	-	-	-	64,032	101,141	165,173
Total Assets	<u>\$ 276</u>	<u>\$ 2,685</u>	<u>\$ 290</u>	<u>\$ 8,949</u>	<u>\$ 3,038</u>	<u>\$ 12,085</u>	<u>\$ 64,032</u>	<u>\$ 101,141</u>	<u>\$ 192,496</u>
<b>Liabilities:</b>									
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 35,651	\$ -	\$ 35,651
Due to other governments	-	-	-	-	-	-	-	1,594	1,594
Due to other funds	-	-	-	-	-	-	28,381	-	28,381
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,032</u>	<u>1,594</u>	<u>65,626</u>
<b>Deferred Inflows of Resources:</b>									
Unavailable revenue - property taxes levied for subsequent year	-	-	-	-	-	-	-	99,547	99,547
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>99,547</u>	<u>99,547</u>
<b>Fund Balances:</b>									
Restricted for:									
Public works	-	2,685	290	8,949	3,038	-	-	-	14,962
Public safety	276	-	-	-	-	12,085	-	-	12,361
Total Fund Balances	<u>276</u>	<u>2,685</u>	<u>290</u>	<u>8,949</u>	<u>3,038</u>	<u>12,085</u>	<u>-</u>	<u>-</u>	<u>27,323</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 276</u>	<u>\$ 2,685</u>	<u>\$ 290</u>	<u>\$ 8,949</u>	<u>\$ 3,038</u>	<u>\$ 12,085</u>	<u>\$ 64,032</u>	<u>\$ 101,141</u>	<u>\$ 192,496</u>

**CITY OF CANTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Police Communication Fund	Delores Blackmon Escrow Fund	Bertha Ratcliff Housing	Levi Econ. Development Fund	Multi Purpose Complex Arena	Task Force Drug Seizure Fund	Brownfields Assessment Grant Fund	Library Fund	Total Nonmajor Special Revenue Funds
<b>Revenues:</b>									
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,049	\$ 84,049
Intergovernmental	-	-	-	-	-	-	86,524	-	86,524
Investment income	-	-	-	22	-	-	-	-	22
Total Revenues	-	-	-	22	-	-	86,524	84,049	170,595
<b>Expenditures:</b>									
Current:									
General government	-	-	-	-	-	-	-	2,760	2,760
Public safety	138	-	-	-	-	-	-	-	138
Public works	-	-	-	-	-	-	86,524	-	86,524
Culture and recreation	-	-	-	-	-	-	-	87,738	87,738
Total Expenditures	138	-	-	-	-	-	86,524	90,498	177,160
Excess of Revenues Over (Under) Expenditures	(138)	-	-	22	-	-	-	(6,449)	(6,565)
<b>Other Financing Sources (Uses)</b>									
Transfers from other funds	-	-	-	-	-	-	-	6,449	6,449
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	6,449	6,449
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(138)	-	-	22	-	-	-	-	(116)
<b>Fund Balances:</b>									
Fund Balances - Beginning	414	2,685	290	8,927	3,038	12,085	-	-	27,439
Fund Balances - Ending	\$ 276	\$ 2,685	\$ 290	\$ 8,949	\$ 3,038	\$ 12,085	\$ -	\$ -	\$ 27,323

**CITY OF CANTON**  
**COMBINING BALANCE SHEET - NONMAJOR DEBT SERVICE FUNDS**  
**SEPTEMBER 30, 2018**

	Industrial Bond Retirement	Wal-Mart TIF Bond Fund	TIF Bond Sinking Fund	Medical Center/ Nissan TIF Bond Fund	Total Nonmajor Debt Service Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 11,384	\$ 955	\$ 177,962	\$ 145,458	\$ 335,759
Total Assets	<u>\$ 11,384</u>	<u>\$ 955</u>	<u>\$ 177,962</u>	<u>\$ 145,458</u>	<u>\$ 335,759</u>
<b>Liabilities</b>	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund Balances:</b>					
Restricted for:					
Debt service	11,384	955	177,962	145,458	335,759
Total Fund Balances	<u>11,384</u>	<u>955</u>	<u>177,962</u>	<u>145,458</u>	<u>335,759</u>
Total Liabilities and Fund Balances	<u>\$ 11,384</u>	<u>\$ 955</u>	<u>\$ 177,962</u>	<u>\$ 145,458</u>	<u>\$ 335,759</u>

**CITY OF CANTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - NONMAJOR DEBT SERVICE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Industrial Bond <u>Retirement</u>	Wal-Mart TIF Bond <u>Fund</u>	TIF Bond Sinking <u>Fund</u>	Medical Center/ Nissan TIF <u>Bond Fund</u>	Total Nonmajor Debt Service <u>Funds</u>
<b>Revenues:</b>					
Investment income	\$ -	\$ 9	\$ 118	\$ -	\$ 127
Total Revenues	-	9	118	-	127
<b>Expenditures:</b>					
Debt Service:					
Principal	-	130,000	-	-	130,000
Interest and fees	-	90,556	-	-	90,556
Total Expenditures	-	220,556	-	-	220,556
Excess of Revenues Over (Under) Expenditures	-	(220,547)	118	-	(220,429)
<b>Other Financing Sources (Uses):</b>					
Transfers from other funds	-	173,201	-	145,458	318,659
Transfers to other funds	-	-	(43,201)	-	(43,201)
Total Other Financing Sources (Uses)	-	173,201	(43,201)	145,458	275,458
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(47,346)	(43,083)	145,458	55,029
<b>Fund Balances:</b>					
Fund Balances - Beginning	11,384	48,301	221,045	-	280,730
Fund Balances - Ending	\$ 11,384	\$ 955	\$ 177,962	\$ 145,458	\$ 335,759

**CITY OF CANTON**  
**COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS**  
**SEPTEMBER 30, 2018**

	<u>Connector Road Fund</u>	<u>SAAB Park Improvements Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
<b>Assets</b>	\$ -	\$ -	\$ -
Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
 <b>Liabilities:</b>			
Due to other funds	\$ 26,261	\$ 114,927	\$ 141,188
Total Liabilities	<u>26,261</u>	<u>114,927</u>	<u>141,188</u>
 <b>Fund Balances:</b>			
Unrestricted	(26,261)	(114,927)	(141,188)
Total Fund Balances	<u>(26,261)</u>	<u>(114,927)</u>	<u>(141,188)</u>
 Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**CITY OF CANTON**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECT FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Connector Road Fund</u>	<u>SAAB Park Improvements Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
<b>Revenues</b>	\$ -	\$ -	\$ -
Total Revenues	-	-	-
<b>Expenditures</b>	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	-	-	-
<b>Other Financing Sources (Uses)</b>	-	-	-
Total Other Financing Sources (Uses)	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	-
<b>Fund Balances:</b>			
Fund Balances - Beginning	(26,261)	(114,927)	(141,188)
Fund Balances - Ending	\$ (26,261)	\$ (114,927)	\$ (141,188)

