

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, 2019

City of Canton, Mississippi
Annual Financial Report
For the Year Ended September 30, 2019

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FINANCIAL SECTION

TANN, BROWN & RUSS CO., PLLC
CERTIFIED PUBLIC ACCOUNTANTS
1501 LAKELAND DRIVE, SUITE 300
JACKSON, MISSISSIPPI 39216-4841
TELEPHONE (601) 354-4926
FACSIMILE (601) 354-4947

MEMBERS
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PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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, 2019, 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.

(Continued)

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, 2019, 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 September 9, 2022, 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.

Tam, Brown & Rouse Co.

September 9, 2022

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, 2019

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, 2019. 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 \$547,248 in 2019, which represents a 4% decrease from fiscal year 2018.
- General revenues were \$8,927,495, or 71%, of the City's revenues in 2019. This amount was more than the prior year (2018), which consisted of \$8,920,655 in general revenues. Program specific revenues in the form of charges for services accounted for \$3,203,376, or 25%, of total revenues, compared with \$2,683,555 in 2018.
- The City had \$13,145,006 in expenses, an amount that increased when compared with the \$12,455,572 in expenses for the prior year; \$3,670,263 of these current year expenses were offset by program revenues. General revenues of \$8,927,495 were not adequate to provide for the net expenses of these programs, and the City experienced a \$547,248 decrease in net position in the current year as a result.
- Among the major funds, the General Fund had \$9,080,221 in revenues and \$9,850,845 in expenditures. In 2018 the General Fund had \$8,716,180 in revenues and \$9,864,638 in expenditures. The General Fund's fund balance decreased by \$674,397 from 2018 to 2019.
- The Landfill Fund had \$1,937,762 in revenues and \$2,414,785 in expenses. Its net loss was \$477,023 for the current year. In 2018, it showed \$1,752,122 in revenues and \$1,879,850 in expenses.
- Capital assets, net of accumulated depreciation, increased by \$129,231 in the governmental activities. This increase in the governmental activities was primarily due to the improvement projects related to sidewalks and parks.
- Capital assets decreased \$661,583 in the business-type activity mainly due to the recording of depreciation expense during the year.

(Continued)

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2019

- Long-term liabilities increased by \$218,262 in the governmental activities from 2018 to 2019. The increase in the governmental activities was mainly due to an increase in the City's proportionate share of the net pension liability of the state retirement system.
- Long-term liabilities decreased by \$85,352 in the business-type activity from 2018 to 2019. 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, 2019

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, 2019

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, the Debt Service Sinking Fund, and the Landfill 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 \$13,386,163 as of September 30, 2019, 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, 2019 and 2018, respectively.

(Continued)

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2019

Governmental Activities Net Position (in thousands)

	2019	2018 (as restated)	Percentage Change
Current assets	\$ 8,142	\$ 8,598	-5%
Capital assets, net	<u>10,122</u>	<u>9,993</u>	1%
Total Assets	<u>18,264</u>	<u>18,591</u>	-2%
 Deferred outflows of resources	 <u>1,483</u>	 <u>1,072</u>	 38%
Current liabilities	2,089	1,663	26%
Long-term liabilities	<u>23,243</u>	<u>23,025</u>	1%
Total Liabilities	<u>25,332</u>	<u>24,688</u>	3%
 Deferred inflows of resources	 <u>5,294</u>	 <u>5,783</u>	 -8%
 Net Position:			
Net investment in capital assets	1,971	1,420	39%
Restricted	507	602	-16%
Unrestricted	<u>(13,357)</u>	<u>(12,830)</u>	4%
Total Net Position (deficit)	<u>\$ (10,879)</u>	<u>\$ (10,808)</u>	1%

Current liabilities increased in 2019 because the City received the proceeds of the \$1 million 2020 short-term tax anticipation note payable prior to the end of the year.

The deferred inflows and outflows of resources both changed in 2019 as a result of the City's participation in the state retirement plan.

The governmental activities' net investment in capital assets amount was \$1,970,726. 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, \$507,706 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 \$13,357,101.

(Continued)

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2019

Governmental Activities Changes in Net Position (in thousands)

	2019	2018 (as restated)	Amount Change	Percentage Change
Revenues				
Program Revenues:				
Charges for services	\$ 1,273	\$ 947	\$ 326	34.4%
Operating grants and contributions	292	225	67	29.8%
Capital grants and contributions	175	-	175	999.9%
General Revenues:				
Property taxes	4,695	4,686	9	0.2%
Local sales tax	630	626	4	0.6%
Franchise tax	157	124	33	26.6%
Intergovernmental	3,395	3,497	(102)	-2.9%
Other	42	(12)	54	-450.0%
Total Revenues	10,659	10,093	566	5.6%
Expenses				
General Government	2,763	2,411	352	14.6%
Public Safety	4,247	3,839	408	10.6%
Public Works	1,399	1,197	202	16.9%
Culture and Recreation	912	727	185	25.4%
Economic Development	631	1,650	(1,019)	-61.8%
Health and Welfare	210	131	79	60.3%
Interest on Long-Term Debt	568	660	(92)	-13.9%
Total Expenses	10,730	10,615	115	1.1%
Change in Net Position	(71)	(522)	451	-86.4%
Beginning Net Position, as restated	(10,808)	(10,286)	(522)	5.1%
Ending Net Position, as restated	\$ (10,879)	\$ (10,808)	\$ (71)	0.7%

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 28% of governmental activities' revenue in fiscal year 2019. The general sales tax revenue of the City in fiscal year 2019 was \$3.0 million, which is a slight decrease from the 2018 \$3.1 million amount. Property tax revenue was \$4.7 million in 2019 and was 44% of the governmental activities' revenue. Total governmental activities revenue was \$10.7 million, an increase of 6% from the prior year. The increase was due primarily to increased police fines, building permits, and public works project grants.

Governmental activities expenses were \$10.7 million for 2019, an increase of 1% from the prior year. The increase in expenses was primarily the result of parks and public works projects and annexation process expenses. The economic development expenses decreased in 2019 as a result of the previous year's \$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, 2019

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)

	2019	2018 (as restated)	Percentage Change
Current assets	\$ 213	\$ 875	-76%
Restricted assets	794	763	4%
Capital assets, net	<u>2,093</u>	<u>2,754</u>	-24%
Total assets	<u>3,100</u>	<u>4,392</u>	-29%
 Deferred outflows of resources	 <u>116</u>	 <u>28</u>	 314%
 Current liabilities	 201	 814	 -75%
Long-term liabilities	<u>5,481</u>	<u>5,566</u>	-2%
Total liabilities	<u>5,682</u>	<u>6,380</u>	-11%
 Deferred inflows of resources	 <u>41</u>	 <u>70</u>	 -41%
 Net position:			
Net investment in capital assets	(712)	(1,026)	-31%
Unrestricted	<u>(1,795)</u>	<u>(1,004)</u>	79%
Total net position (deficit)	<u>\$ (2,507)</u>	<u>\$ (2,030)</u>	23%

The current assets decreased and current liabilities decreased in 2019 primarily as a result of 2018 landfill cell 2A construction project costs paid in 2019. Capital assets decreased in 2019 primarily as a result of depreciation expense.

(Continued)

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2019

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

	2019	2018 (as restated)	Amount Change	Percentage Change
Revenues				
Program Revenues:				
Charges for services	\$ 1,930	\$ 1,737	\$ 193	11.1%
General Revenues:				
Other	8	(2)	10	-500.0%
Total Revenues	<u>1,938</u>	<u>1,735</u>	<u>203</u>	11.7%
Expenses				
Landfill	2,415	2,089	326	15.6%
Total Expenses	<u>2,415</u>	<u>2,089</u>	<u>326</u>	15.6%
Change in Net Position	(477)	(354)	(123)	34.7%
Beginning Net Position, as restated	<u>(2,030)</u>	<u>(1,676)</u>	<u>(354)</u>	21.1%
Ending Net Position, as restated	<u>\$ (2,507)</u>	<u>\$ (2,030)</u>	<u>\$ (477)</u>	23.5%

Completion of a landfill expansion project in 2019 resulted in an increase in both revenue 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 \$470 thousand more than budgeted as a result of increased building permit revenue and equipment capital lease financing agreements in 2019 that were not budgeted. General Fund expenditures were \$725 thousand more than budgeted primarily as a result of annexation process expenses, increased multi-purpose arena expenses, and 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, 2019

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, 2019 and 2018, respectively.

**Capital Assets at September 30, 2019 and 2018
Governmental Activities (in thousands)**

	2019	2018 (as restated)	Change
Land	\$ 2,978	\$ 2,978	0%
Construction in progress	327	-	999%
Buildings	6,346	6,346	0%
Infrastructure	5,972	5,972	0%
Vehicles	2,698	2,547	6%
Equipment	885	820	8%
Accumulated depreciation	(9,084)	(8,670)	5%
Total	\$ 10,122	\$ 9,993	1%

**Capital Assets at September 30, 2019 and 2018
Business-Type Activities (in thousands)**

	2019	2018 (as restated)	Change
Land	\$ 38	\$ 38	0%
Construction in progress	-	1,576	-100%
Land improvements	2,609	1,014	157%
Vehicles	148	148	0%
Equipment	1,258	2,011	-37%
Accumulated depreciation	(1,960)	(2,033)	-4%
Total	\$ 2,093	\$ 2,754	-24%

Governmental activities equipment increased in 2019 as a result of vehicles and equipment acquired primarily through capital lease financing. Construction in progress is improvement projects for sidewalks and parks.

Business-type activity construction in progress decreased and land improvements increased in 2019 as a result of the landfill expansion project that was completed. Total capital assets decreased as a result of current year depreciation expense.

(Continued)

City of Canton, Mississippi
Management's Discussion and Analysis
For the Year Ended September 30, 2019

Long-Term Liabilities

The City entered into \$699 thousand of capital lease financing obligations for equipment and vehicles in 2019.

The City's net pension liability increased in 2019 as a result of an increase 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 was 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, 2019

	Primary Government			Component Units	
	Governmental Activities	Business-type Activity	Total	Canton Convention and Visitors Bureau	Canton Municipal Utilities
Assets:					
Cash and cash equivalents	\$ 1,891,497	\$ 184,393	\$ 2,075,890	\$ 250,406	\$ 65,812
Accounts receivable, net	5,883,778	263,131	6,146,909	-	4,904,277
Inventory	-	-	-	615	1,205,939
Prepaid items	82,846	-	82,846	-	206,739
Due from component units	-	50,172	50,172	-	-
Interfund balances	284,020	(284,020)	-	-	-
Restricted Assets:					
Cash and cash equivalents	-	92,258	92,258	1,382	406,632
Investments	-	701,339	701,339	-	8,603,386
Other investments	-	-	-	-	14,455
Deferred capital assessment charges	-	-	-	-	917,784
Capital assets:					
Land and construction in progress	3,305,382	38,380	3,343,762	960,000	2,389,960
Other capital assets, net of accumulated depreciation	6,817,086	2,054,270	8,871,356	231,031	26,418,495
Total Assets	<u>18,264,609</u>	<u>3,099,923</u>	<u>21,364,532</u>	<u>1,443,434</u>	<u>45,133,479</u>
Deferred Outflows of Resources:					
Deferred outflows of resources - pension	770,096	116,154	886,250	58,109	1,335,011
Deferred outflows of resources - debt advance refunding	712,868	-	712,868	-	-
Total Deferred Outflows of Resources	<u>1,482,964</u>	<u>116,154</u>	<u>1,599,118</u>	<u>58,109</u>	<u>1,335,011</u>
Liabilities:					
Accounts payable	532,854	147,488	680,342	15,115	2,416,732
Wages and benefits payable	291,909	16,559	308,468	-	44,625
Due to other governments	115,111	-	115,111	6,200	-
Due to component units	104,977	-	104,977	-	-
Due to primary government	-	-	-	-	50,172
Customer deposits	-	-	-	-	1,389,754
Interest payable	44,216	37,611	81,827	-	-
Short-term note payable	1,000,000	-	1,000,000	-	-
Bonds payable, current	1,085,000	150,000	1,235,000	-	-
Notes and lease obligations, current	194,518	137,765	332,283	-	130,756
Compensated absences, current	14,420	1,302	15,722	-	152,318
Bonds payable, non-current	8,985,763	2,129,104	11,114,867	-	-
Notes and lease obligations, noncurrent	1,767,614	387,948	2,155,562	-	910,998
Compensated absences, noncurrent	300,838	35,961	336,799	-	228,476
Accrued closure/post-closure care costs	-	1,654,425	1,654,425	-	-
Net pension liability	<u>10,894,719</u>	<u>984,085</u>	<u>11,878,804</u>	<u>340,404</u>	<u>11,451,144</u>
Total Liabilities	<u>25,331,939</u>	<u>5,682,248</u>	<u>31,014,187</u>	<u>361,719</u>	<u>16,774,975</u>
Deferred Inflows of Resources:					
Unavailable revenue - property taxes levied for subsequent year	4,657,454	-	4,657,454	-	-
Deferred inflows of resources - pension	636,849	41,323	678,172	14,581	137,607
Total Deferred Inflows of Resources	<u>5,294,303</u>	<u>41,323</u>	<u>5,335,626</u>	<u>14,581</u>	<u>137,607</u>
Net Position:					
Net Investment in Capital Assets	1,970,726	(712,167)	1,258,559	1,191,031	27,119,608
Restricted for:					
Debt service	462,803	-	462,803	-	-
Public works	12,299	-	12,299	-	-
Public safety	12,361	-	12,361	-	-
Unemployment benefits	20,313	-	20,313	-	-
Other specific purposes	-	-	-	1,382	-
Unrestricted	<u>(13,357,171)</u>	<u>(1,795,327)</u>	<u>(15,152,498)</u>	<u>(67,170)</u>	<u>2,436,300</u>
Total Net Position	<u>\$ (10,878,669)</u>	<u>\$ (2,507,494)</u>	<u>\$ (13,386,163)</u>	<u>\$ 1,125,243</u>	<u>\$ 29,555,908</u>

The accompanying notes are an integral part of this statement.