**CITY OF CANTON**  
**BUDGETARY COMPARISON SCHEDULE - POLICE COMMUNICATION FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Other revenue	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Beginning Fund Balance	-	-	414	414
Total Revenues and Beginning Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 414</u>	<u>\$ 414</u>
<b>Expenditures:</b>				
Police:				
Consumable supplies & materials	\$ -	\$ -	\$ 138	\$ 138
Total Expenditures	-	-	138	138
Ending Fund Balance	-	-	276	276
Total Expenditures and Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 414</u>	<u>\$ 414</u>

Reconciliation to the Governmental Funds Balance Sheet:

Ending Fund Balance - Budgetary Basis	\$ 276
Accounts receivable at year end, net of related deferred inflows of resources	-
Accounts payable at year end that were not paid within 30 days after year end	-
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet	<u>\$ 276</u>

**CITY OF CANTON**  
**BUDGETARY COMPARISON SCHEDULE - LEVI ECONOMIC DEVELOPMENT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Investment income	\$ -	\$ -	\$ 22	\$ 22
Total Revenues	-	-	22	22
Beginning Fund Balance	-	-	8,927	8,927
Total Revenues and Beginning Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,949</u>	<u>\$ 8,949</u>
<b>Expenditures:</b>				
Economic Development:				
Consumable supplies & materials	\$ -	\$ -	\$ -	\$ -
Total Expenditures	-	-	-	-
Ending Fund Balance	-	-	8,949	8,949
Total Expenditures and Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,949</u>	<u>\$ 8,949</u>

Reconciliation to the Governmental Funds Balance Sheet:

Ending Fund Balance - Budgetary Basis	\$ 8,949
Accounts receivable at year end, net of related deferred inflows of resources	-
Accounts payable at year end that were not paid within 30 days after year end	-
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet	<u>\$ 8,949</u>

**CITY OF CANTON**  
**BUDGETARY COMPARISON SCHEDULE - BROWNFIELDS ASSESSMENT GRANT FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Grants revenue	\$ -	\$ -	\$ 22,492	\$ 22,492
Total Revenues	-	-	22,492	22,492
Beginning Fund Balance	-	-	-	-
Total Revenues and Beginning Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,492</u>	<u>\$ 22,492</u>
<b>Expenditures:</b>				
Public Works:				
Contractual services	\$ -	\$ -	\$ 72,039	\$ 72,039
Total Expenditures	-	-	72,039	72,039
Ending Fund Balance	-	-	(49,547)	(49,547)
Total Expenditures and Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,492</u>	<u>\$ 22,492</u>

Reconciliation to the Governmental Funds Balance Sheet:

Ending Fund Balance - Budgetary Basis	\$ (49,547)
Accounts receivable at year end, net of related deferred inflows of resources	64,032
Accounts payable at year end that were not paid within 30 days after year end	<u>(14,485)</u>
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet	<u>\$ -</u>

**CITY OF CANTON**  
**BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 100,000	\$ 100,000	\$ 88,904	\$ (11,096)
Total Revenues	100,000	100,000	88,904	(11,096)
Beginning Fund Balance	-	-	-	-
Total Revenues and Beginning Fund Balance	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 88,904</u>	<u>\$ (11,096)</u>
<b>Expenditures:</b>				
General government:				
Grants and allocations to County Library	\$ 100,000	\$ 100,000	\$ 86,144	\$ (13,856)
Contractual services	-	-	2,760	2,760
Total Expenditures	100,000	100,000	88,904	(11,096)
Ending Fund Balance	-	-	-	-
Total Expenditures and Ending Fund Balance	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 88,904</u>	<u>\$ (11,096)</u>
Reconciliation to the Governmental Funds Balance Sheet:				
Ending Fund Balance - Budgetary Basis			\$ -	
Accounts receivable at year end, net of related deferred inflows of resources			-	
Accounts payable at year end that were not paid within 30 days after year end			<u>-</u>	
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet			<u>\$ -</u>	

**CITY OF CANTON**  
**BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE SINKING FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Property taxes	\$ 1,267,420	\$ 1,267,420	\$ 1,303,967	\$ 36,547
Total Revenues	1,267,420	1,267,420	1,303,967	36,547
Beginning Fund Balance	401,000	401,000	53,408	(347,592)
Total Revenues and Beginning Fund Balance	<u>\$ 1,668,420</u>	<u>\$ 1,668,420</u>	<u>\$ 1,357,375</u>	<u>\$ (311,045)</u>
<b>Expenditures:</b>				
General government:				
Contractual services	\$ -	\$ -	\$ 41,375	\$ 41,375
Debt service	1,240,859	1,240,859	1,119,722	(121,137)
Total Expenditures	1,240,859	1,240,859	1,161,097	(79,762)
Ending Fund Balance	427,561	427,561	196,278	(231,283)
Total Expenditures and Ending Fund Balance	<u>\$ 1,668,420</u>	<u>\$ 1,668,420</u>	<u>\$ 1,357,375</u>	<u>\$ (311,045)</u>
 Reconciliation to the Governmental Funds Balance Sheet:				
Ending Fund Balance - Budgetary Basis			\$ 196,278	
Accounts receivable at year end, net of related deferred inflows of resources			22,658	
Accounts payable at year end that were not paid within 30 days after year end			<u>-</u>	
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet			<u>\$ 218,936</u>	

**CITY OF CANTON**  
**BUDGETARY COMPARISON SCHEDULE - WAL-MART TIF BOND FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Sales tax	\$ 172,980	\$ 172,980	\$ -	(172,980)
Intergovernmental - County	47,600	47,600	-	(47,600)
Investment income	-	-	9	9
Transfers from General Fund	-	-	173,201	173,201
Total Revenues	<u>220,580</u>	<u>220,580</u>	<u>173,210</u>	<u>(47,370)</u>
Beginning Fund Balance	34,772	34,772	48,301	13,529
Total Revenues and Beginning Fund Balance	<u>\$ 255,352</u>	<u>\$ 255,352</u>	<u>\$ 221,511</u>	<u>\$ (33,841)</u>
<b>Expenditures:</b>				
General government:				
Debt service	\$ 220,580	\$ 220,580	\$ 220,556	\$ (24)
Total Expenditures	<u>220,580</u>	<u>220,580</u>	<u>220,556</u>	<u>(24)</u>
Ending Fund Balance	34,772	34,772	955	(33,817)
Total Expenditures and Ending Fund Balance	<u>\$ 255,352</u>	<u>\$ 255,352</u>	<u>\$ 221,511</u>	<u>\$ (33,841)</u>

Reconciliation to the Governmental Funds Balance Sheet:

Ending Fund Balance - Budgetary Basis	\$ 955
Accounts receivable at year end, net of related deferred inflows of resources	-
Accounts payable at year end that were not paid within 30 days after year end	-
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet	<u>\$ 955</u>

**CITY OF CANTON**  
**BUDGETARY COMPARISON SCHEDULE - TIF BOND SINKING FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Investment income	\$ -	\$ -	\$ 118	\$ 118
Total Revenues	-	-	118	118
Beginning Fund Balance	-	-	221,045	221,045
Total Revenues and Beginning Fund Balance	\$ -	\$ -	\$ 221,163	\$ 221,163
<b>Expenditures:</b>				
General government:				
Transfers to other funds	\$ -	\$ -	\$ 43,201	\$ 43,201
Total Expenditures	-	-	43,201	43,201
Ending Fund Balance	-	-	177,962	177,962
Total Expenditures and Ending Fund Balance	\$ -	\$ -	\$ 221,163	\$ 221,163

Reconciliation to the Governmental Funds Balance Sheet:

Ending Fund Balance - Budgetary Basis	\$ 177,962
Accounts receivable at year end, net of related deferred inflows of resources	-
Accounts payable at year end that were not paid within 30 days after year end	-
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet	<u>\$ 177,962</u>



**CITY OF CANTON**  
**BUDGETARY COMPARISON SCHEDULE - MEDICAL CENTER/NISSAN TIF BOND FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Transfers from other funds	\$ -	\$ -	\$ 145,458	\$ 145,458
Total Revenues	-	-	145,458	145,458
Beginning Fund Balance	-	-	-	-
Total Revenues and Beginning Fund Balance	\$ -	\$ -	\$ 145,458	\$ 145,458
<b>Expenditures:</b>				
General government:				
Debt service	\$ -	\$ -	\$ -	\$ -
Total Expenditures	-	-	-	-
Ending Fund Balance	-	-	145,458	145,458
Total Expenditures and Ending Fund Balance	\$ -	\$ -	\$ 145,458	\$ 145,458

Reconciliation to the Governmental Funds Balance Sheet:

Ending Fund Balance - Budgetary Basis	\$ 145,458
Accounts receivable at year end, net of related deferred inflows of resources	-
Accounts payable at year end that were not paid within 30 days after year end	-
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet	<u>\$ 145,458</u>

**CITY OF CANTON**  
**BUDGETARY COMPARISON SCHEDULE - SAAB PARK IMPROVEMENTS FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Borrowings	\$ 750,000	\$ 750,000	\$ -	\$ (750,000)
Total Revenues	750,000	750,000	-	(750,000)
Beginning Fund Balance	-	-	(114,927)	(114,927)
Total Revenues and Beginning Fund Balance	\$ 750,000	\$ 750,000	\$ (114,927)	\$ (864,927)
<b>Expenditures:</b>				
Parks and Recreation:				
Capital outlay - engineering costs	\$ 52,500	\$ 52,500	\$ -	\$ (52,500)
Capital outlay - construction	697,500	697,500	-	(697,500)
Total Expenditures	750,000	750,000	-	(750,000)
Ending Fund Balance	-	-	(114,927)	(114,927)
Total Expenditures and Ending Fund Balance	\$ 750,000	\$ 750,000	\$ (114,927)	\$ (864,927)

Reconciliation to the Governmental Funds Balance Sheet:

Ending Fund Balance - Budgetary Basis	\$ (114,927)
Accounts receivable at year end, net of related deferred inflows of resources	-
Accounts payable at year end that were not paid within 30 days after year end	-
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet	<u>\$ (114,927)</u>

**CITY OF CANTON**  
**BUDGETARY COMPARISON SCHEDULE - LANDFILL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues:</b>				
Landfill receipts	\$ 1,300,000	\$ 1,300,000	\$ 1,603,254	\$ 303,254
Garbage collections	600,000	600,000	569,873	(30,127)
Other revenues	-	-	(118)	(118)
Total Revenues	1,900,000	1,900,000	2,173,009	273,009
Beginning Fund Balance	757,307	757,307	1,524,177	766,870
Total Revenues and Beginning Fund Balance	<u>\$ 2,657,307</u>	<u>\$ 2,657,307</u>	<u>\$ 3,697,186</u>	<u>\$ 1,039,879</u>
<b>Expenditures:</b>				
Waste Disposal:				
Personnel services	\$ 455,661	\$ 455,661	\$ 424,082	\$ (31,579)
Contractual services	829,600	829,600	804,334	(25,266)
Consumable supplies & materials	94,500	94,500	98,896	4,396
Capital outlay	-	-	597,288	597,288
Debt service	704,702	704,702	579,596	(125,106)
Total Expenditures	2,084,463	2,084,463	2,504,196	419,733
Ending Fund Balance	572,844	572,844	1,192,990	620,146
Total Expenditures and Ending Fund Balance	<u>\$ 2,657,307</u>	<u>\$ 2,657,307</u>	<u>\$ 3,697,186</u>	<u>\$ 1,039,879</u>
Reconciliation to the Proprietary Fund Balance Sheet:				
Ending Fund Balance - Budgetary Basis			\$ 1,192,990	
Receivables at year end			306,679	
Capital assets at year end			1,984,570	
Deferred outflows of resources at year end			28,118	
Accounts payable at year end that were not paid within 30 days after year end			(676,807)	
Long-term liabilities at year end			(5,565,942)	
Deferred inflows of resources at year end			(69,742)	
Ending Fund Balance as reflected on the Proprietary Fund Balance Sheet			<u>\$ (2,800,134)</u>	