CITY OF CANTON
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-type Activity	Total	Canton Convention and Visitors Bureau	Canton Municipal Utilities
PRIMARY GOVERNMENT:									
Governmental Activities:									
General government	\$ 2,763,126	\$ 184,896	\$ 1,050	\$ -	\$ (2,577,180)		\$ (2,577,180)		
Public safety	4,246,935	864,077	111,701	-	(3,271,157)		(3,271,157)		
Public works	1,399,026	-	179,337	158,467	(1,061,222)		(1,061,222)		
Culture and recreation	912,427	145,976	-	16,332	(750,119)		(750,119)		
Economic development	630,442	-	-	-	(630,442)		(630,442)		
Health and welfare	210,096	78,300	-	-	(131,796)		(131,796)		
Interest and fees on long-term debt	568,169	-	-	-	(568,169)		(568,169)		
Total Governmental Activities	10,730,221	1,273,249	292,088	174,799	(8,990,085)		(8,990,085)		
Business-type Activity:									
Landfill	2,414,785	1,930,127	-	-		\$ (484,658)	(484,658)		
Total Business-type Activity	2,414,785	1,930,127	-	-		(484,658)	(484,658)		
Total Primary Government	\$ 13,145,006	\$ 3,203,376	\$ 292,088	\$ 174,799	(8,990,085)	(484,658)	(9,474,743)		
COMPONENT UNITS:									
Canton Convention and Visitors Bureau	\$ 815,266	\$ 209,317	\$ 631,056	\$ -				\$ 25,107	
Canton Municipal Utilities	25,824,668	23,045,977	-	734,881					\$ (2,043,810)
Total Component Units	\$ 26,639,934	\$ 23,255,294	\$ 631,056	\$ 734,881				25,107	(2,043,810)
General Revenues:									
Property taxes					4,695,107	-	4,695,107	-	-
Local sales tax					630,443	-	630,443	-	-
Franchise taxes based on gross receipts					157,004	-	157,004	-	-
Intergovernmental grants and shared revenues not restricted to specific programs					3,394,990	-	3,394,990	-	-
Unrestricted investment income (loss)					6,719	36,644	43,363	108	-
Gain (loss) on capital asset sales and disposals					35,597	(29,009)	6,588	-	-
Total General Revenues					8,919,860	7,635	8,927,495	108	-
Change in Net Position					(70,225)	(477,023)	(547,248)	25,215	(2,043,810)
Net Position - Beginning, as restated					(10,808,444)	(2,030,471)	(12,838,915)	1,100,028	31,599,718
Net Position - Ending					\$ (10,878,669)	\$ (2,507,494)	\$ (13,386,163)	\$ 1,125,243	\$ 29,555,908

The accompanying notes are an integral part of this statement.

CITY OF CANTON
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	<u>General Fund</u>	<u>Debt Service Sinking Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,508,803	\$ 61,606	\$ 321,088	\$ 1,891,497
Accounts receivable	4,479,494	1,230,659	173,625	5,883,778
Prepaid items	82,846	-	-	82,846
Due from other funds	389,711	195,757	-	585,468
Total Assets	<u>\$ 6,460,854</u>	<u>\$ 1,488,022</u>	<u>\$ 494,713</u>	<u>\$ 8,443,589</u>
Liabilities:				
Accounts payable	\$ 440,999	\$ -	\$ 91,855	\$ 532,854
Wages and benefits payable	291,909	-	-	291,909
Due to other governments	113,728	-	1,383	115,111
Due to component units	104,977	-	-	104,977
Due to other funds	-	105,488	195,960	301,448
Tax anticipation note payable	1,000,000	-	-	1,000,000
Total Liabilities	<u>1,951,613</u>	<u>105,488</u>	<u>289,198</u>	<u>2,346,299</u>
Deferred Inflows of Resources:				
Unavailable revenue - court fines	190,182	-	-	190,182
Unavailable revenue - property taxes levied for subsequent year	3,338,317	1,213,474	105,663	4,657,454
Total Deferred Inflows of Resources	<u>3,528,499</u>	<u>1,213,474</u>	<u>105,663</u>	<u>4,847,636</u>
Fund Balances:				
Nonspendable - prepaid items	82,846	-	-	82,846
Restricted for:				
Debt service	-	169,060	293,743	462,803
Public works	-	-	12,299	12,299
Public safety	-	-	12,361	12,361
Unemployment benefits	20,313	-	-	20,313
Unassigned	877,583	-	(218,551)	659,032
Total Fund Balances	<u>980,742</u>	<u>169,060</u>	<u>99,852</u>	<u>1,249,654</u>
Total Liabilities and Fund Balances	<u>\$ 6,460,854</u>	<u>\$ 1,488,022</u>	<u>\$ 494,713</u>	<u>\$ 8,443,589</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, 2019

Total fund balances - governmental funds	\$ 1,249,654
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.	10,122,468
Receivables that are not available to pay for current period expenditures are recorded as deferred inflows in the funds.	190,182
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	770,096
Deferred inflows of resources related to the pension plan	(636,849)
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	(44,216)
Bonds payable, net of premiums	(10,070,763)
Notes and capital leases payable	(1,962,132)
Compensated absences payable	(315,258)
Net pension liability	(10,894,719)
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>712,868</u>
Net position of governmental activities	<u><u>\$ (10,878,669)</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, 2019

	<u>General Fund</u>	<u>Debt Service Sinking Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 3,338,938	\$ 1,257,097	\$ 99,072	\$ 4,695,107
Local sales tax	630,443	-	-	630,443
Franchise taxes	157,004	-	-	157,004
Licenses and permits	569,674	-	-	569,674
Intergovernmental	3,654,797	-	189,198	3,843,995
Fines and forfeitures	415,488	-	-	415,488
Investment income	74	-	6,645	6,719
Donations	17,882	-	-	17,882
Charges for services, rent and fees	295,921	-	-	295,921
Total Revenues	<u>9,080,221</u>	<u>1,257,097</u>	<u>294,915</u>	<u>10,632,233</u>
Expenditures:				
Current:				
General government	2,664,511	40,159	5,850	2,710,520
Public safety	3,935,924	-	17,861	3,953,785
Public works	927,024	-	188,300	1,115,324
Culture and recreation	777,643	-	95,907	873,550
Economic development	630,442	-	-	630,442
Health and welfare	195,968	-	-	195,968
Debt Service:				
Principal	193,726	864,853	215,000	1,273,579
Interest and fees	73,444	250,833	146,387	470,664
Capital outlay:				
Public safety	220,439	-	-	220,439
Public works	215,992	-	47,047	263,039
Culture and recreation	15,732	-	97,059	112,791
Total Expenditures	<u>9,850,845</u>	<u>1,155,845</u>	<u>813,411</u>	<u>11,820,101</u>
Excess of Revenues Over (Under) Expenditures	<u>(770,624)</u>	<u>101,252</u>	<u>(518,496)</u>	<u>(1,187,868)</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	-	357,889	357,889
Transfers to other funds	(161,620)	(151,128)	(45,141)	(357,889)
Issuance of long-term debt	197,905	-	83,706	281,611
Proceeds from capital asset sales and disposals	59,942	-	-	59,942
Total Other Financing Sources (Uses)	<u>96,227</u>	<u>(151,128)</u>	<u>396,454</u>	<u>341,553</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>(674,397)</u>	<u>(49,876)</u>	<u>(122,042)</u>	<u>(846,315)</u>
Fund Balances:				
Fund Balances - Beginning	1,655,139	218,936	221,894	2,095,969
Fund Balances - Ending	<u>\$ 980,742</u>	<u>\$ 169,060</u>	<u>\$ 99,852</u>	<u>\$ 1,249,654</u>

The accompanying notes are an integral part of this statement.

CITY OF CANTON
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net change in fund balances - total governmental funds	\$ (846,315)
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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	(7,834)
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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	596,269
Depreciation expense on the Statement of Activities	(442,693)
Remaining undepreciated cost removed upon sale or disposal of capital assets on the Statement of Activities	(24,345)

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	(281,611)
Principal payments on long-term debt	1,273,579
Amortization of deferred amount from advance refunding of long-term debt	(108,656)
Amortization of premium on debt issuance	9,678

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	1,473
Accrued compensated absences	(1,909)

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.	(237,861)
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Change in net position of governmental activities - Statement of Activities	<u>\$ (70,225)</u>
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The accompanying notes are an integral part of this statement.

CITY OF CANTON
STATEMENT OF NET POSITION - PROPRIETARY FUND
SEPTEMBER 30, 2019

	Enterprise Fund
	Landfill Fund
Assets:	
Current Assets:	
Cash and cash equivalents	\$ 184,393
Accounts receivable	263,131
Due from component units	50,172
Total Current Assets	<u>497,696</u>
Noncurrent Assets:	
Restricted for closure/post-closure care costs:	
Cash and cash equivalents	92,258
Investments	701,339
Capital assets:	
Land	38,380
Other capital assets, net of accumulated depreciation	2,054,270
Total Noncurrent Assets	<u>2,886,247</u>
Total Assets	<u>3,383,943</u>
Deferred Outflows of Resources	
Deferred outflows of resources - pension	116,154
Total Deferred Outflows of Resources	<u>116,154</u>
Liabilities:	
Current Liabilities:	
Accounts payable	147,488
Wages and benefits payable	16,559
Due to other funds	284,020
Accrued interest payable	37,611
Bonds payable, current portion	150,000
Notes and capital leases payable, current portion	137,765
Compensated absences, current portion	1,302
Total Current Liabilities	<u>774,745</u>
Noncurrent Liabilities:	
Bonds payable	2,129,104
Notes and capital leases payable	387,948
Compensated absences	35,961
Accrued closure/post-closure care costs	1,654,425
Net pension liability	984,085
Total Noncurrent Liabilities	<u>5,191,523</u>
Total Liabilities	<u>5,966,268</u>
Deferred Inflows of Resources	
Deferred inflows of resources - pension	41,323
Total Deferred inflows of resources	<u>41,323</u>
Net Position:	
Net investment in capital assets	(712,167)
Unrestricted	(1,795,327)
Total Net Position	<u>\$ (2,507,494)</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, 2019

	Enterprise Fund
	Landfill Fund
Operating Revenues:	
Charges for services	\$ 1,930,127
Total Operating Revenues	<u>1,930,127</u>
Operating Expenses:	
Personnel services	568,509
Other services and charges	1,024,088
Supplies and materials	57,474
Depreciation	637,873
Total Operating Expenses	<u>2,287,944</u>
Operating Loss	<u>(357,817)</u>
Non-Operating Revenues (Expenses):	
Investment interest	22,659
Gain on investments	13,985
Loss on capital asset sales and disposals	(29,009)
Interest and debt-related fees expense	(126,841)
Total Non-Operating Revenues (Expenses)	<u>(119,206)</u>
Change in Net Position	(477,023)
Net Position:	
Net Position - Beginning, as restated	(2,030,471)
Net Position - Ending	<u>\$ (2,507,494)</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, 2019

	Enterprise Fund
	Landfill Fund
Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,926,390
Payments to employees for salaries and benefits	(510,053)
Payments to suppliers and service providers	(977,174)
Net Cash Provided by Operating Activities	<u>439,163</u>
Cash Flows from Capital and Related Financing Activities:	
Acquisition or construction of capital assets	(566,307)
Proceeds from capital asset sales	194,919
Advances from other funds for capital debt service	329,751
Principal paid on capital debt	(612,646)
Interest and fees paid on capital debt	(125,698)
Net Cash Used for Capital & Related Financing Activities	<u>(779,981)</u>
Cash Flows from Investing Activities:	
Purchases of investments	(249,573)
Proceeds from investment sales and maturities	140,000
Investment interest received	19,772
Net Cash Used for Investing Activities	<u>(89,801)</u>
Net Decrease in Cash and Cash Equivalents	(430,619)
Cash and Cash Equivalents at Beginning of Year	<u>707,270</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 276,651</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, 2019

	<u>Enterprise Fund</u> <u>Landfill Fund</u>
Reconciliation of Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Loss	\$ (357,817)
Adjustments to Reconcile Operating Loss to	
Net Cash Provided by Operating Activities:	
Depreciation	637,873
(Increase) decrease in:	
Accounts receivable	(3,737)
Deferred outflows of resources - pension	(88,036)
Increase (decrease) in:	
Accounts payable	(62,980)
Wages and benefits payable	(820)
Accrued closure/post-closure care costs	167,368
Compensated absences	3,012
Net pension liability	172,719
Deferred inflows of resources - pension	(28,419)
Total Adjustments	796,980
Net Cash Provided by Operating Activities	<u>\$ 439,163</u>
Summary of Cash and Cash Equivalents at End of Year:	
Cash and cash equivalents	\$ 184,393
Restricted for closure/post-closure care costs:	
Cash and cash equivalents	92,258
Total Cash and Cash Equivalents at End of Year	<u>\$ 276,651</u>
Non-cash capital and related financing activities:	
Non-cash financing of capital asset purchases	\$ 501,038
Non-cash debt payments as part of capital asset sales	<u>\$ 320,000</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, 2019

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 to the organizations' governing boards. 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.

Canton Redevelopment Authority – The City appoints the five directors who govern the redevelopment authority, but it has no significant control over the management, budget, or operating policies of the redevelopment 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 the fiscal year end.

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 City Council.

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 \$2,019,636 at September 30, 2019, and the bank balance was \$2,188,938. 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, 2019, were uninsured and uncollateralized, as follows:

Insured by the Federal Deposit Insurance Corporation (FDIC)	\$ 397,114
Uninsured and uncollateralized	<u>1,791,824</u>
Total bank balance of deposits	<u>\$2,188,938</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, 2019, 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	\$ 148,512
Investments	<u>701,339</u>
Total	<u>\$ 849,851</u>

The investments of Canton Municipal Utilities (a component unit) at September 30, 2019, 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, 2019, 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>
Investments:				
Federal Farm Credit Bank consol. bonds	\$ 51,999	2.88%	AA+	6%
Federal Agricultural Mortgage Corp. notes	103,286	2.10-4.16%	Unrated	12%
Federal Home Loan Bank consol. bonds	102,693	4.62%	AA+	12%
Federal Home Loan Mortgage Corp. notes	50,005	2.00%	AA+	6%
U.S. Treasury notes	<u>393,356</u>	1.38-2.25%	AA+	<u>46%</u>
Total Investments	701,339			82%

Cash Equivalents:

Federated U.S. Treasury Cash Reserves				
Money Market Mutual Fund shares	<u>148,512</u>	N/A	AAAm	<u>18%</u>
	<u>\$ 849,851</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>
Investments:			
Federal Farm Credit Bank consol. bonds	\$ -	\$ 51,999	\$ -
Federal Agricultural Mortgage Corp. notes	-	103,286	-
Federal Home Loan Bank consol. bonds	102,693	-	-
Federal Home Loan Mortgage Corp. notes	50,005	-	-
U.S. Treasury notes	<u>120,019</u>	<u>172,238</u>	<u>101,099</u>
	272,717	327,523	101,099

Cash Equivalents:

Federated U.S. Treasury Cash Reserves			
Money Market Mutual Fund shares	<u>148,512</u>	<u>-</u>	<u>-</u>
	<u>\$ 421,229</u>	<u>\$327,523</u>	<u>\$ 101,099</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) 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) interest-bearing time certificates of deposit with any financial institution approved for the deposit of state funds.