**CITY OF CANTON**  
**SCHEDULE OF SURETY BONDS FOR MUNICIPAL EMPLOYEES**  
**SEPTEMBER 30, 2018**

POSITION	NAME	SURETY COMPANY	EXPIRATION DATE	BOND AMOUNT
Alderman	Eric Gilkey	Travelers	7/1/2021	\$ 100,000
Alderwoman	Daphne Sims	Travelers	7/1/2021	100,000
Alderman	Lester Penn	Travelers	7/1/2021	100,000
Alderman	Andrew Grant	Travelers	7/1/2021	100,000
Alderman	Rodriguez Brown	Travelers	7/1/2021	100,000
Alderwoman	Vickie McNeill	Travelers	7/1/2021	100,000
Alderman	Fred Esco, Jr.	Travelers	7/1/2021	100,000
Mayor	William Truly, Jr.	Travelers	7/1/2021	100,000
City Clerk	Valerie Smith	Liberty Mutual	11/1/2019	75,000
Purchasing Clerk	Desma King	Liberty Mutual	11/1/2019	50,000
Payroll & Accounts Payable Clerk	Debra Brown	Liberty Mutual	11/1/2019	50,000
Privilege License Clerk	Kajwana Davis	Travelers	7/16/2019	50,000
Deputy Municipal Clerk	Steven Johnson	Liberty Mutual	2/4/2019	50,000
Deputy Municipal Clerk	Annette Johnson	Liberty Mutual	11/1/2019	50,000
Deputy Municipal Clerk	Tanya Jackson	Liberty Mutual	4/14/2019	50,000
Deputy Municipal Clerk	Chrishanda Jackson	Liberty Mutual	11/1/2019	50,000
Deputy Municipal Clerk	Lincoln Powell	Liberty Mutual	11/1/2019	50,000
Deputy Municipal Clerk	Rilanda Reaves	Liberty Mutual	11/1/2019	50,000
Deputy Municipal Clerk	Lisa Ward	Liberty Mutual	11/1/2019	50,000
Court Clerk	Joycette Nichols	Liberty Mutual	11/1/2019	50,000
Deputy Court Clerk	Ashley Lacey	Liberty Mutual	11/1/2018	50,000
Deputy Court Clerk	Gwen Miles	Liberty Mutual	11/1/2019	50,000
Police Chief	Otha Brown	Liberty Mutual	10/1/2019	50,000
Parks & Recreation Director	Alvin Davis	Liberty Mutual	11/1/2019	50,000
Landfill Director	Melon Garrett	Liberty Mutual	11/1/2019	50,000
Building Department Director	Donald Lawrence	Liberty Mutual	11/1/2018	50,000
Building Permit Manager	Schealeria Taylor	Liberty Mutual	11/1/2019	50,000

**CITY OF CANTON**  
**SCHEDULE OF LONG-TERM DEBT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Date of Obligation	Date of Maturity	Interest Rate	Original Amount	Balance October 1, 2017	Current Year Transactions		Balance September 30, 2018
						Additions	Retirements	
<b>Governmental Activities</b>								
<u><b>BONDS</b></u>								
General Obligation Refunding Bonds, Series 2016	4/28/2016	10/1/2031	1.00-2.75%	\$ 7,170,000	\$ 6,950,000	\$ -	\$ (510,000)	\$ 6,440,000
General Obligation Refunding Bonds, Series 2011C	10/8/2011	10/1/2021	4.59%	2,580,000	1,280,000	-	(300,000)	980,000
Tax Increment Financing Bonds, Series 2015	3/24/2015	3/1/2032	3.35-4.00%	2,705,000	2,455,000	-	(130,000)	2,325,000
Tax Increment Financing Bonds, Series 2018	9/12/2018	10/1/2030	4.35%	1,315,000	-	1,315,000	-	1,315,000
Bond premiums					75,886	-	(10,445)	65,441
Total Bonds				11,591,416	10,760,886	1,315,000	(950,445)	11,125,441
<u><b>OTHER LONG-TERM DEBT</b></u>								
US Department of Agriculture loan	3/24/2000	3/24/2035	5.13%	1,299,200	944,393	-	(33,154)	911,239
Mississippi Development Authority loan	6/9/2008	6/1/2028	2.00%	750,000	436,284	-	(37,072)	399,212
Fire truck capital lease	9/5/2010	9/5/2019	5.50%	173,460	43,667	-	(21,249)	22,418
Fire truck capital lease	11/1/2014	11/1/2024	3.62%	375,000	310,275	-	(34,130)	276,145
Police vehicles capital lease	5/2/2016	5/2/2019	5.95%	106,436	53,401	-	(25,929)	27,472
Police vehicles capital lease	3/31/2017	3/31/2021	5.45%	79,929	62,202	-	(14,336)	47,866
Bulldozer capital lease	2/13/2018	1/13/2023	3.94%	140,122	-	140,122	(8,132)	131,990
Backhoe capital lease	5/2/2018	4/2/2023	5.30%	95,859	-	95,859	(3,101)	92,758
Total Other Long-Term Debt					1,850,222	235,981	(177,103)	1,909,100
Total Long-Term Debt					<u>\$ 12,611,108</u>	<u>\$ 1,550,981</u>	<u>\$ (1,127,548)</u>	<u>\$ 13,034,541</u>
<b>Business-Type Activity</b>								
<u><b>BONDS</b></u>								
Revenue Refunding Mississippi Development Bank Bonds, Series 2016	12/15/2016	6/1/2031	3.63-5.00%	\$ 2,785,000	\$ 2,585,000	\$ -	\$ (140,000)	\$ 2,445,000
Bond discounts					(27,391)	-	3,338	(24,053)
Total Bonds					2,557,609	-	(136,662)	2,420,947
<u><b>OTHER LONG-TERM DEBT</b></u>								
Tractor capital lease	10/23/2014	10/23/2019	2.29%	\$ 86,405	\$ 38,137	\$ -	\$ (17,638)	\$ 20,499
Knuckle boom loader capital lease	4/1/2015	4/1/2020	4.00%	140,998	95,016	-	(28,156)	66,860
Landfill compactor capital lease	6/13/2016	6/1/2019	1.95%	471,201	348,270	-	(101,004)	247,266
Tractor capital lease	8/23/2016	9/1/2019	1.95%	391,439	316,047	-	(77,199)	238,848
Tractor capital lease	9/12/2016	9/1/2019	1.95%	391,439	316,047	-	(77,199)	238,848
Total Other Long-Term Debt					1,113,517	-	(301,196)	812,321
Total Long-Term Debt					<u>\$ 3,671,126</u>	<u>\$ -</u>	<u>\$ (437,858)</u>	<u>\$ 3,233,268</u>

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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**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**

Honorable Mayor  
and Honorable Members of the City Council  
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 activity, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Canton, Mississippi (the City) as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2021. Our report includes a reference to other auditors who audited the financial statements of the City's discretely presented component units: Canton Municipal Utilities and the Canton Convention and Visitors Bureau, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 have not been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

(Continued)

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2018-001 through 2018-003, 2018-005 through 2018-007, 2018-010, 2018-012 through 2018-014, and 2018-018 through 2018-021 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the schedule of findings and responses as items 2018-004, 2018-007 through 2018-009, 2018-011, 2018-014 through 2018-017, 2018-019, 2018-020, and 2018-022 through 2018-027.

### **City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City'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.

*Turner, Brown & Russell Co.*

June 29, 2021



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE  
WITH STATE LAWS AND REGULATIONS**

Honorable Mayor  
and Honorable Members of the City Council  
City of Canton, Mississippi

We have audited the financial statements of the City of Canton, Mississippi (the City) as of and for the year ended September 30, 2018 and have issued our report dated June 29, 2021. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*.

As required by the state legal compliance audit program prescribed by the Mississippi Office of the State Auditor, we have also performed procedures to test compliance with certain state laws and regulations. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced state laws and regulations. Providing an opinion on compliance with state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures disclosed instances of noncompliance with state laws and regulations which are described in the accompanying schedule of findings and responses as items 2018-004, 2018-007 through 2018-009, 2018-011, 2018-014 through 2018-017, 2018-19, 2018-020, and 2018-022 through 2018-027.

(Continued)

This report is intended solely for the information of the City's Mayor, the City Council, the City's management, and the Mississippi 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.

*Tamm, Brown + Rouse G.*

June 29, 2021

## SCHEDULE OF FINDINGS AND RESPONSES

**City of Canton, Mississippi**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2018**

**2018-001      Material Weakness – Financial Reporting**

- Criteria:** The City's annual financial report (AFR) is the responsibility of the City's management. Therefore, a proper system of internal control over financial reporting is essential in order to prevent, detect, and correct misstatements in the AFR.
- Condition:** We assisted the City's management with drafting the AFR because the City did not have adequate internal resources to prepare the AFR in accordance with generally accepted accounting principles (GAAP).
- Cause:** The City determined that it was more cost efficient to utilize the expertise of the auditor to assist with preparing the AFR during the audit process as opposed to hiring an employee with comparable experience.
- Effect:** While we have implemented controls within our CPA firm, our controls cannot be considered as part of the City's controls over the AFR preparation process. Accordingly, a material weakness in the City's internal controls exists in the AFR reporting function.
- Recommendation:** We recommend that appropriate training be made available to the City's finance department personnel involved in the financial reporting process. The Government Finance Officers Association (GFOA) and similar organizations have continuing education training opportunities available in various formats.
- Response:** The City has determined that it remains more cost efficient to utilize the auditor for preparation of the annual financial report. However, City management will thoroughly review and approve the annual financial report prior to issuance.

**2018-002      Material Weakness – Financial Reporting**

- Criteria:** The City's management approves the year-end audit adjustments prior to issuance of the annual financial report (AFR) each year, so these adjustments should be recorded in the City's accounting system in order for internal financial reports to be consistent with the audited AFR and to reflect accurate fund balances carried forward into the new year.
- Condition:** The previous year's audit adjustments were not properly recorded in the City's accounting system.
- Cause:** The continuing effects of some audit adjustments were not apparent to the City's finance department.
- Effect:** Internal financial reports were not accurate because of the current year effects of the unposted prior year audit adjustments.
- Recommendation:** We recommend that the finance department post all audit adjustments to the appropriate accounts in the City's accounting system upon completion of the annual audit process.
- Response:** The City will implement the recommendation.

(Continued)

**City of Canton, Mississippi**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2018

**2018-003      Material Weakness – Financial Reporting**

**Criteria:**      The City's annual financial report (AFR) is the responsibility of the City's management. Therefore, a proper system of internal control over financial reporting is essential in order to prevent, detect, and correct misstatements in the AFR.

**Condition:**      Prior period adjustments were necessary during the current year audit process to correct material misstatements in the previous year's AFR.

**Cause:**      The City did not have appropriate resources and controls in place to detect and correct misstatements in a timely manner.

**Effect:**      The City's prior year AFR and current year internal financial reports were not accurate.

**Recommendation:** We recommend that the City review its AFR preparation process and revise procedures and controls as necessary to detect and correct misstatements in a timely manner.

**Response:**      The City will implement the recommendation.

**2018-004      Noncompliance – Publication of Audit Availability**

**Criteria:**      State statutes require that the City publish the availability of the annual audit report within 30 days of the audit report issuance.

**Condition:**      The audit report for the year ended September 30, 2017, was issued in October, 2019, but its availability was not published as required.

**Cause:**      The City was unaware of the requirement to publish this information within 30 days of the report issuance.

**Effect:**      The City was not in compliance with state statutes.

**Recommendation:** We recommend that the City revise its procedures in order to comply with the applicable audit report publication requirements.

**Response:**      The City will implement the recommendation.

**2018-005      Material Weakness – Cash**

**Criteria:**      Reconciliation of the bank accounts to the accounting system is a primary control procedure that is designed to ensure that transactions are properly recorded in the accounting system.

**Condition:**      We noted that the City's "Tourism Fund" bank account was not reflected in the City's accounting system. This account, which had a year-end balance of approximately \$5,400, appears to have been utilized to accumulate flea market sales tax collections from vendors, totaling approximately \$90,000 for the current year, prior to remittance to the Mississippi Department of Revenue.

**Cause:**      Unknown.

**Effect:**      The balance and transactions of the bank account were not reflected in the City's internal financial reports.

(Continued)

**City of Canton, Mississippi**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2018**

**Recommendation:** We recommend that all of the City's accounts with financial institutions be properly recorded in the accounting system in order to provide accurate internal financial reports.

**Response:** The City will implement the recommendation.

**2018-006      Material Weakness – Cash**

**Criteria:** Reconciliation of the City's bank accounts to the accounting system is a primary control procedure that is designed to ensure that transactions are properly recorded in the accounting system.

**Condition:** The bank account reconciliations at year end did not agree with the balances in the accounting system, and the related discrepancies were not researched and reconciled in a timely manner. An old outstanding deposit of \$13,768 from a previous year was still reflected as a reconciling item for one bank account, and old outstanding checks with a combined total of over \$200,000 from previous years (some as old as 2001) were shown as reconciling items on three bank accounts.

**Cause:** Procedures were not in place to investigate and resolve reconciling differences and old uncleared checks and deposits.

**Effect:** The City's internal financial reports did not accurately reflect cash balances and activity.

**Recommendation:** We recommend that procedures be implemented to reconcile all bank accounts to the accounting system on a monthly basis. Any differences and old uncleared checks and deposits should be investigated and resolved in a timely manner.

**Response:** The City will implement the recommendation.

**2018-007      Material Weakness and Noncompliance – Unclaimed Funds**

**Criteria:** Funds that have not been claimed (i.e., uncashed checks) for more than five years are required under the Mississippi Unclaimed Property Act to be remitted to the Mississippi Treasurer's Office at least every three years, provided that (1) a check has not been cashed by the payee, (2) the money is still owed, and (3) the payee cannot be located to reissue a check.

**Condition:** Numerous old outstanding checks totaling over \$200,000 and dating back as far as 2001 were still reflected as outstanding in the accounting system and had not yet been remitted to the Mississippi Treasurer's Office as required.

**Cause:** The City was unaware of the requirement to transfer unclaimed funds to the State Treasurer's Office.

**Effect:** The City was not in compliance with the Mississippi Unclaimed Property Act.

(Continued)

**City of Canton, Mississippi**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2018**

**Recommendation:** We recommend that procedures be implemented to remit unclaimed funds to the Mississippi Treasurer's Office as required. In addition, we recommend that procedures be implemented to periodically review the outstanding checks schedule to ensure that voided checks have been properly removed from the outstanding checks schedule and any significant old outstanding checks are investigated to determine the reasons they have not been cashed by the respective payees.