(Continued)

Notes to the Financial Statements – Continued

NOTE 2. DEPOSITS AND INVESTMENTS - Continued

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.

NOTE 3. INTERFUND TRANSACTIONS AND BALANCES

The following is a summary of interfund transactions and balances:

A. Due To/From Other Funds at September 30, 2019:

	Due from:			Totals
	Debt Service Sinking Fund	Nonmajor Governmental Funds	Landfill Fund	
<u>Due to:</u>				
General Fund	\$105,488	\$195,960	\$ 88,263	\$389,711
Debt Service Sinking Fund	-	-	195,757	195,757
Totals	<u>\$105,488</u>	<u>\$195,960</u>	<u>\$284,020</u>	<u>\$585,468</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 from advances to the Landfill Fund for required debt service payments that will be reimbursed by future revenues. Balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In and Transfers Out during the year ended September 30, 2019:

	Transfer from:			Totals
	General Fund	Debt Service Sinking Fund	Nonmajor Governmental Funds	
<u>Transfer to:</u>				
Nonmajor Governmental Funds	<u>\$161,620</u>	<u>\$151,128</u>	<u>\$ 45,141</u>	<u>\$357,889</u>

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

(Continued)

Notes to the Financial Statements – Continued

NOTE 4. RECEIVABLES

Accounts receivable at September 30, 2019, consisted of the following:

	General Fund	Debt Service Sinking Fund	Nonmajor Governmental Funds	Landfill Fund	Totals
Property taxes	\$ 3,386,569	\$ 1,230,659	\$ 107,046	\$ -	\$ 4,724,274
Sales taxes	626,649	-	-	-	626,649
Franchise taxes	43,152	-	-	-	43,152
Court fines	1,943,466	-	-	-	1,943,466
Federal and state grants	158,467	-	66,579	-	225,046
Landfill charges	-	-	-	392,507	392,507
Other	11,081	-	-	2,887	13,968
Gross receivables	6,169,384	1,230,659	173,625	395,394	7,969,062
Allowance for uncollectible amounts	(1,689,890)	-	-	(132,263)	(1,822,153)
Net receivables	<u>\$ 4,479,494</u>	<u>\$ 1,230,659</u>	<u>\$ 173,625</u>	<u>\$ 263,131</u>	<u>\$ 6,146,909</u>

Deferred inflows of resources related to the receivables consisted of the following at September 30, 2019:

	General Fund	Debt Service Sinking Fund	Nonmajor Governmental Funds	Landfill Fund	Totals
Property taxes levied for the subsequent year	\$ 3,338,317	\$ 1,213,474	\$ 105,663	\$ -	\$ 4,657,454
Court fines unavailable for current use	190,182	-	-	-	190,182
	<u>\$ 3,528,499</u>	<u>\$ 1,213,474</u>	<u>\$ 105,663</u>	<u>\$ -</u>	<u>\$ 4,847,636</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:

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

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

(Continued)

Notes to the Financial Statements – Continued

NOTE 5. PROPERTY TAXES – Continued

Tax millage levies for the year ended September 30, 2019, were as follows:

General Fund	39.89
Debt service	15.23
Library	<u>1.20</u>
Total mills	<u>56.32</u>

NOTE 6. CAPITAL ASSETS

Capital asset activity of the primary government for the year ended September 30, 2019, was as follows:

	Balance October 1, 2018 <u>as Restated</u>	<u>Additions</u>	<u>Disposals</u>	Balance September 30, 2019
Governmental Activities:				
Non-depreciable capital assets:				
Land	\$ 2,977,827	\$ -	\$ -	\$ 2,977,827
Construction in progress	-	327,555	-	327,555
Total non-depreciable capital assets	<u>2,977,827</u>	<u>327,555</u>	<u>-</u>	<u>3,305,382</u>
Depreciable capital assets:				
Buildings	6,345,669	-	-	6,345,669
Infrastructure	5,972,287	-	-	5,972,287
Vehicles	2,547,259	203,914	(52,923)	2,698,250
Equipment	<u>820,161</u>	<u>64,800</u>	<u>-</u>	<u>884,961</u>
Total depreciable capital assets	<u>15,685,376</u>	<u>268,714</u>	<u>(52,923)</u>	<u>15,901,167</u>
Less accumulated depreciation for:				
Buildings	3,964,495	70,035	-	4,034,530
Infrastructure	2,451,199	204,762	-	2,655,961
Vehicles	1,842,573	113,849	(28,578)	1,927,844
Equipment	<u>411,699</u>	<u>54,047</u>	<u>-</u>	<u>465,746</u>
Total accumulated depreciation	<u>8,669,966</u>	<u>442,693</u>	<u>(28,578)</u>	<u>9,084,081</u>
Total depreciable capital assets, net	<u>7,015,410</u>	<u>(173,979)</u>	<u>(24,345)</u>	<u>6,817,086</u>
Governmental activities capital assets, net	<u>\$ 9,993,237</u>	<u>\$ 153,576</u>	<u>\$ (24,345)</u>	<u>\$ 10,122,468</u>

(Continued)

Notes to the Financial Statements – Continued

NOTE 6. CAPITAL ASSETS - Continued

	Balance October 1, 2018 <u>as Restated</u>	<u>Additions</u>	<u>Disposals</u>	Balance September 30, 2019
Business-Type Activity:				
Non-depreciable capital assets:				
Land	\$ 38,380	-	-	\$ 38,380
Construction in progress	1,575,690	-	(1,575,690)	-
Total non-depreciable capital assets	1,614,070	-	(1,575,690)	38,380
Depreciable capital assets:				
Land improvements	1,013,723	1,594,870	-	2,608,593
Vehicles	148,056	-	-	148,056
Equipment	2,011,148	501,038	(1,254,079)	1,258,107
Total depreciable capital assets	3,172,927	2,095,908	(1,254,079)	4,014,756
Less accumulated depreciation for:				
Land improvements	912,351	339,963	-	1,252,314
Vehicles	99,462	6,872	-	106,334
Equipment	1,020,951	291,038	(710,151)	601,838
Total accumulated depreciation	2,032,764	637,873	(710,151)	1,960,486
Total depreciable capital assets, net	1,140,163	1,458,035	(543,928)	2,054,270
Business-type activity capital assets, net	<u>\$ 2,754,233</u>	<u>\$ 1,458,035</u>	<u>\$ (2,119,618)</u>	<u>\$ 2,092,650</u>

Depreciation expense for the year ended September 30, 2019, was charged to functions as follows:

Governmental Activities:

General government	\$ 18,682
Public safety	138,845
Public works	257,074
Culture and recreation	28,092
Total depreciation - governmental activities	<u>\$ 442,693</u>

Business-Type Activity:

Landfill	<u>\$ 637,873</u>
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(Continued)

Notes to the Financial Statements – Continued

NOTE 6. CAPITAL ASSETS – Continued

Construction in progress at September 30, 2019, consisted of the following:

	Spent to September 30, 2019	Remaining Commitment
Governmental Activities:		
Sidewalks improvement project	\$ 158,467	\$ 895,481
Drainage project	47,047	-
Park improvement project	112,791	521,202
Fire station driveway	9,250	9,250
	<u>\$ 327,555</u>	<u>\$ 1,425,933</u>

Capital asset activity of the component units for the year ended September 30, 2019, was as follows:

	Balance October 1, 2018	Additions	Disposals	Balance September 30, 2019
Canton Municipal Utilities:				
Non-depreciable capital assets:				
Land	\$ 1,444,784	-	-	\$ 1,444,784
Construction in progress	826,348	1,675,769	(1,556,941)	945,176
Total non-depreciable capital assets	<u>2,271,132</u>	<u>1,675,769</u>	<u>(1,556,941)</u>	<u>2,389,960</u>
Depreciable capital assets:				
Gas system	11,010,354	43,157	-	11,053,511
Electric system	3,128,517	48,806	-	3,177,323
Water system	18,668,260	1,543,237	-	20,211,497
Sewer system	15,161,339	80,259	-	15,241,598
Nissan and Beattie's Bluff	17,414,936	-	-	17,414,936
Generation	4,242,389	-	-	4,242,389
Equipment and other	6,721,760	614,926	(4,833)	7,331,853
Total depreciable capital assets	<u>76,347,555</u>	<u>2,330,385</u>	<u>(4,833)</u>	<u>78,673,107</u>
Less accumulated depreciation for:				
Gas system	4,822,181	579,653	-	5,401,834
Electric system	2,567,196	127,586	-	2,694,782
Water system	16,821,680	733,031	-	17,554,711
Sewer system	12,927,066	356,355	-	13,283,421
Nissan and Beattie's Bluff	6,760,210	237,625	-	6,997,835
Generation	2,119,455	139,999	-	2,259,454
Equipment and other	3,894,264	168,311	-	4,062,575
Total accumulated depreciation	<u>49,912,052</u>	<u>2,342,560</u>	<u>-</u>	<u>52,254,612</u>
Total depreciable capital assets, net	<u>26,435,503</u>	<u>(12,175)</u>	<u>(4,833)</u>	<u>26,418,495</u>
Canton Municipal Utilities capital assets, net	<u>\$ 28,706,635</u>	<u>\$ 1,663,594</u>	<u>\$ (1,561,774)</u>	<u>\$ 28,808,455</u>

(Continued)

Notes to the Financial Statements – Continued

NOTE 6. CAPITAL ASSETS - Continued

	Balance October 1, 2018	Additions	Disposals	Balance September 30, 2019
Canton Convention and Visitors Bureau:				
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	345,493	-	-	345,493
Mobile and special events equipment	30,094	-	-	30,094
Furniture and equipment	121,467	-	-	121,467
Total depreciable capital assets	627,130	-	-	627,130
Less accumulated depreciation for:				
Buildings	53,280	3,336	-	56,616
Leasehold improvements	212,927	17,051	-	229,978
Mobile and special events equipment	30,094	-	-	30,094
Furniture and equipment	65,299	14,112	-	79,411
Total accumulated depreciation	361,600	34,499	-	396,099
Total depreciable capital assets, net	265,530	(34,499)	-	231,031
Canton Convention and Visitors Bureau capital assets, net	\$ 1,225,530	\$ (34,499)	\$ -	\$ 1,191,031

NOTE 7. SHORT-TERM DEBT

The City issued short-term debt to provide necessary cash in the General Fund prior to the collection of property ad valorem taxes. Following is a summary of the City's short-term debt activity for the year ended September 30, 2019:

Description	Balance October 1, 2018	Additions	Reductions	Balance September 30 2019
Governmental Activities:				
Tax Anticipation Notes	\$ -	\$2,000,000	\$1,000,000	\$1,000,000

(Continued)

Notes to the Financial Statements – Continued

NOTE 8. LONG-TERM LIABILITIES

Following is a summary of changes in the primary government's long-term liabilities for the year ended September 30, 2019:

	Balance October 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2019</u>	Due within <u>one year</u>
Governmental Activities:					
General Obligation Bonds	\$ 7,420,000	-	\$ (830,000)	\$ 6,590,000	\$ 860,000
Tax Increment Financing Bonds	3,640,000	-	(215,000)	3,425,000	225,000
Bond Premiums	65,441	-	(9,678)	55,763	-
Total Bonds Payable	11,125,441	-	(1,054,678)	10,070,763	1,085,000
US Department of Agriculture Loan	911,239	-	(34,853)	876,386	36,640
Mississippi Development Authority Loans	399,212	83,706	(37,471)	445,447	38,647
Capital Lease Obligations	598,649	197,905	(156,255)	640,299	119,231
Total Notes and Lease Obligations Payable	1,909,100	281,611	(228,579)	1,962,132	194,518
Total Long-Term Debt Payable	13,034,541	281,611	(1,283,257)	12,032,895	1,279,518
Compensated Absences Payable	313,349	16,329	(14,420)	315,258	14,420
Net Pension Liability	9,676,720	1,217,999	-	10,894,719	-
Total Long-Term Liabilities, Governmental Activities	\$ 23,024,610	\$ 1,515,939	\$ (1,297,677)	\$ 23,242,872	\$ 1,293,938

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

	Balance October 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2019</u>	Due within <u>one year</u>
Business-Type Activity:					
Revenue Bonds	\$ 2,445,000	\$ -	\$ (145,000)	\$ 2,300,000	\$ 150,000
Bond Discounts	(24,053)	-	3,157	(20,896)	-
Total Bonds Payable	2,420,947	-	(141,843)	2,279,104	150,000
Capital Lease Obligations	812,321	501,038	(787,646)	525,713	137,765
Total Long-Term Debt Payable	3,233,268	501,038	(929,489)	2,804,817	287,765
Compensated Absences Payable	34,251	4,314	(1,302)	37,263	1,302
Accrued Closure/Post-Closure Care Costs	1,487,057	167,368	-	1,654,425	-
Net Pension Liability	811,366	172,719	-	984,085	-
Total Long-Term Liabilities, Business-Type Activities	\$ 5,565,942	\$ 845,439	\$ (930,791)	\$ 5,480,590	\$ 289,067

(Continued)