**Response:** The City will implement the recommendation.

**2018-008      Noncompliance – Municipal Depository**

**Criteria:** State statutes require that the City receive municipal depository bids every two years and approve a municipal depository to hold City funds. In addition, other banks must agree to match the approved municipal depository's bid in order to hold City funds.

**Condition:** The City did not appear to have obtained municipal depository bids within the last two years and was unable to locate documentation of approval of the municipal depository. The City was not receiving any interest on the \$2.4 million of deposits held by its primary bank at year end. In addition, neither the City nor its primary bank was able to provide evidence of coverage of the City's bank accounts under the Mississippi State Treasurer's collateral pool program or by collateral specifically pledged to the City to cover the \$2.2 million of City bank deposits that were in excess of the Federal Depository Insurance Corporation (FDIC) coverage limit. The City's bank accounts at its primary bank appeared to be incorrectly set up as commercial accounts rather than as public funds accounts, which resulted in these bank accounts not being included in the public funds collateral pool maintained by the Mississippi State Treasurer on behalf of governmental entities.

**Cause:** The City was unaware of the requirement to obtain municipal depository bids and approve a municipal depository every two years.

**Effect:** The City was not in compliance with state statutes and may have been able to earn higher interest rates through the bidding process. In addition, the City was at risk of losing \$2.2 million in uninsured and uncollateralized bank deposits in the event of a bank failure.

**Recommendation:** We recommend that the City revise its procedures to ensure that it complies with the municipal depository bidding requirements and obtains adequate collateral protection for its bank deposits.

**Response:** The City will implement the recommendation.

**2018-009      Noncompliance – Investments**

**Criteria:** State statutes generally restrict the types of investments that can be held by municipalities to direct investments in government securities or investments that are guaranteed by the US government.

(Continued)

**City of Canton, Mississippi**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2018

Condition: The landfill trust account held investments in bonds and notes issued by the Federal Agricultural Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Mortgage Corporation, and Federal Home Loan Banks, none of which are allowable types of investments.

Cause: The City was unaware that these types of investments are not allowed.

Effect: The City was not in compliance with state statutes.

Recommendation: We recommend that the City transfer these funds to an allowable type of investment.

Response: The City will implement the recommendation.

**2018-010      Material Weakness – Investment Accounts**

Criteria: Reconciliation of investment accounts to the accounting system is a primary control procedure that is designed to ensure that transactions are properly recorded in the accounting system.

Condition: The landfill fund's investment account balance at year end did not agree with the balance in the accounting system, and none of the current year investment account activity was reflected in the accounting system. In addition, the investment accounts related to the 2018 Tax Increment Financing (TIF) Bonds had not been recorded in the accounting system.

Cause: Procedures were not in place to record the investment accounts' activity during the year, and the investment accounts' periodic statements received during the year were not reconciled to the balances in the accounting system.

Effect: The City's internal financial reports did not accurately reflect the investment accounts' balances and activity.

Recommendation: We recommend that procedures be implemented to reconcile all investment accounts to the accounting system on a monthly basis. Any differences should be investigated and resolved in a timely manner.

Response: The City will implement the recommendation.

**2018-011      Noncompliance – Landfill Trust Account for Closure/Post-Closure Care Costs**

Criteria: U.S. Environmental Protection Agency (EPA) and Mississippi Department of Environmental Quality (MS DEQ) regulations both require a municipality with a solid waste landfill to meet financial assurance requirements that are designed to ensure that adequate financial resources will be available at the time of the landfill's closure in order to pay for the estimated costs of required closure and thirty-year post-closure care and monitoring of the landfill. These EPA and MS DEQ regulations require the City to make annual contributions to the City's landfill trust account equal to the difference between the current estimated total closure/post-closure care costs and the current trust account balance divided by the landfill's estimated remaining years until it reaches its full capacity.

(Continued)



**City of Canton, Mississippi**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2018

- Condition:** The 2017 calendar year-end landfill report submitted to MS DEQ by the City indicated an estimated remaining landfill life of 4.5 years, a \$1,565,109 total current estimate of closure/post-closure care costs, and a landfill trust account balance of \$767,140. The trust account shortage of approximately \$798,000, when divided by the remaining landfill life of 4.5 years, yields an annual required trust contribution of approximately \$177,000. However, the City did not make a contribution to the landfill trust account in 2018.
- Cause:** It appears that the City improperly relied upon a financial projection that was prepared based on an incorrect assumption that all of the closure/post-closure care costs would be incurred at the end of the thirty-year post-closure monitoring period, rather than the closure costs being incurred at the beginning of the thirty-year period and the post-closure care costs being incurred throughout the thirty-year monitoring period. In addition, the financial projection was incorrectly based on the trust account's gross investment income rate, with no reduction made for the periodic investment fees incurred, which significantly reduce the investment income earned by the trust account.
- Effect:** The landfill trust account balance was significantly less than the amount required by EPA and MS DEQ regulations.
- Recommendation:** We recommend that the City make the necessary contributions to the landfill trust account to bring the balance up to the required amount. In addition, we recommend that the City revise its procedures to ensure that the annual required landfill trust account contribution is correctly calculated and contributed to the trust account each year.
- Response:** The City will implement the recommendation.

**2018-012      Material Weakness – Debt Issuances**

- Criteria:** In the governmental funds, the proceeds from debt issuance (i.e., bonds, loans, and capital lease financing) are required by generally accepted accounting principles to be reflected as part of a fund's revenues and other financing sources, and the usage of the proceeds (e.g., issuance costs, project expenses, equipment acquisition, etc.) are required to be reflected as part of the fund's expenditures and other financing uses.
- Condition:** The City issued tax increment financing (TIF) bonds and entered into an equipment financing lease agreement during the current year, but the debt issuance proceeds and the related expenditures were not reflected in the accounting system.
- Cause:** The City was unaware of the requirement to record these debt issuance transactions during the year.
- Effect:** The City's internal financial reports did not reflect these transactions, which resulted in a \$1.6 million understatement of revenues and expenditures in the internal financial reports.
- Recommendation:** We recommend that the City implement procedures to ensure that all debt issuance transactions are recorded in the accounting system in a timely manner.
- Response:** The City will implement the recommendation.

(Continued)

**City of Canton, Mississippi**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2018**

**2018-013      Material Weakness – Payroll-Related Liabilities**

- Criteria:** Reconciliation of payroll liability account totals in the accounting system to detailed reports reflecting the individual balances owed is a primary control procedure that is designed to ensure that transactions are properly recorded in the accounting system.
- Condition:** Payroll liability accounts for payroll taxes, retirement contributions, group insurance premiums, and garnishment withholdings were not reconciled to ensure that all payroll withholdings and the City's related share of costs were properly reflected and remitted to the appropriate entities in a timely manner.
- Cause:** Procedures were not in place to periodically reconcile the underlying amounts owed to the liability balances reflected in the accounting system.
- Effect:** The City's accounting system did not properly reflect the balances owed by the City.
- Recommendation:** We recommend that procedures be implemented to reconcile, on a monthly basis, the payroll liability balances in the accounting system to the underlying amounts owed by the City.
- Response:** The City will implement the recommendation.