Notes to the Financial Statements – Continued

NOTE 8. LONG-TERM LIABILITIES – Continued

The primary government's long-term debt outstanding at September 30, 2019, 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, 2019</u>
Governmental Activities:					
Bonds:					
General Obligation Refunding Bonds, Series 2011C	10/8/2011	10/1/2021	4.59%	\$ 2,580,000	\$ 670,000
General Obligation Refunding Bonds, Series 2016	4/28/2016	10/1/2031	2.00-2.75%	7,170,000	5,920,000
Tax Increment Financing Bonds, Series 2015	3/24/2015	3/1/2032	3.35-4.00%	2,705,000	2,195,000
Tax Increment Financing Bonds, Series 2018	9/12/2018	10/1/2030	4.35%	1,315,000	1,230,000
Bond premiums					55,763
Total Bonds, Governmental Activities					<u>\$ 10,070,763</u>
Loans:					
US Department of Agriculture Loan	3/24/2000	3/24/2035	5.13%	\$ 1,299,200	\$ 876,386
Mississippi Development Authority Loan	6/9/2008	6/1/2028	2.00%	750,000	361,741
Mississippi Development Authority Loan	8/17/2019	9/1/2040	2.00%	83,706	83,706
Total Loans, Governmental Activities					<u>\$ 1,321,833</u>
Capital Lease Obligations:					
Fire truck	11/1/2014	11/1/2024	3.62%	\$ 375,000	\$ 240,779
Police vehicles	3/31/2017	3/31/2021	5.45%	79,929	32,751
Bulldozer	2/13/2018	1/13/2023	3.94%	140,122	120,097
Backhoe	5/2/2018	4/2/2023	5.30%	95,859	86,081
Tractor	10/1/2018	9/30/2022	6.36%	57,525	44,602
Police vehicles	1/31/2019	12/31/2022	5.95%	84,119	69,485
Police vehicles	1/31/2019	12/31/2022	6.20%	56,261	46,504
Total Capital Lease Obligations, Governmental Activities					<u>\$ 640,299</u>
Business-Type Activity:					
Bonds:					
Revenue Refunding Mississippi Development Bank Bonds, Series 2016	12/15/2016	6/1/2031	3.63-5.00%	\$ 2,785,000	\$ 2,300,000
Bond discounts					(20,896)
Total Bonds, Business-Type Activities					<u>\$ 2,279,104</u>
Capital Lease Obligations:					
Tractor	10/23/2014	10/23/2019	2.29%	\$ 86,405	\$ 1,523
Knuckle boom loader	4/1/2015	4/1/2020	4.00%	140,998	31,672
Compactor	8/16/2019	8/16/2022	4.15%	501,038	492,518
Total Capital Lease Obligations, Business-Type Activities					<u>\$ 525,713</u>

(Continued)

Notes to the Financial Statements – 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, 2019, the capital lease assets and related accumulated depreciation were as follows:

	Cost	Accumulated Depreciation	Net
Governmental activities	\$ 888,815	\$ (201,213)	\$ 687,602
Business-type activities	728,441	(109,126)	619,315
	<u>\$ 1,617,256</u>	<u>\$ (310,339)</u>	<u>\$ 1,306,917</u>

Following is a summary of changes in the component units' long-term liabilities for the year ended September 30, 2019:

	Balance October 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2019</u>	Due within <u>one year</u>
Canton Municipal Utilities:					
Capital Lease Obligations	\$ 144,418	\$ -	\$ (20,448)	\$ 123,970	\$ 19,806
Member Pay Assessments Payable	1,025,572	-	(107,788)	917,784	110,950
Total Notes and Lease Obligations Payable	1,169,990	-	(128,236)	1,041,754	130,756
Compensated Absences Payable	325,753	55,041	-	380,794	152,318
Net Pension Liability	10,179,172	1,271,972	-	11,451,144	-
Total Long-Term Liabilities, Canton Municipal Utilities	<u>\$ 11,674,915</u>	<u>\$ 1,327,013</u>	<u>\$ (128,236)</u>	<u>\$ 12,873,692</u>	<u>\$ 283,074</u>

	Balance October 1, <u>2018</u>	<u>Additions</u>	<u>Reductions</u>	Balance September 30, <u>2019</u>	Due within <u>one year</u>
Canton Convention and Visitors Bureau:					
Net Pension Liability	\$ 293,738	\$ 46,666	\$ -	\$ 340,404	\$ -
Total Long-Term Liabilities, Canton Convention and Visitors Bureau	<u>\$ 293,738</u>	<u>\$ 46,666</u>	<u>\$ -</u>	<u>\$ 340,404</u>	<u>\$ -</u>

(Continued)

Notes to the Financial Statements – Continued

NOTE 8. LONG-TERM LIABILITIES - Continued

The annual requirements to amortize the primary government's long-term debt outstanding at September 30, 2019, including interest, by source of retirement are as follows:

General Fund:

Year Ending September 30,	Mississippi Development Authority Loans			Capital Lease Obligations		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 38,647	\$ 6,946	\$ 45,593	\$ 119,231	\$ 27,950	\$ 147,181
2021	41,513	9,249	50,762	125,290	21,890	147,180
2022	43,791	6,972	50,763	113,947	15,506	129,453
2023	44,674	6,090	50,764	195,799	7,648	203,447
2024	45,577	5,189	50,766	42,251	3,116	45,367
2025-2029	180,262	12,770	193,032	43,781	1,586	45,367
2030-2034	21,790	4,045	25,835	-	-	-
2035-2039	24,081	1,756	25,837	-	-	-
2040-2044	5,112	57	5,169	-	-	-
Total	\$ 445,447	\$ 53,074	\$ 498,521	\$ 640,299	\$ 77,696	\$ 717,995

Debt Service Funds:

Year Ending September 30,	General Obligation Bonds			Tax Increment Financing Bonds		
	Principal	Interest	Total	Principal	Interest	Total
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	415,000	90,776	505,776	260,000	99,711	359,711
2025-2029	2,240,000	303,128	2,543,128	1,465,000	337,286	1,802,286
2030-2034	985,000	40,088	1,025,088	745,000	55,090	800,090
Total	\$ 6,590,000	\$ 956,856	\$ 7,546,856	\$ 3,425,000	\$ 982,135	\$ 4,407,135

Year Ending September 30,	US Department of Agriculture Loan		
	Principal	Interest	Total
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	44,748	36,738	81,486
2025-2029	260,585	146,845	407,430
2030-2034	334,565	72,865	407,430
2035-2039	78,271	4,550	82,821
Total	\$ 876,386	\$ 428,725	\$ 1,305,111

(Continued)

Notes to the Financial Statements – 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
2020	\$ 150,000	\$ 106,382	\$ 256,382	\$ 137,765	\$ 19,686	\$ 157,451
2021	155,000	100,944	255,944	108,993	14,042	123,035
2022	160,000	95,326	255,326	278,955	8,827	287,782
2023	170,000	88,126	258,126	-	-	-
2024	175,000	80,476	255,476	-	-	-
2025-2029	1,010,000	272,876	1,282,876	-	-	-
2030-2034	480,000	36,250	516,250	-	-	-
Total	\$ 2,300,000	\$ 780,380	\$ 3,080,380	\$ 525,713	\$ 42,555	\$ 568,268

The annual requirements to amortize the component units' long-term debt outstanding at September 30, 2019, including interest, are as follows:

Canton Municipal Utilities:

Year Ending September 30,	Member Pay Assessments Payable			Capital Lease Obligations	
	Principal	Interest	Total	Total	
2020	\$ 110,950	\$ 21,930	\$ 132,880	\$ 27,039	
2021	114,059	18,821	132,880	27,039	
2022	117,266	15,614	132,880	27,039	
2023	115,569	17,311	132,880	60,942	
2024	106,458	9,504	115,962	-	
2025-2029	287,417	25,714	313,131	-	
2030-2034	66,065	2,348	68,413	-	
Total	\$ 917,784	\$ 111,242	\$ 1,029,026	Total minimum payments 142,059	
				Less amount representing interest (18,089)	
				Present value of future minimum lease payments \$ 123,970	

(Continued)

Notes to the Financial Statements – 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, 2019, the debt margin was as follows:

Total bonded debt	\$12,315,000
Less: Tax increment financing bonds	(3,425,000)
Enterprise fund revenue bonds	<u>(2,300,000)</u>
Bonded debt subject to 15% limitation	<u>\$6,590,000</u>
Assessed property values	\$82,549,255
Percentage of applicable bonded debt to the assessed property values	7.98%

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, 2019, \$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 loans payable to the Mississippi Development Authority for certain public improvement projects. The City received general sales tax revenue totaling \$2,984,797 during the current year and made current year principal and interest payments on the loans payable to the State totaling \$45,181, which was approximately 2% of the pledged revenue. As of September 30, 2019, the future principal and interest requirements for the loans payable totaled \$498,521, and the maturity dates of the loans payable extended through September, 2040.

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 \$357,889. The current year principal and interest payments made by the City on the limited obligation bonds totaled \$361,624, which was approximately 101% of the pledged revenues. As of September 30, 2019, the future principal and interest requirements for the bonds totaled \$4,407,135, and the maturity dates extend through March, 2032.

(Continued)

Notes to the Financial Statements – 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 an operating loss of \$357,817 in the current year, and the current year principal and interest payments made by the City on the revenue bonds totaled \$256,638, which was approximately 9% of the pledged general sales tax revenue. As of September 30, 2019, the future principal and interest requirements for the revenue bonds totaled \$3,080,380, 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, 2019, are as follows:

Year Ending September 30,	Governmental Activities	Business-Type Activities
2020	\$ 59,095	\$ 41,233
2021	45,337	41,233
2022	37,781	41,233
2023	-	17,181
	<u>\$ 142,213</u>	<u>\$ 140,880</u>

Total rental expenditures for operating leases of the City for the year ended September 30, 2019, were \$22,870 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 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 was 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, 2019, were \$725,730, which was equal to 100% of the required contributions for the year, and includes \$86,979 payable at September 30, 2019.

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

At September 30, 2019, the City reported a liability of \$11,878,804 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2019, 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, 2019, the City's proportion was 0.067524%, which was an increase of 0.004468% from its 0.063056% proportion for the year ended June 30, 2018.

For the year ended September 30, 2019, the City recognized pension expense of \$1,019,853 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

(Continued)

Notes to the Financial Statements – Continued

NOTE 10. DEFINED BENEFIT PENSION PLAN - Continued

	Deferred Outflows of Resources	Deferred Inflows of Resources
Governmental Activities:		
Differences between expected and actual experience	\$ 6,445	\$ 11,728
Changes of assumptions	106,813	-
Net difference between projected and actual earnings on pension plan investments	-	119,192
Changes in the City's proportion	467,428	505,929
City's contributions subsequent to the measurement date	189,410	-
	<u>\$ 770,096</u>	<u>\$ 636,849</u>
Business-Type Activities:		
Differences between expected and actual experience	\$ 582	\$ 1,059
Changes of assumptions	9,648	-
Net difference between projected and actual earnings on pension plan investments	-	10,767
Change in the City's proportion	88,815	29,497
City's contributions subsequent to the measurement date	17,109	-
	<u>\$ 116,154</u>	<u>\$ 41,323</u>

\$206,519 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30,	
2020	\$ (40,806)
2021	(200,336)
2022	188,470
2023	54,231
	<u>\$ 1,559</u>

(Continued)

Notes to the Financial Statements – Continued

NOTE 10. DEFINED BENEFIT PENSION PLAN - Continued

Actuarial Assumptions: The total pension liability in the June 30, 2019 PERS actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25% - 18.25%, average, including inflation
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubS.H-2010(B) Retiree Table with the following adjustments: For males, 112% of male rates from 18 to 75 scaled down to 105% for ages 80 to 119. For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119. Mortality rates were projected generationally using the MP-2018 projection scale to account for future improvements in life expectancy.

The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2014, to June 30, 2018, and the experience report was dated April, 2019.

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>
Domestic equity	27%	4.90%
International equity	22	4.75
Global equity	12	5.00
Fixed income	20	1.50
Real estate	10	4.00
Private equity	8	6.25
Cash equivalents	1	0.25
	<u>100%</u>	

(Continued)

Notes to the Financial Statements – Continued

NOTE 10. DEFINED BENEFIT PENSION PLAN - Continued

Following is a summary of actuarial assumption changes in 2019:

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 was used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 was used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality 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 7% to 9%.

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 (17.4%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity 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>\$15,615,099</u>	<u>\$11,878,804</u>	<u>\$8,794,827</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.

(Continued)

Notes to the Financial Statements – Continued

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, 2019:

Total estimated airspace capacity	2,144,000 cubic yards	
Capacity filled at September 30, 2019	1,960,779 cubic yards	91.45%
Capacity remaining at September 30, 2019	183,221 cubic yards	8.55%
Estimated remaining landfill life based on current rate of usage	3.08 years	
Estimated total closure/post-closure care costs	\$1,809,020	
Closure/post-closure care costs expense recognized in the year ended September 30, 2019	\$ 167,368	
Closure/post-closure care costs expense liability recognized through September 30, 2019	\$1,654,425	
Remaining closure/post-closure care costs to be recognized in the future	\$ 154,595	

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 \$793,597 at September 30, 2019, and is reflected in the financial statements as restricted assets of the Landfill Fund. However, the City did not make the required 2019 annual trust account contribution, which should have been approximately \$290 thousand.

(Continued)

Notes to the Financial Statements – Continued

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, 2019, were as follows:

	<u>Final Budget</u>	<u>Actual Expenditures</u>	<u>Excess</u>
GENERAL FUND:			
Supervision and Finance:			
Contractual services	\$ 1,164,200	\$ 1,462,563	\$ 298,363
Police:			
Personnel services	1,534,107	1,635,888	101,781
Public Works:			
Contractual services	12,500	128,710	116,210
Cemetery:			
Personnel services	136,823	188,801	51,978
Multi-Purpose Arena:			
Personnel services	-	175,236	175,236
Contractual services	-	77,739	77,739
BROWNFIELDS ASSESSMENT GRANT FUND:			
Contractual services	140,000	185,538	45,538
HIGHWAY SAFETY DUI GRANT FUND:			
Personnel services	-	10,275	10,275
HIGHWAY SAFETY SEATBELT GRANT FUND:			
Personnel services	-	7,586	7,586
DEBT SERVICE SINKING FUND:			
Contractual services	1,940	40,159	38,219
Transfers to other funds	-	151,128	151,128
TIF BOND SINKING FUND:			
Transfers to other funds	-	45,141	45,141
MEDICAL CENTER/NISSAN TIF BOND FUND:			
Debt service	-	145,222	145,222
LANDFILL FUND:			
Debt service	704,702	1,058,344	353,642

(Continued)

Notes to the Financial Statements – Continued

NOTE 12. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

The individual funds that had deficit fund balances at September 30, 2019, were as follows:

Governmental Capital Project Funds:	
Brownfields Assessment Grant Fund	\$ 16,963
Connector Road Fund	26,261
SAAB Park Improvements Fund	128,280
2020 G.O. Bonds Project Fund	47,047
Enterprise Fund:	
Landfill Fund	2,507,404

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 ON 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 \$712,868, balance of the deferred outflows of resources related to debt advance refundings at September 30, 2019, will be recognized as an expense and decrease the net investment in capital assets net position over the next 12 years.

The governmental activities’ unrestricted net position includes the effect of deferring the recognition of adjustments to expense related to the pension plan. The \$712,868 balance of deferred outflows of resources and the \$636,849 balance of deferred inflows of resources at September 30, 2019, will be recognized as net increases of expense and will decrease 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 \$116,154 balance of deferred outflows of resources and the \$41,323 balance of deferred inflows of resources at September 30, 2019, will be recognized as net increases of expense and will decrease the unrestricted net position over the next four years.

The governmental activities’ unrestricted net position includes the effect of deferring the recognition of \$4,657,454 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.

Canton Municipal Utilities (CMU) was alleged by the Mississippi Public Service Commission (MPSC) to have charged amounts in excess of approved tariff rates for customers under the MPSC jurisdiction, failed to return interest on deposits for those jurisdictional customers and made transfers to the City of Canton in excess of those allowed by law. CMU responded to these allegations and agreed to a settlement with the MPSC under which it will invest approximately \$946,000 in the MPSC jurisdiction over a four-year period.

NOTE 16. PRIOR PERIOD ADJUSTMENTS

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

GOVERNMENTAL ACTIVITIES

Net position at September 30, 2018, as previously reported	\$ (11,093,444)
Correction of capital assets to include a fire truck acquired through a 2014 capital lease transaction for which the related debt was already reflected	<u>285,000</u>
Net position at September 30, 2018, as restated	<u>\$ (10,808,444)</u>

BUSINESS-TYPE ACTIVITIES - LANDFILL FUND:

Net position at September 30, 2018, as previously reported	\$ (2,800,134)
Correction of capital assets to include equipment acquired through 2016 capital lease transactions for which the related debt was already reflected	<u>769,663</u>
Net position at September 30, 2019, as restated	<u>\$ (2,030,471)</u>

The effect of these error corrections on the changes in net positions for the year ended September 30, 2018, was an additional \$22,500 net position decrease during the year for the Governmental Activities and an additional \$225,734 net position decrease during the year for the Business-type Activity and Landfill Fund.

(Continued)

Notes to the Financial Statements – Continued

NOTE 17. SUBSEQUENT EVENTS

Following is a summary of long-term debt issued by the City subsequent to September 30, 2019:

<u>Issuance Date</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Term in Years</u>	<u>Payments</u>	<u>Description</u>
Governmental Activities:					
1/7/2020	250,000	3.24%	5	Annual	General obligation note
2/4/2020	2,000,000	2.125-3.00%	20	Semi-annual	General obligation bonds
6/14/2020	114,971	6.75%	4	Monthly	Vehicle capital leases
12/3/2020	565,397	2.97-2.99%	3	Monthly	Equipment capital leases
3/16/2021	220,922	0.00%	5	Annual	Police equipment capital lease
6/1/2021	143,600	1.44%	5	Annual	Equipment capital lease
6/15/2021	165,459	3.54%	5	Annual	Fire vehicle capital lease
3/1/2022	498,917	3.54%	10	Annual	Fire vehicle capital lease
Business-Type Activity – Landfill:					
10/9/2019	435,975	3.85%	3	Monthly	Equipment capital lease
11/5/2019	435,975	3.85%	3	Monthly	Equipment capital lease
2/15/2022	476,917	2.33%	5	Monthly	Equipment capital leases
4/5/2022	581,555	4.72%	3	Monthly	Equipment capital lease
4/18/2022	1,124,324	4.72%	3	Monthly	Equipment capital leases

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 only drawn proceeds totaling \$83,706 from the loan as of September 30, 2019. 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.

In January, 2021, Canton Municipal Utilities received notice that one of its largest customers across all services was closing in the Summer of 2021. The ultimate impact is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CANTON
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
Revenues:				
Property taxes	\$ 3,318,326	\$ 3,318,326	\$ 3,359,708	\$ 41,382
General sales tax	2,930,500	2,930,500	2,984,797	54,297
Franchise taxes	160,000	160,000	155,656	(4,344)
Licenses and permits	312,000	312,000	569,674	257,674
Intergovernmental programs	399,790	399,790	501,400	101,610
Fines and forfeitures	600,000	600,000	415,946	(184,054)
Investment income	30,000	30,000	74	(29,926)
Donations	38,170	38,170	17,882	(20,288)
Charges for services	241,450	241,450	267,737	26,287
Rental income	25,000	25,000	27,222	2,222
Local tourism sales tax	600,000	600,000	630,996	30,996
Capital leases	-	-	197,905	197,905
Other	73,500	73,500	70,212	(3,288)
Total Revenues	8,728,736	8,728,736	9,199,209	470,473
Beginning Fund Balance	400,000	400,000	1,046,960	646,960
Total Revenues and Beginning Fund Balance	9,128,736	9,128,736	10,246,169	1,117,433
Expenditures:				
City Council:				
Grants, subsidies and allocations	600,000	600,000	630,996	30,996
Transfers to other funds	130,000	130,000	161,620	31,620
Debt service	255,000	255,000	267,170	12,170
	985,000	985,000	1,059,786	74,786
Supervision and Finance:				
Personnel services	700,077	700,077	727,931	27,854
Contractual services	1,164,200	1,164,200	1,462,563	298,363
Consumable supplies and materials	204,500	204,500	129,510	(74,990)
	2,068,777	2,068,777	2,320,004	251,227
Police:				
Personnel services	1,534,107	1,534,107	1,635,888	101,781
Contractual services	44,500	44,500	46,235	1,735
Consumable supplies and materials	204,400	204,400	199,623	(4,777)
Capital outlay	-	-	140,380	140,380
	1,783,007	1,783,007	2,022,126	239,119
Court Services:				
Personnel services	260,229	260,229	282,708	22,479
Contractual services	210,400	210,400	30,398	(180,002)
Consumable supplies and materials	16,250	16,250	8,983	(7,267)
	486,879	486,879	322,089	(164,790)
Fire:				
Personnel services	1,899,819	1,899,819	1,693,948	(205,871)
Contractual services	66,500	66,500	75,726	9,226
Consumable supplies and materials	52,800	52,800	56,997	4,197
Capital outlay	13,500	13,500	80,059	66,559
	2,032,619	2,032,619	1,906,730	(125,889)

(Continued)

CITY OF CANTON
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - CONTINUED
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
				<u>Over (Under)</u>
Building and Development:				
Personnel services	192,016	192,016	189,143	(2,873)
Contractual services	7,000	7,000	8,663	1,663
Consumable supplies and materials	6,285	6,285	11,099	4,814
	<u>205,301</u>	<u>205,301</u>	<u>208,905</u>	<u>3,604</u>
Public Works:				
Personnel services	587,257	587,257	588,341	1,084
Contractual services	12,500	12,500	128,710	116,210
Consumable supplies and materials	204,000	204,000	210,509	6,509
Capital outlay	-	-	57,525	57,525
	<u>803,757</u>	<u>803,757</u>	<u>985,085</u>	<u>181,328</u>
Cemetery:				
Personnel services	136,823	136,823	188,801	51,978
Consumable supplies and materials	10,000	10,000	7,167	(2,833)
	<u>146,823</u>	<u>146,823</u>	<u>195,968</u>	<u>49,145</u>
Parks and Recreation:				
Personnel services	334,585	334,585	354,501	19,916
Contractual services	86,507	86,507	91,311	4,804
Consumable supplies and materials	59,500	59,500	72,587	13,087
Capital outlay	-	-	15,732	15,732
	<u>480,592</u>	<u>480,592</u>	<u>534,131</u>	<u>53,539</u>
Multi-Purpose Arena:				
Personnel services	-	-	175,236	175,236
Contractual services	-	-	77,739	77,739
Consumable supplies and materials	-	-	1,295	1,295
	<u>-</u>	<u>-</u>	<u>254,270</u>	<u>254,270</u>
Human and Cultural Needs:				
Personnel services	89,279	89,279	423	(88,856)
Contractual services	5,500	5,500	4,087	(1,413)
Consumable supplies and materials	1,300	1,300	120	(1,180)
	<u>96,079</u>	<u>96,079</u>	<u>4,630</u>	<u>(91,449)</u>
Total Expenditures	9,088,834	9,088,834	9,813,724	724,890
Ending Fund Balance	<u>39,902</u>	<u>39,902</u>	<u>432,445</u>	<u>392,543</u>
Total Expenditures and Ending Fund Balance	<u>\$ 9,128,736</u>	<u>\$ 9,128,736</u>	<u>\$ 10,246,169</u>	<u>\$ 1,117,433</u>

Reconciliation to the General Fund Balance Sheet:

Ending Fund Balance - Budgetary Basis	\$ 432,445
Accounts receivable at year end, net of related deferred inflows of resources	846,018
Accounts payable at year end that were not paid within 30 days after year end	<u>(297,721)</u>
Ending Fund Balance as reflected on the General Fund Balance Sheet	<u>\$ 980,742</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 Six Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
City's proportion of the net pension liability	0.067524%	0.063056%	0.069238%	0.071738%	0.069436%	0.071757%
City's proportionate share of the net pension liability	\$ 11,878,804	\$ 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	\$ 4,490,212	\$ 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	264.55%	253.86%	262.35%	287.78%	247.51%	197.04%
Plan fiduciary net position as a percentage of the total pension liability	61.59%	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 Six Fiscal Years

	<u>2019</u>	<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	\$ 725,730	\$ 650,705	\$ 690,979	\$ 701,314	\$ 683,011	\$ 696,208
Actual contributions for the fiscal years ended September 30th	725,730	650,705	690,979	701,314	683,011	696,208
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's covered payroll for the fiscal years ended September 30th	\$ 4,490,212	\$ 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	16.16	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, 2019

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

2019:

- The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments:
 - For males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119.
 - For females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119.
 - Projection scale MP-2018 was used to project future improvements in life expectancy generationally.
- The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments:
 - For males, 137% of male rates at all ages.
 - For females, 115% of female rates at all ages.
 - Projection scale MP-2018 was used to project future improvements in life expectancy generationally.
- The price inflation assumption was reduced from 3.00% to 2.75%.
- The wage inflation assumption was reduced from 3.25% to 3.00%.
- Withdrawal rates, pre-retirement mortality 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 7% to 9%.

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%.

City of Canton, Mississippi
Notes to the Required Supplementary Information
For the Year Ended September 30, 2019

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.

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 were 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, 2019

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Assets:				
Cash and cash equivalents	\$ 27,345	\$ 293,743	\$ -	\$ 321,088
Accounts receivable	135,259	-	38,366	173,625
Total Assets	<u>\$ 162,604</u>	<u>\$ 293,743</u>	<u>\$ 38,366</u>	<u>\$ 494,713</u>
Liabilities:				
Accounts payable	\$ 18,589	\$ -	\$ 73,266	\$ 91,855
Due to other governments	1,383	-	-	1,383
Due to other funds	29,272	-	166,688	195,960
Total Liabilities	<u>49,244</u>	<u>-</u>	<u>239,954</u>	<u>289,198</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes levied for subsequent year	105,663	-	-	105,663
Total Deferred Inflows of Resources	<u>105,663</u>	<u>-</u>	<u>-</u>	<u>105,663</u>
Fund Balances:				
Restricted for:				
Debt service	-	293,743	-	293,743
Public works	12,299	-	-	12,299
Public safety	12,361	-	-	12,361
Unrestricted	(16,963)	-	(201,588)	(218,551)
Total Fund Balances	<u>7,697</u>	<u>293,743</u>	<u>(201,588)</u>	<u>99,852</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 162,604</u>	<u>\$ 293,743</u>	<u>\$ 38,366</u>	<u>\$ 494,713</u>

CITY OF CANTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Nonmajor Governmental Funds
Revenues:				
Property taxes	\$ 99,072	\$ -	\$ -	\$ 99,072
Intergovernmental	189,198	-	-	189,198
Investment income	22	6,623	-	6,645
Total Revenues	<u>288,292</u>	<u>6,623</u>	<u>-</u>	<u>294,915</u>
Expenditures:				
Current:				
General government	5,850	-	-	5,850
Public safety	17,861	-	-	17,861
Public works	188,300	-	-	188,300
Culture and recreation	95,907	-	-	95,907
Debt Service:				
Principal	-	215,000	-	215,000
Interest and fees	-	146,387	-	146,387
Capital Outlay:				
Public works	-	-	47,047	47,047
Culture and recreation	-	-	97,059	97,059
Total Expenditures	<u>307,918</u>	<u>361,387</u>	<u>144,106</u>	<u>813,411</u>
Excess of Revenues Over (Under) Expenditures	<u>(19,626)</u>	<u>(354,764)</u>	<u>(144,106)</u>	<u>(518,496)</u>
Other Financing Sources (Uses):				
Transfers from other funds	-	357,889	-	357,889
Transfers to other funds	-	(45,141)	-	(45,141)
Issuance of long-term debt	-	-	83,706	83,706
Total Other Financing Sources (Uses)	<u>-</u>	<u>312,748</u>	<u>83,706</u>	<u>396,454</u>
Excess of Revenues Other Sources Over (Under) Expenditures and Other Uses	(19,626)	(42,016)	(60,400)	(122,042)
Fund Balances:				
Fund Balances - Beginning	27,323	335,759	(141,188)	221,894
Fund Balances - Ending	<u>\$ 7,697</u>	<u>\$ 293,743</u>	<u>\$ (201,588)</u>	<u>\$ 99,852</u>

CITY OF CANTON
COMBINING BALANCE SHEET - NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2019

	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	Highway Safety DUI Grant Fund	Highway Safety Seatbelt Grant Fund	Total Nonmajor Special Revenue Funds
Assets:											
Cash and cash equivalents	\$ 276	\$ 2,685	\$ 290	\$ 8,971	\$ 3,038	\$ 12,085	\$ -	\$ -	\$ -	\$ -	\$ 27,345
Accounts receivable	-	-	-	-	-	-	24,265	107,046	-	3,948	135,259
Total Assets	<u>\$ 276</u>	<u>\$ 2,685</u>	<u>\$ 290</u>	<u>\$ 8,971</u>	<u>\$ 3,038</u>	<u>\$ 12,085</u>	<u>\$ 24,265</u>	<u>\$ 107,046</u>	<u>\$ -</u>	<u>\$ 3,948</u>	<u>\$ 162,604</u>
Liabilities:											
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	18,589	\$ -	\$ -	\$ -	\$ 18,589
Due to other governments	-	-	-	-	-	-	-	1,383	-	-	1,383
Due to other funds	-	2,685	-	-	-	-	22,639	-	-	3,948	29,272
Total Liabilities	<u>-</u>	<u>2,685</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>41,228</u>	<u>1,383</u>	<u>-</u>	<u>3,948</u>	<u>49,244</u>
Deferred Inflows of Resources:											
Unavailable revenue - property taxes levied for subsequent year	-	-	-	-	-	-	-	105,663	-	-	105,663
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,663</u>	<u>-</u>	<u>-</u>	<u>105,663</u>
Fund Balances:											
Restricted for:											
Public works	-	-	290	8,971	3,038	-	-	-	-	-	12,299
Public safety	276	-	-	-	-	12,085	-	-	-	-	12,361
Unrestricted	-	-	-	-	-	-	(16,963)	-	-	-	(16,963)
Total Fund Balances	<u>276</u>	<u>-</u>	<u>290</u>	<u>8,971</u>	<u>3,038</u>	<u>12,085</u>	<u>(16,963)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,697</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 276</u>	<u>\$ 2,685</u>	<u>\$ 290</u>	<u>\$ 8,971</u>	<u>\$ 3,038</u>	<u>\$ 12,085</u>	<u>\$ 24,265</u>	<u>\$ 107,046</u>	<u>\$ -</u>	<u>\$ 3,948</u>	<u>\$ 162,604</u>