**2018-014      Material Weakness and Noncompliance – Restricted Fund Balance**

- Criteria:** The City is required by state statute to maintain a balance in its unemployment revolving fund (the Employment Insurance Revolving Fund) equal to 2% of the first \$6,000 paid to each employee in the preceding year.
- Condition:** The Employment Insurance Revolving Fund's balance exceeded the statutorily-required balance of approximately \$20,000, and the Employment Insurance Revolving Fund was incorrectly reflected as a special revenue fund, rather than as a restricted portion of the General Fund.
- Cause:** The City did not calculate the annual statutorily-required fund balance. In addition, the City was unaware of the required criteria for treatment as a special revenue fund.
- Effect:** The Employment Insurance Revolving Fund's restricted fund balance was overstated and was incorrectly reflected as a special revenue fund.
- Recommendation:** We recommend that procedures be implemented to ensure that the annual calculation of the required fund balance amount is performed in a timely manner. In addition, we recommend that the Employment Insurance Revolving Fund be reflected as part of the General Fund, since it does not meet the criteria to be treated as a special revenue fund.
- Response:** The City will implement the recommendation.

(Continued)

**City of Canton, Mississippi**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2018

2018-015      Noncompliance – Unemployment Tax

- Criteria: State statutes allow a municipality to limit its exposure to unemployment claims by irrevocably electing to pay quarterly unemployment tax at a statutorily established rate, in addition to maintaining the required balance in the municipality's unemployment revolving fund.
- Condition: The City previously made the irrevocable election to pay the statutorily established rate of quarterly unemployment tax in addition to maintaining the required balance in its Employment Insurance Revolving Fund. However, we noted that the City was over a year behind in filing its quarterly state unemployment tax returns and in paying the state unemployment tax.
- Cause: It appears that the City was not aware of its obligation to pay state unemployment tax and was not responding to the repeated delinquency notices that were sent to the City by the Mississippi Employment Security Commission.
- Effect: Because the City had not paid its quarterly unemployment tax and did not respond to repeated delinquency notices, the Mississippi Employment Security Commission filed a tax lien against the City with the county and also filed a revenue-intercept claim against the City with the Mississippi Department of Finance and Administration. The City has also been assessed penalties and interest related to the delinquent state unemployment taxes.
- Recommendation: We recommend that the City submit the late unemployment tax returns as soon as possible and pay the delinquent amounts owed. In addition, we recommend that procedures be developed to ensure that the quarterly unemployment tax returns are timely filed and that the unemployment taxes are timely paid. We also recommend that procedures be developed to ensure that delinquency or late-payment notices received from any entity are adequately addressed in a timely manner in order to prevent unnecessary penalties, interest, and/or legal action.
- Response: The City will implement the recommendation.

2018-016      Noncompliance – Court Assessments

- Criteria: State regulations require that the City remit state court assessments to the applicable state agencies on a monthly basis.
- Condition: The City did not consistently remit state court assessments to the applicable state agencies on a monthly basis.
- Cause: Procedures were not in place to ensure timely remittance.
- Effect: The City was not in compliance with state statutes.
- Recommendation: We recommend that the City revise its procedures to ensure that state court assessments are remitted to the applicable state agencies in a timely manner.
- Response: The City will implement the recommendation.

(Continued)

**City of Canton, Mississippi**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2018

2018-017      Noncompliance – Court Collections

Criteria:      State statutes require fines and forfeitures to be deposited daily.  
Condition:    The City's collections of fines and forfeitures were generally deposited only once per week.  
Cause:        The City was unaware of the requirement to make daily deposits.  
Effect:        The undeposited collections were exposed to an increased risk of loss, and the City was unable to utilize the funds for expenditures during the period of delay.  
Recommendation: We recommend that the City revise its procedures to ensure that all revenues are deposited daily.  
Response:    The City will implement the recommendation.

2018-018      Material Weakness – Franchise Tax Revenue

Criteria:      Monitoring of revenue payments that are due to the City is a primary control that is designed to ensure that payments are received when due.  
Condition:    A cable company's semi-annual franchise tax payment for January through June, 2018, which typically approximates \$36,000, was not received by the City, and the City did not appear to be aware of the missing franchise tax revenue.  
Cause:        A tracking system was not in place to monitor the receipt of franchise tax revenue due to the City.  
Effect:        Franchise taxes are a significant source of revenue for the City, and without adequate oversight by the City, underpayments of the franchise taxes owed to the City might go undetected.  
Recommendation: We recommend that the City develop a tracking system for its franchise tax revenue to ensure that all franchise taxes due to the City are received in a timely manner. In addition, we recommend that the City investigate the missing franchise tax revenue and pursue collection of any delinquent franchise taxes from the cable company.  
Response:    The City will implement the recommendation.

2018-019      Material Weakness and Noncompliance – Restricted Revenues

Criteria:      Revenues and expenditures are required by generally accepted accounting principles to be separately reflected (rather than being netted into a single amount), and revenues with restrictions on their use are required to be reflected as restricted fund balances until utilized for their intended purpose(s). In addition, state statutes require expenditures to be budgeted separately from revenues.  
Condition:    Tax revenues levied by the City to provide funding for the library system and the parking district were incorrectly netted with the funding payments to the applicable entities (i.e., the Madison County Library System and the Canton Redevelopment Authority) within liability accounts, rather than being separately reflected as revenues and expenditures.

(Continued)

**City of Canton, Mississippi**  
**Schedule of Findings and Responses**  
**For the Year Ended September 30, 2018**

**Cause:** Liability accounts were not monitored to ensure that liability account usage was appropriate.  
**Effect:** The City's revenues and expenditures were both understated.  
**Recommendation:** We recommend that liability accounts be periodically reviewed to ensure that usage of liability accounts is appropriate.  
**Response:** The City will implement the recommendation.

**2018-020      Material Weakness and Noncompliance – Contractual Services Expenditures**

**Criteria:** Generally accepted accounting principles require revenues and expenditures to be separately reflected (rather than being netted into a single amount), and state statutes require expenditures to be budgeted separately from revenues.  
**Condition:** County fees charged for the collection of the City's ad valorem taxes were netted from tax revenues rather than being separately posted as contractual services expenditures.  
**Cause:** The City was unaware of the requirement to segregate these expenditures from the revenue.  
**Effect:** Both revenues and expenditures were understated.  
**Recommendation:** We recommend that the City's procedures for recording ad valorem tax revenues be revised to ensure that the county collection fees are properly recorded as expenditures.  
**Response:** The City will implement the recommendation.