CITY OF CANTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	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	Highway Safety DUI Grant Fund	Highway Safety Seatbelt Grant Fund	Total Nonmajor Special Revenue Funds
Revenues:											
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,072	\$ -	\$ -	\$ 99,072
Intergovernmental	-	-	-	-	-	-	171,337	-	10,275	7,586	189,198
Investment income	-	-	-	22	-	-	-	-	-	-	22
Total Revenues	-	-	-	22	-	-	171,337	99,072	10,275	7,586	288,292
Expenditures:											
Current:											
General government	-	2,685	-	-	-	-	-	3,165	-	-	5,850
Public safety	-	-	-	-	-	-	-	-	10,275	7,586	17,861
Public works	-	-	-	-	-	-	188,300	-	-	-	188,300
Culture and recreation	-	-	-	-	-	-	-	95,907	-	-	95,907
Total Expenditures	-	2,685	-	-	-	-	188,300	99,072	10,275	7,586	307,918
Excess of Revenues Over (Under) Expenditures	-	(2,685)	-	22	-	-	(16,963)	-	-	-	(19,626)
Other Financing Sources (Uses)											
Transfers from other funds	-	-	-	-	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-	-	-	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(2,685)	-	22	-	-	(16,963)	-	-	-	(19,626)
Fund Balances:											
Fund Balances - Beginning	276	2,685	290	8,949	3,038	12,085	-	-	-	-	27,323
Fund Balances - Ending	\$ 276	\$ -	\$ 290	\$ 8,971	\$ 3,038	\$ 12,085	\$ (16,963)	\$ -	\$ -	\$ -	\$ 7,697

CITY OF CANTON
COMBINING BALANCE SHEET - NONMAJOR DEBT SERVICE FUNDS
SEPTEMBER 30, 2019

	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>
Assets:					
Cash and cash equivalents	\$ 11,384	\$ 955	\$ 132,892	\$ 148,512	\$ 293,743
Total Assets	<u>\$ 11,384</u>	<u>\$ 955</u>	<u>\$ 132,892</u>	<u>\$ 148,512</u>	<u>\$ 293,743</u>
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:					
Restricted for:					
Debt service	11,384	955	132,892	148,512	293,743
Total Fund Balances	<u>11,384</u>	<u>955</u>	<u>132,892</u>	<u>148,512</u>	<u>293,743</u>
Total Liabilities and Fund Balances	<u>\$ 11,384</u>	<u>\$ 955</u>	<u>\$ 132,892</u>	<u>\$ 148,512</u>	<u>\$ 293,743</u>

CITY OF CANTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR DEBT SERVICE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Industrial Bond Retirement	Wal-Mart TIF Bond Fund	TIF Bond Sinking Fund	Medical Center/ Nissan TIF Bond Fund	Total Nonmajor Debt Service Funds
Revenues:					
Investment income	\$ -	\$ -	\$ 71	\$ 6,552	\$ 6,623
Total Revenues	-	-	71	6,552	6,623
Expenditures:					
Debt Service:					
Principal	-	130,000	-	85,000	215,000
Interest and fees	-	86,165	-	60,222	146,387
Total Expenditures	-	216,165	-	145,222	361,387
Excess of Revenues Over (Under) Expenditures	-	(216,165)	71	(138,670)	(354,764)
Other Financing Sources (Uses):					
Transfers from other funds	-	216,165	-	141,724	357,889
Transfers to other funds	-	-	(45,141)	-	(45,141)
Total Other Financing Sources (Uses)	-	216,165	(45,141)	141,724	312,748
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	(45,070)	3,054	(42,016)
Fund Balances:					
Fund Balances - Beginning	11,384	955	177,962	145,458	335,759
Fund Balances - Ending	\$ 11,384	\$ 955	\$ 132,892	\$ 148,512	\$ 293,743

CITY OF CANTON
COMBINING BALANCE SHEET - NONMAJOR CAPITAL PROJECT FUNDS
SEPTEMBER 30, 2019

	<u>Connector Road Fund</u>	<u>SAAB Park Improvements Fund</u>	<u>2020 G.O. Bonds Project Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
Assets				
Accounts receivable	\$ -	\$ 38,366	\$ -	\$ 38,366
Total Assets	<u>\$ -</u>	<u>\$ 38,366</u>	<u>\$ -</u>	<u>\$ 38,366</u>
Liabilities:				
Accounts payable	\$ -	\$ 26,219	\$ 47,047	\$ 73,266
Due to other funds	26,261	140,427	-	166,688
Total Liabilities	<u>26,261</u>	<u>166,646</u>	<u>47,047</u>	<u>239,954</u>
Fund Balances:				
Unrestricted	(26,261)	(128,280)	(47,047)	(201,588)
Total Fund Balances	<u>(26,261)</u>	<u>(128,280)</u>	<u>(47,047)</u>	<u>(201,588)</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 38,366</u>	<u>\$ -</u>	<u>\$ 38,366</u>

CITY OF CANTON
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - NONMAJOR CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Connector Road Fund</u>	<u>SAAB Park Improvements Fund</u>	<u>2020 G.O. Bonds Project Fund</u>	<u>Total Nonmajor Capital Project Funds</u>
Revenues	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Expenditures				
Capital outlay:				
Public works	-	-	47,047	47,047
Culture and recreation	-	97,059	-	97,059
Total Expenditures	-	97,059	47,047	144,106
Excess of Revenues Over (Under) Expenditures	-	(97,059)	(47,047)	(144,106)
Other Financing Sources (Uses)				
Issuance of long-term debt	-	83,706	-	83,706
Total Other Financing Sources (Uses)	-	83,706	-	83,706
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	(13,353)	(47,047)	(60,400)
Fund Balances:				
Fund Balances - Beginning	(26,261)	(114,927)	-	(141,188)
Fund Balances - Ending	\$ (26,261)	\$ (128,280)	\$ (47,047)	\$ (201,588)

CITY OF CANTON
BUDGETARY COMPARISON SCHEDULE - DELORES BLACKMON ESCROW FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other revenue	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Beginning Fund Balance	-	-	2,685	2,685
Total Revenues and Beginning Fund Balance	\$ -	\$ -	\$ 2,685	\$ 2,685
Expenditures:				
General government:				
Contractual services	\$ -	\$ -	\$ 2,685	\$ 2,685
Total Expenditures	-	-	2,685	2,685
Ending Fund Balance	-	-	-	-
Total Expenditures and Ending Fund Balance	\$ -	\$ -	\$ 2,685	\$ 2,685
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			-	
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet			\$ -	

CITY OF CANTON
BUDGETARY COMPARISON SCHEDULE - LEVI ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ -	\$ -	\$ 22	\$ 22
Total Revenues	-	-	22	22
Beginning Fund Balance	-	-	8,949	8,949
Total Revenues and Beginning Fund Balance	\$ -	\$ -	\$ 8,971	\$ 8,971
Expenditures:				
Economic Development:				
Consumable supplies & materials	\$ -	\$ -	\$ -	\$ -
Total Expenditures	-	-	-	-
Ending Fund Balance	-	-	8,971	8,971
Total Expenditures and Ending Fund Balance	\$ -	\$ -	\$ 8,971	\$ 8,971

Reconciliation to the Governmental Funds Balance Sheet:

Ending Fund Balance - Budgetary Basis	\$ 8,971
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>\$ 8,971</u>

CITY OF CANTON
BUDGETARY COMPARISON SCHEDULE - BROWNFIELDS ASSESSMENT GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grants revenue	\$ -	\$ -	\$ 211,104	\$ 211,104
Total Revenues	-	-	211,104	211,104
Beginning Fund Balance	140,000	140,000	(49,547)	(189,547)
Total Revenues and Beginning Fund Balance	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ 161,557</u>	<u>\$ 21,557</u>
Expenditures:				
Public Works:				
Contractual services	\$ 140,000	\$ 140,000	\$ 185,538	\$ 45,538
Consumable supplies and materials	-	-	1,183	1,183
Total Expenditures	140,000	140,000	186,721	46,721
Ending Fund Balance	-	-	(25,164)	(25,164)
Total Expenditures and Ending Fund Balance	<u>\$ 140,000</u>	<u>\$ 140,000</u>	<u>\$ 161,557</u>	<u>\$ 21,557</u>

Reconciliation to the Governmental Funds Balance Sheet:

Ending Fund Balance - Budgetary Basis	\$ (25,164)
Accounts receivable at year end, net of related deferred inflows of resources	24,265
Accounts payable at year end that were not paid within 30 days after year end	<u>(16,064)</u>
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet	<u>\$ (16,963)</u>

CITY OF CANTON
BUDGETARY COMPARISON SCHEDULE - LIBRARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 100,000	\$ 100,000	\$ 99,283	\$ (717)
Total Revenues	100,000	100,000	99,283	(717)
Beginning Fund Balance	-	-	-	-
Total Revenues and Beginning Fund Balance	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 99,283</u>	<u>\$ (717)</u>
Expenditures:				
General government:				
Grants and allocations to County Library	\$ 100,000	\$ 100,000	\$ 96,118	\$ (3,882)
Contractual services	-	-	3,165	3,165
Total Expenditures	100,000	100,000	99,283	(717)
Ending Fund Balance	-	-	-	-
Total Expenditures and Ending Fund Balance	<u>\$ 100,000</u>	<u>\$ 100,000</u>	<u>\$ 99,283</u>	<u>\$ (717)</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			1,383	
Accounts payable at year end that were not paid within 30 days after year end			<u>(1,383)</u>	
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet			<u>\$ -</u>	

CITY OF CANTON
BUDGETARY COMPARISON SCHEDULE - HIGHWAY SAFETY DUI GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grant revenue	\$ -	\$ -	\$ 10,275	\$ 10,275
Total Revenues	-	-	10,275	10,275
Beginning Fund Balance	-	-	-	-
Total Revenues and Beginning Fund Balance	\$ -	\$ -	\$ 10,275	\$ 10,275
Expenditures:				
Police:				
Personnel services	\$ -	\$ -	\$ 10,275	\$ 10,275
Total Expenditures	-	-	10,275	10,275
Ending Fund Balance	-	-	-	-
Total Expenditures and Ending Fund Balance	\$ -	\$ -	\$ 10,275	\$ 10,275
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			-	
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet			<u>\$ -</u>	

CITY OF CANTON
BUDGETARY COMPARISON SCHEDULE - HIGHWAY SAFETY SEATBELT GRANT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Grant revenue	\$ -	\$ -	\$ 3,638	\$ 3,638
Total Revenues	-	-	3,638	3,638
Beginning Fund Balance	-	-	-	-
Total Revenues and Beginning Fund Balance	\$ -	\$ -	\$ 3,638	\$ 3,638
Expenditures:				
Police:				
Personnel services	\$ -	\$ -	\$ 7,586	\$ 7,586
Total Expenditures	-	-	7,586	7,586
Ending Fund Balance	-	-	(3,948)	(3,948)
Total Expenditures and Ending Fund Balance	\$ -	\$ -	\$ 3,638	\$ 3,638

Reconciliation to the Governmental Funds Balance Sheet:

Ending Fund Balance - Budgetary Basis	\$ (3,948)
Accounts receivable at year end, net of related deferred inflows of resources	3,948
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	\$ -

CITY OF CANTON
BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE SINKING FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 1,397,420	\$ 1,397,420	\$ 1,262,570	\$ (134,850)
Total Revenues	1,397,420	1,397,420	1,262,570	(134,850)
Beginning Fund Balance	51,808	51,808	196,278	144,470
Total Revenues and Beginning Fund Balance	<u>\$ 1,449,228</u>	<u>\$ 1,449,228</u>	<u>\$ 1,458,848</u>	<u>\$ 9,620</u>
Expenditures:				
General government:				
Contractual services	\$ 1,940	\$ 1,940	\$ 40,159	\$ 38,219
Debt service	1,239,059	1,239,059	1,115,686	(123,373)
Transfers to other funds	-	-	151,128	151,128
Total Expenditures	1,240,999	1,240,999	1,306,973	65,974
Ending Fund Balance	208,229	208,229	151,875	(56,354)
Total Expenditures and Ending Fund Balance	<u>\$ 1,449,228</u>	<u>\$ 1,449,228</u>	<u>\$ 1,458,848</u>	<u>\$ 9,620</u>

Reconciliation to the Governmental Funds Balance Sheet:

Ending Fund Balance - Budgetary Basis	\$ 151,875
Accounts receivable at year end, net of related deferred inflows of resources	17,185
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>\$ 169,060</u>

CITY OF CANTON
BUDGETARY COMPARISON SCHEDULE - WAL-MART TIF BOND FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Sales tax	\$ 130,000	\$ 130,000	\$ -	(130,000)
Transfers from other funds	-	-	216,165	216,165
Total Revenues	130,000	130,000	216,165	86,165
Beginning Fund Balance	173,826	173,826	955	(172,871)
Total Revenues and Beginning Fund Balance	<u>\$ 303,826</u>	<u>\$ 303,826</u>	<u>\$ 217,120</u>	<u>\$ (86,706)</u>
Expenditures:				
General government:				
Debt service	\$ 220,580	\$ 220,580	\$ 216,165	\$ (4,415)
Total Expenditures	220,580	220,580	216,165	(4,415)
Ending Fund Balance	83,246	83,246	955	(82,291)
Total Expenditures and Ending Fund Balance	<u>\$ 303,826</u>	<u>\$ 303,826</u>	<u>\$ 217,120</u>	<u>\$ (86,706)</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, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ -	\$ -	\$ 71	\$ 71
Total Revenues	-	-	71	71
Beginning Fund Balance	-	-	177,962	177,962
Total Revenues and Beginning Fund Balance	\$ -	\$ -	\$ 178,033	\$ 178,033
Expenditures:				
General government:				
Transfers to other funds	\$ -	\$ -	\$ 45,141	\$ 45,141
Total Expenditures	-	-	45,141	45,141
Ending Fund Balance	-	-	132,892	132,892
Total Expenditures and Ending Fund Balance	\$ -	\$ -	\$ 178,033	\$ 178,033
Reconciliation to the Governmental Funds Balance Sheet:				
Ending Fund Balance - Budgetary Basis			\$ 132,892	
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>\$ 132,892</u>	