**2018-021      Material Weakness – Expenditure Classifications**

**Criteria:** Generally accepted accounting principles require capital outlay and debt service expenditures to be segregated from operating expenditures. In addition, debt service expenditures are required to be separately reported as to the respective principal and interest portions.  
**Condition:** Capital outlay expenditure accounts included items that should have been classified as supplies, since they did not meet the City's capitalization criteria, and a vehicle purchase was incorrectly reflected as a contractual services expenditure. Debt service expenditure accounts included equipment lease payments that should have been classified as rent expense, since the leases in question did not qualify as capital leases (i.e., financed purchases). In addition, debt service payments on bonds, loans, and capital leases were not properly segregated into principal, interest, and paying agent fee expenditure accounts.  
**Cause:** The City relied upon year-end audit adjustments to correct these mispostings.  
**Effect:** The City's internal financial reports did not accurately reflect capital outlay and debt service expenditures.  
**Recommendation:** We recommend that the City's procedures for classifying and recording capital outlay and debt service expenditures be reviewed and revised as necessary to properly reflect these expenditures.  
**Response:** The City will implement the recommendation.

(Continued)

**City of Canton, Mississippi**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2018

2018-022      Noncompliance – Publication of the Approved Budget and Tax Levy

Criteria:      State statutes require that the City publish the budget and tax levy each year, upon approval by City Council.

Condition:      The City was unable to provide documentation of the publication of the approved budget and tax levy for the year ended September 30, 2018.

Cause:      The City has experienced a high turnover rate in the City Clerk position. In addition, some of the individuals who held the City Clerk position did not appear to be familiar with the statutory publication requirements.

Effect:      The City was not in compliance with state statutes.

Recommendation: We recommend that the City revise its procedures in order to comply with the applicable publication requirements.

Response:      The City will implement the recommendation.

2018-023      Noncompliance – Budget Violations

Criteria:      State statutes and regulations require that the City limit its expenditures to the amounts in the approved budget line items, except for court-ordered payments, emergency purchases, election expenses and capital outlay.

Condition:      Several expenditure line items in the budget were exceeded with no documentation provided as to any applicable exceptions to the budget compliance requirement.

Cause:      The actual expenditures were not adequately monitored and limited to the adopted budget amounts. In addition, the correction of posting errors and misclassified expenditures, as well as items not separately budgeted as required, resulted in actual expenditures that exceeded expenditure budget line items.

Effect:      The City was not in compliance with state statutes, and City officials could be exposed to fines for budget violations.

Recommendation: We recommend that the City review and revise its budgeting and reporting procedures to ensure that the transactions are properly recorded and the budget expenditures are adequately monitored to prevent expenditures in excess of the budgeted line items.

Response:      The City will implement the recommendation.

2018-024      Noncompliance – Budget Reporting

Criteria:      State statutes require that the City Council be provided, on a monthly basis, financial reports that compare the budgeted revenue and expenditure line items with the actual year-to-date revenues received and expenditures paid by the City. In addition, state statutes require that the budget reports only reflect revenues received (deposited) by the period end and only reflect actual expenditures that were paid within 30 days after the period end.

Condition:      The monthly budget-to-actual financial reports submitted to the City Council only reflected a total for each department rather than the required detail at the budgeted line-item level. In addition, only the general fund and landfill fund were reflected in the budget-to-actual reports.

(Continued)

**City of Canton, Mississippi**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2018

Cause: The City was unaware of these requirements.  
Effect: The City Council was not provided with the required monthly financial reports that are necessary in order for them to fulfill their oversight responsibilities related to budget compliance.  
Recommendation: We recommend that the City revise its financial reporting procedures in order to prepare the budget-to-actual financial reports in accordance with the statutory budget requirements and to provide complete monthly financial reports for all funds to the City Council as required.  
Response: The City will implement the recommendation.

**2018-025 Noncompliance – Timely Pay Statute**

Criteria: State statutes require municipalities to pay vendors within 45 days of receiving an invoice or pay the vendor interest on amounts paid after 45 days.  
Condition: We noted that the City made several vendor payments that were more than 45 days after receipt of the applicable invoices without documentation of any dispute or payment of the required interest.  
Cause: The City's procedures for processing and approving invoices for payment did not adequately document any disputes that may have delayed payment and also did not add the required interest to vendors' payments when they were otherwise paid late.  
Effect: The City was not in compliance with statutory timely pay requirements.  
Recommendation: We recommend that the City review and revise its purchasing procedures as necessary to ensure compliance with State of Mississippi timely pay requirements.  
Response: The City will implement the recommendation.

**2018-026 Noncompliance – Municipal Compliance Questionnaire**

Criteria: The Mississippi State Auditor's Office's regulations require that municipalities complete and approve the annual Municipal Compliance Questionnaire at the City Council's first regular meeting after the fiscal year end as a means of the City certifying that it has complied with applicable state statutes and regulations. The Municipal Compliance Questionnaire provides a listing of various compliance requirements along with the source of the requirements.  
Condition: The Municipal Compliance Questionnaire was not approved and included in the official minutes as required.  
Cause: The City was unaware of the requirement to approve and include the Municipal Compliance Questionnaire as part of the minutes.  
Effect: The City was not in compliance with state regulations.  
Recommendation: We recommend that the City revise its procedures to ensure that the Municipal Compliance Questionnaire is completed as required.  
Response: The City will implement the recommendation.

(Continued)

**City of Canton, Mississippi**  
Schedule of Findings and Responses  
For the Year Ended September 30, 2018

2018-027      Noncompliance – Minutes of City Council Meetings

- Criteria:      State statutes require that the minutes of a City Council meeting be prepared and signed within 30 days of the meeting.
- Condition:      Minutes for several City Council meetings that had occurred more than 30 days previously had either not yet been prepared or were missing from the official minute books. Additionally, some meeting minutes in the official minute books were not signed, some meeting minutes were signed more than 30 days after the meeting, and some meeting minutes referred to exhibits that were missing from the minute books.
- Cause:      The City has experienced a high turnover rate in the City Clerk position. In addition, some of the individuals who held the City Clerk position did not appear to be familiar with the statutory requirements related to City Council meeting minutes.
- Effect:      The City Council meeting minutes serve as the official record of the City Council's actions. Therefore, in the absence of timely-prepared official meeting minutes, documentation of the City Council's actions and approvals at a meeting may not exist, and legal complications could result from this lack of documentation.
- Recommendation:      We recommend that procedures be implemented to ensure that the minutes and related exhibits are adequately and timely prepared, signed, and maintained in the official minute books. In addition, we recommend that the City Clerk be provided with adequate training to ensure an adequate understanding of the position requirements and duties.
- Response:      The City will implement the recommendation.