CITY OF CANTON
BUDGETARY COMPARISON SCHEDULE - MEDICAL CENTER/NISSAN TIF BOND FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Investment income	\$ -	\$ -	\$ 6,552	\$ 6,552
Transfers from other funds	-	-	141,724	141,724
Total Revenues	<u>-</u>	<u>-</u>	<u>148,276</u>	<u>148,276</u>
Beginning Fund Balance	-	-	145,458	145,458
Total Revenues and Beginning Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,734</u>	<u>\$ 293,734</u>
Expenditures:				
General government:				
Debt service	\$ -	\$ -	\$ 145,222	\$ 145,222
Total Expenditures	<u>-</u>	<u>-</u>	<u>145,222</u>	<u>145,222</u>
Ending Fund Balance	-	-	148,512	148,512
Total Expenditures and Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 293,734</u>	<u>\$ 293,734</u>

Reconciliation to the Governmental Funds Balance Sheet:

Ending Fund Balance - Budgetary Basis	\$ 148,512
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>\$ 148,512</u>

CITY OF CANTON
BUDGETARY COMPARISON SCHEDULE - SAAB PARK IMPROVEMENTS FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Borrowings	\$ 750,000	\$ 750,000	\$ 45,340	\$ (704,660)
Total Revenues	750,000	750,000	45,340	(704,660)
Beginning Fund Balance	-	-	(114,927)	(114,927)
Total Revenues and Beginning Fund Balance	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ (69,587)</u>	<u>\$ (819,587)</u>
Expenditures:				
Parks and Recreation:				
Capital outlay - engineering costs	\$ 52,500	\$ 52,500	\$ 45,340	\$ (7,160)
Capital outlay - construction	697,500	697,500	38,366	(659,134)
Total Expenditures	750,000	750,000	83,706	(666,294)
Ending Fund Balance	-	-	(153,293)	(153,293)
Total Expenditures and Ending Fund Balance	<u>\$ 750,000</u>	<u>\$ 750,000</u>	<u>\$ (69,587)</u>	<u>\$ (819,587)</u>
Reconciliation to the Governmental Funds Balance Sheet:				
Ending Fund Balance - Budgetary Basis			\$ (153,293)	
Accounts receivable at year end, net of related deferred inflows of resources			38,366	
Accounts payable at year end that were not paid within 30 days after year end			<u>(13,353)</u>	
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet			<u>\$ (128,280)</u>	

CITY OF CANTON
BUDGETARY COMPARISON SCHEDULE - 2020 G.O. BONDS PROJECT FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Bond issuance proceeds	\$ -	\$ -	\$ -	\$ -
Total Revenues	-	-	-	-
Beginning Fund Balance	-	-	-	-
Total Revenues and Beginning Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Expenditures:				
Public Works:				
Capital outlay	\$ -	\$ -	\$ -	\$ -
Total Expenditures	-	-	-	-
Ending Fund Balance	-	-	-	-
Total Expenditures and Ending Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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			(47,047)	
Ending Fund Balance as reflected on the Governmental Funds Balance Sheet			<u>\$ (47,047)</u>	

CITY OF CANTON
BUDGETARY COMPARISON SCHEDULE - LANDFILL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Landfill receipts	\$ 1,500,000	\$ 1,500,000	\$ 1,363,051	\$ (136,949)
Garbage collections	650,000	650,000	563,339	(86,661)
Investment income	-	-	33,757	33,757
Equipment sale proceeds	-	-	514,919	514,919
Capital leases	-	-	501,038	501,038
Total Revenues	2,150,000	2,150,000	2,976,104	826,104
Beginning Fund Balance	636,419	636,419	1,192,990	556,571
Total Revenues and Beginning Fund Balance	<u>\$ 2,786,419</u>	<u>\$ 2,786,419</u>	<u>\$ 4,169,094</u>	<u>\$ 1,382,675</u>
Expenditures:				
Waste Disposal:				
Personnel services	\$ 529,946	\$ 529,946	\$ 509,234	\$ (20,712)
Contractual services	1,349,600	1,349,600	900,322	(449,278)
Consumable supplies & materials	94,500	94,500	57,852	(36,648)
Capital outlay	-	-	1,024,618	1,024,618
Debt service	704,702	704,702	1,058,344	353,642
Total Expenditures	2,678,748	2,678,748	3,550,370	871,622
Ending Fund Balance	107,671	107,671	618,724	511,053
Total Expenditures and Ending Fund Balance	<u>\$ 2,786,419</u>	<u>\$ 2,786,419</u>	<u>\$ 4,169,094</u>	<u>\$ 1,382,675</u>
Reconciliation to the Proprietary Fund Balance Sheet:				
Ending Fund Balance - Budgetary Basis			\$ 618,724	
Receivables at year end			313,303	
Capital assets at year end			2,092,650	
Deferred outflows of resources at year end			116,154	
Accounts payable at year end that were not paid within 30 days after year end			(126,412)	
Long-term liabilities at year end			(5,480,590)	
Deferred inflows of resources at year end			(41,323)	
Ending Fund Balance as reflected on the Proprietary Fund Balance Sheet			<u>\$ (2,507,494)</u>	

CITY OF CANTON
SCHEDULE OF SURETY BONDS FOR MUNICIPAL EMPLOYEES
SEPTEMBER 30, 2019

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
City Clerk	John Carroll	Liberty Mutual	11/1/2019	50,000
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	7/16/2020	50,000
Deputy Municipal Clerk	Steven Johnson	Liberty Mutual	2/4/2020	50,000
Deputy Municipal Clerk	Annette Johnson	Liberty Mutual	11/1/2019	50,000
Deputy Municipal Clerk	Tanya Jackson	Liberty Mutual	4/14/2020	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	Gwen Miles	Liberty Mutual	11/1/2019	50,000
Police Chief	Otha Brown	Liberty Mutual	10/1/2019	50,000
Police Assistant Chief	Eddie Brown	Liberty Mutual	11/1/2019	50,000
Police	Deonta Young	Liberty Mutual	11/1/2019	50,000
Police	Dwayne Fleming	Liberty Mutual	11/1/2019	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 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, 2019

	<u>Date of Obligation</u>	<u>Date of Maturity</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance October 1, 2018</u>	<u>Current Year Transactions</u>		<u>Balance September 30, 2019</u>
						<u>Additions</u>	<u>Retirements</u>	
Governmental Activities								
<u>BONDS</u>								
General Obligation Refunding Bonds, Series 2016	4/28/2016	10/1/2031	1.00-2.75%	\$ 7,170,000	\$ 6,440,000	\$ -	\$ (520,000)	\$ 5,920,000
General Obligation Refunding Bonds, Series 2011C	10/8/2011	10/1/2021	4.59%	2,580,000	980,000	-	(310,000)	670,000
Tax Increment Financing Bonds, Series 2015	3/24/2015	3/1/2032	3.35-4.00%	2,705,000	2,325,000	-	(130,000)	2,195,000
Tax Increment Financing Bonds, Series 2018	9/12/2018	10/1/2030	4.35%	1,315,000	1,315,000	-	(85,000)	1,230,000
Bond premiums					65,441	-	(9,678)	55,763
Total Bonds				11,591,416	11,125,441	-	(1,054,678)	10,070,763
<u>OTHER LONG-TERM DEBT</u>								
US Department of Agriculture loan	3/24/2000	3/24/2035	5.13%	1,299,200	911,239	-	(34,853)	876,386
Mississippi Development Authority loan	6/9/2008	6/1/2028	2.00%	750,000	399,212	-	(37,471)	361,741
Mississippi Development Authority loan	8/17/2019	9/1/2040	2.00%	83,706	-	83,706	-	83,706
Fire truck capital lease	9/5/2010	9/5/2019	5.50%	173,460	22,418	-	(22,418)	-
Fire truck capital lease	11/1/2014	11/1/2024	3.62%	375,000	276,145	-	(35,366)	240,779
Police vehicles capital lease	5/2/2016	5/2/2019	5.95%	106,436	27,472	-	(27,472)	-
Police vehicles capital lease	3/31/2017	3/31/2021	5.45%	79,929	47,866	-	(15,115)	32,751
Bulldozer capital lease	2/13/2018	1/13/2023	3.94%	140,122	131,990	-	(11,893)	120,097
Backhoe capital lease	5/2/2018	4/2/2023	5.30%	95,859	92,758	-	(6,677)	86,081
Tractor capital lease	10/1/2018	9/30/2022	6.36%	57,525	-	57,525	(12,923)	44,602
Police vehicles capital lease	1/31/2019	12/31/2022	5.95%	84,119	-	84,119	(14,634)	69,485
Police vehicles capital lease	1/31/2019	12/31/2022	6.20%	56,261	-	56,261	(9,757)	46,504
Total Other Long-Term Debt					1,909,100	281,611	(228,579)	1,962,132
Total Long-Term Debt					\$ 13,034,541	\$ 281,611	\$ (1,283,257)	\$ 12,032,895
Business-Type Activity								
<u>BONDS</u>								
Revenue Refunding Mississippi Development								
Bank Bonds, Series 2016	12/15/2016	6/1/2031	3.63-5.00%	\$ 2,785,000	\$ 2,445,000	\$ -	\$ (145,000)	\$ 2,300,000
Bond discounts					(24,053)	-	3,157	(20,896)
Total Bonds					2,420,947	-	(141,843)	2,279,104
<u>OTHER LONG-TERM DEBT</u>								
Tractor capital lease	10/23/2014	10/23/2019	2.29%	\$ 86,405	\$ 20,499	\$ -	\$ (18,976)	\$ 1,523
Knuckle boom loader capital lease	4/1/2015	4/1/2020	4.00%	140,998	66,860	-	(35,188)	31,672
Landfill compactor capital lease	6/13/2016	6/1/2019	1.95%	471,201	247,266	-	(247,266)	-
Tractor capital lease	8/23/2016	9/1/2019	1.95%	391,439	238,848	-	(238,848)	-
Tractor capital lease	9/12/2016	9/1/2019	1.95%	391,439	238,848	-	(238,848)	-
Compactor capital lease	8/16/2019	8/16/2022	4.15%	501,038	-	501,038	(8,520)	492,518
Total Other Long-Term Debt					812,321	501,038	(787,646)	525,713
Total Long-Term Debt					\$ 3,233,268	\$ 501,038	\$ (929,489)	\$ 2,804,817

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

TANN, BROWN & RUSS CO., PLLC
CERTIFIED PUBLIC ACCOUNTANTS
1501 LAKELAND DRIVE, SUITE 300
JACKSON, MISSISSIPPI 39216-4841
TELEPHONE (601) 354-4926
FACSIMILE (601) 354-4947

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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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 9, 2022. 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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-001 through 2019-003, 2019-005 through 2019-007, 2019-010, 2019-012 through 2019-015, 2019-018, 2019-020 through 2019-25, and 2019-028 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-019 and 2019-029 through 2019-031 to be significant deficiencies.

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 2019-004, 2019-007 through 2019-009, 2019-11, 2019-012, 2019-015 through 2019-017, 2019-021, 2019-022, 2019-026, 2019-027, and 2019-032 through 2019-038.

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.

September 9, 2022

Tamm, Brown + Russo Co.

TANN, BROWN & RUSS CO., PLLC
CERTIFIED PUBLIC ACCOUNTANTS
1501 LAKELAND DRIVE, SUITE 300
JACKSON, MISSISSIPPI 39216-4841
TELEPHONE (601) 354-4926
FACSIMILE (601) 354-4947

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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, 2019 and have issued our report dated September 9, 2022. 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 2019-004, 2019-007 through 2019-009, 2019-11, 2019-012, 2019-015 through 2019-017, 2019-021, 2019-022, 2019-026, 2019-027, and 2019-032 through 2019-038.

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.

(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.

September 9, 2022

Team, Brown & Kuen S.

SCHEDULE OF FINDINGS AND RESPONSES

City of Canton, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2019

2019-001 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. However, the City now utilizes Tyler Technology's accounting software for municipal finances, which has controls and functions within the system for resources necessary to prepare the AFR. In addition, the governing authorities will thoroughly review and approve the annual financial report prior to issuance.

2019-002 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.

(Continued)

City of Canton, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2019

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 now utilizes Tyler Technology's accounting software for municipal finances, which has controls and functions within the system for resources necessary to prepare year-end audit adjustments. In addition, the governing authorities will thoroughly review and approve year-end audit adjustments by statute.

2019-003 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 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 now utilizes Tyler Technology's accounting software for municipal finances, which has controls and functions within the system for resources necessary to prepare the AFR. In addition, the governing authorities will thoroughly review and approve the annual financial report prior to issuance, and ensure policies and procedures are enacted that place internal controls in the City's accounting processes to implement the recommendation.

2019-004 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. In addition, the City is required to submit copies of the annual audit report to the Mississippi Office of the State Auditor and to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) online service.

Condition: The audit report for the year ended September 30, 2018, was issued in June, 2021, but it was not published as required.

(Continued)

City of Canton, Mississippi
Schedule of Findings and Responses
For the Year Ended September 30, 2019

Cause: The City was unaware of the requirement to publish the annual audit reports availability and submit copies to regulatory entities within 30 days of the report issuance.

Effect: The public was not informed of the audit report's availability in a timely manner.

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

Response: The City has had turnover in the City Clerk's office. The statutory duties of the Clerk are to publish the audit report within 30 days after completion pursuant to Miss. Code Ann. 21-35-31. While the Clerk sent the 2018 Audit in untimely, the City of Canton and the City Clerk's office will adhere to the statutory duties as prescribed and implement the recommendation.

2019-005 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 bank account, which had a year-end balance of approximately \$5,000, was utilized to accumulate flea market sales tax collections from vendors prior to remittance to the Mississippi Department of Revenue.

Cause: Procedures were not in place to reconcile this bank account to the accounting system each month.

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

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 now utilizes Tyler Technology's accounting software for municipal finances, which has controls and functions within the system for resources necessary to ensure all balances and transactions from all City banks accounts are reflected in the internal financial reports. While this accounting software is compliant with state and federal reporting mandates, it also allows for flexible data entry to be entered with simplicity. The City of Canton and the City Clerk's office will input all accounts with all financial institutions in the new accounting system and ensure policies and procedures are in place to adequately address this finding.

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City of Canton, Mississippi
Schedule of Findings and Responses
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2019-006 Material Weakness – Cash

Criteria: Reconciliation of the City's bank accounts to the accounting system is a primary internal 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.

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. In addition, the City incurred bank overdraft fees because checks were issued when bank account balances were insufficient to cover the checks issued.

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 now utilizes Tyler Technology's accounting software for municipal finances, which has controls and functions within the system for bank account reconciliations to be completed timely and accurately. In addition, the governing authorities will thoroughly review and approve policies and procedures to ensure that an accurate cash balance is reported, and checks are not presented when funds are not available. The new accounting software will provide an indication to departments and the City Clerk's Office when a department is over budget. Therefore, the City should no longer incur overdraft fees because of checks being issued without funds available. The City of Canton, and the City Clerk's office will follow state law regarding this weakness and implement the recommendation.

2019-007 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 \$230,000 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.

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City of Canton, Mississippi
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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 and will also place a void date on municipal checks.

2019-008 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 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 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 \$1.8 million of 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 has had turnover in the City Clerk's office. The statutory duties of the Clerk include ensuring that the City complies with the municipal depository bidding requirements provided by statute, as of FY 2022-2023, this matter has been corrected. The City of Canton and the City Clerk's office will adhere to the statutory duties as prescribed and implement the recommendation.

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City of Canton, Mississippi
Schedule of Findings and Responses
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2019-009 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.

Condition: The landfill trust account held investments in bonds and notes issued by the Federal Farm Credit Bank, Federal Agricultural Mortgage Corporation, Federal Home Loan Mortgage Corporation, and Federal Home Loan Bank, 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 transfer all investments in the landfill trust account to investments that are allowable and permitted.

2019-010 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 reconcile all accounts to the accounting system so that financial reports will reflect accurate balances and will implement the recommendation.

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2019-011 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.
- Condition:** The 2018 calendar year-end landfill report submitted to MS DEQ by the City indicated an estimated remaining landfill life of 3 years, a \$1,643,797 total current estimate of closure/post-closure care costs, and a landfill trust account balance of \$774,955. The trust account shortage of approximately \$869,000, when divided by the remaining landfill life of 3 years, yields an annual required trust contribution of approximately \$290,000. However, the City did not make a contribution to the landfill trust account in 2019.
- 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 remitted to the trust account each year.
- Response:** The City will implement the recommendation and ensure that it makes the necessary contributions to the landfill trust account.

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City of Canton, Mississippi
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2019-012 Material Weakness and Noncompliance – Property Annual Inventory

- Criteria:** Municipalities are required to conduct an inventory of property and equipment at the end of each fiscal year in order to ensure that all property and equipment items are properly reflected in the City's records and are still in the City's possession.
- Condition:** The City's property and equipment records were not updated to include new acquisitions, and documentation of the annual inventory procedures was not maintained.
- Cause:** Procedures were not in place to periodically update the property and equipment records during the year and conduct a full inventory at the fiscal year end.
- Effect:** The City's property and equipment records were not accurate.
- Recommendation:** We recommend that the City implement procedures to ensure that the property and equipment records are updated for acquisitions and disposals throughout the year and an annual inventory is conducted and documented at the end of each fiscal year.
- Response:** The City will implement the recommendation, conduct a full inventory at the fiscal year end, and update acquisitions to reflect an accurate annual inventory.

2019-013 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. In proprietary funds, the debt issuance proceeds and the usage of the proceeds are reflected as sources and uses of funds for budgetary reporting purposes.
- Condition:** The City entered into equipment financing lease agreements during the current year, but the debt issuance proceeds and 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 an 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 to ensure that all debt issuances are properly recorded.

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2019-014 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, monthly, the payroll liability balances in the accounting system to the underlying amounts owed by the City.

Response: The City will implement the recommendation and reconcile all payroll liability accounts to reflect the true payroll liability balances owed by the City.

2019-015 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, timely calculate the annual calculation, and move the funds from a special revenue fund to a restricted general fund balance.

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2019-016 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 and remit monthly court assessments to the applicable state agencies.

2019-017 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 court collections are deposited daily.
Response: The City will implement the recommendation and ensure that deposits are made daily for court collections.

2019-018 Material Weakness – Cash Appearance Bonds and Seized Funds

Criteria: Cash appearance bonds collected by court services and cash seized as evidence by the police department are held by the City pending resolution of the related cases by the court system. These held cash amounts are liabilities of the City until the court determines whether the funds are to be retained by the City as revenue or returned to the defendant.
Condition: The City did not reflect cash appearance bonds and seized cash as liabilities pending court resolution.
Cause: The City was unaware of the appropriate treatment for held cash of this nature.
Effect: The City prematurely recognized revenue prior to the court resolution of the related cases.

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Recommendation: We recommend that the City implement procedures to properly reflect cash appearance bonds and seized cash as liabilities until the court resolves the related cases.

Response: The City will implement the recommendation and will resolve held cash bonds and seizure funds from a liability to City revenues only upon the court determination of whether or not the cash bonds and seized funds are to be retained by the City.

2019-019 Significant Deficiency – Building Permit Fee Collections

Criteria: Frequent deposits of revenue collections is an important internal control to reduce the risk of loss and to facilitate accurate and timely internal financial information.

Condition: We noted that building permit fee collections were deposited only once per month.

Cause: The City was unaware of the need to make deposits more frequently.

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 City departments make bank deposits daily.

Response: The City will implement the recommendation and ensure that the City Clerk's office retains deposits from not only the building department but from all departments and that all deposits are made timely.

2019-020 Material Weakness – Landfill Fund Collections and Receivables

Criteria: The monitoring of revenue collections and customer receivables is an important internal control to ensure that revenues are collected in a timely manner and properly recorded in the accounting system.

Condition: We noted several payments by landfill customers were misposted to the wrong customer account in the customer billing system. In addition, we noted that several Landfill Fund deposits were misposted between the garbage revenue and landfill revenue accounts.

Cause: The City did not have adequate procedures in place to monitor customer receivable balances and revenue collections of the Landfill Fund.

Effect: The internal financial reports reflected incorrect amounts for receivables and revenues of the Landfill Fund, and past due customer balances were not pursued in a timely manner.

Recommendation: We recommend that procedures be implemented to ensure that Landfill Fund collections are posted to the appropriate revenue accounts and customer billing accounts. In addition, we recommend that procedures be implemented to monitor customer balances and take appropriate action on past due accounts.

Response: The City will implement the recommendation by posting to the appropriate revenue accounts and customer billing accounts and ensure that a system is implemented to pursue customer balances timely.

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2019-021 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.

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 by showing funds as restricted fund balances until utilized for the proper purposes.

2019-022 Material Weakness and Noncompliance – County Tax Collector Fees

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 and ensure that the county tax collection fees are recorded as expenditures.

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2019-023 Material Weakness – Capital Outlay and Debt-Related Expenditure Classifications

Criteria: Generally accepted accounting principles require capital outlay and debt-related expenditures to be segregated from operating expenditures. In addition, debt-related expenditures are required to be separately reported as to the respective principal, interest, paying agent fees and issuance costs portions.

Condition: Capital outlay expenditure accounts incorrectly included items that did not meet the City's capitalization criteria and should have been classified as supplies instead. Capital project construction and engineering costs were incorrectly reflected as contractual service expenditures rather than capital outlay. Debt service expenditure accounts incorrectly included equipment operating 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-related payments on bonds, loans, and capital leases were not properly segregated into principal, interest, paying agent fees, and issuance cost 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-related expenditures.

Recommendation: We recommend that the City's procedures for classifying and recording capital outlay and debt-related expenditures be reviewed and revised as necessary to properly reflect these expenditures.

Response: The City will implement the recommendation, segregate debt-related expenditures from operating expenditures, and accurately reflect capital outlay expenditures as such.

2019-024 Material Weakness – Expenditures for Public Works Department

Criteria: Expenditures are required to be classified according to the department that is responsible for the activity.

Condition: Electricity charges for street lights were misposted to the Supervision/Finance Department rather than the Public Works Department, which is responsible for maintenance of the streets.

Cause: The City was unaware of the appropriate department for these expenditures.

Effect: The internal financial reports overstated expenditures in the Supervision/Finance Department and understated expenditures in the Public Works Department.

Recommendation: We recommend that the City record street light electricity charges in the Public Works Department in order to accurately reflect these expenditures.

Response: The City will implement the recommendation with aid from the new Tyler Technology accounting system for municipal finances by classifying and posting expenditures (i.e., electricity, etc.) to the applicable departments and not just supervision/finance.

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2019-025 Material Weakness – Interfund Transfers and Advances

Criteria: The payment of another fund's expenditures is required to be reflected as either an interfund transfer or an advance due from another fund.

Condition: Some debt service payments for the Landfill Fund were made by the General Fund and Debt Service Sinking Fund and were improperly posted as debt service expenditures of the General Fund and Debt Service Sinking Fund.

Cause: The Landfill Fund had insufficient funds available when the payments were due.

Effect: The internal financial reports reflected the debt service expenditures in the wrong funds and understated the interfund transactions.

Recommendation: We recommend that expenditures be posted to the fund to which the expenditures apply.

Response: The City will implement the recommendation and post expenditures to the appropriate funds to which the expenditures apply.

2019-026 Noncompliance – Purchasing Laws

Criteria: When a purchase of commodities exceeds \$5,000, competitive written quotes must be obtained prior to the purchase to ensure that the City is paying the best price.

Condition: We noted that the City did not obtain and document competitive written quotes prior to a purchase of rocks totaling more than \$5,000 for the landfill.

Cause: Unknown.

Effect: The City may not have obtained the best price for the purchase.

Recommendation: We recommend that the City implement procedures to ensure that it complies with the state purchasing laws.

Response: There has been turnover in the City Clerk's office. A \$6,000 plus invoice from LaFarge was paid for the purchase of unwashed rock. Whether this invoice for unwashed rock qualified as an exemption under the purchasing laws is unclear to the City as 31-7-1(m)(iv) provides raw gravel or dirt as an exception to the Bidding requirement when raw unprocessed deposits of gravel or fill dirt are removed and transported by the purchaser. The City will implement the recommendation, and in the event any exemptions apply to the purchasing requirements, same will be documented in the minutes.

2019-027 Noncompliance – Claims Docket

Criteria: Payments are required to be approved by the City Council.

Condition: Several payments related to service contracts were not included in the claims dockets that were presented to the City Council for approval.

Cause: The City was unaware of the requirement for service contract payments to be approved by the City Council.

Effect: Some service contract payments were not approved by the City Council.

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Recommendation: We recommend that the City implement procedures to ensure that all payments are properly approved by the City Council.

Response: The City will implement the recommendation including putting a lump sum as a specific amount on the budget reports or claims docket. The City was informed that any fixed compensation, by an officer, of a fixed amount, and spread across the minutes, could be included on the monthly budget reports that are approved. Any other variable compensation from the service contracts mentioned supra, were placed on the claims docket. This weakness was not recognized by previous audits of the City of Canton. It is important to note, that payment for services was not rendered prior to services being performed, invoices were not submitted and paid in advance. In addition, the expenditures were for approved expenditures in the City's budget. The City's actions do not violate the statutory scheme of payment, and there is no actual loss to the City. The City will implement the recommendation and ensure that all service contract payments whether fixed or variable are included in some manner in the claims docket.

2019-028 Material Weakness – Service Contracts

Criteria: An organized filing system is an important internal control to ensure that documents are maintained in a way that facilitates their location and retrieval as needed.

Condition: Signed copies of some service contracts could not be located.

Cause: The City has experienced a high turnover in the City Clerk position, which resulted in some files and documents being difficult to locate.

Effect: Some of the City's records are not available when needed.

Recommendation: We recommend that the City implement procedures to ensure that documents are preserved and maintained in an orderly manner and can be accessed as needed.

Response: The City will implement the recommendation.

2019-029 Significant Deficiency – Travel Advances and Reimbursements

Criteria: When travel advances are paid prior to an employee's travel, the employee must report the actual travel costs after returning from the travel and also must repay the excess of the travel advance over the actual travel costs incurred.

Condition: The City paid travel advances based on full meal per diem rates regardless of what time of day the travel started or ended and regardless of whether some meals were already included in the cost paid for lodging and event registration fees. In addition, the City did not require the traveling employees to submit itemized actual expense reports after the trip or repay any unused portion of the travel advances.

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Cause: The City was unaware of the need to require repayment of travel advances that exceed the actual costs incurred and to reduce the per diem rate advanced when a full day of meal costs was not applicable.

Effect: Some excess travel payments were made by the City and not repaid by the employees.

Recommendation: We recommend that the City review its travel policies and revise them as necessary to ensure that travel payments are appropriately limited and any excess travel advance is repaid after the travel.

Response: The City will implement the recommendation and has adopted an Internal Travel Policy and Procedure on or about March 2020, which clearly outlines state law with respect to travel advances and reimbursements, with adopted forms for travel. All City travel is at the discretion of the Mayor and Board of Aldermen, including whether travel advances or travel reimbursements will be provided to the employee.

2019-030 Significant Deficiency – Credit Card Charges

Criteria: Reconciling the monthly credit card billings to the detailed invoices and receipts for the purchases made with the credit card is an important internal control to ensure that the purchases are appropriate expenditures and are adequately documented.

Condition: Itemized invoices and receipts were not obtained for credit card charges in order to document the details of purchases made with the City's credit card. In addition, prior month balances reflected on the monthly credit card billings were paid without adequate documentation of what the prior month balances consisted. Furthermore, the City incurred interest charges and late fees as a result of not paying the credit card balance in full each month.

Cause: The City was unaware of the need to obtain detailed invoices and receipts for all purchases made with the City's credit card.

Effect: The City did not obtain adequate documentation of the purchases made with the City's credit card.

Recommendation: We recommend that the City review and revise its credit card purchasing procedures to ensure that adequate documentation is obtained and attached to the credit card monthly billings prior to payment.

Response: The City will implement a policy in which the City receives detailed invoices and receipts for credit card charges and will ensure that the monthly credit card bills are reconciled to the detailed invoices and receipts for balancing, thus creating accurate financial reporting.

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2019-031 Significant Deficiency – Delores Blackmon Escrow Fund

Criteria: Separate funds are established to provide better control over and properly account for certain activities or transactions.

Condition: The City previously established the Delores Blackmon Escrow Fund and maintained a separate bank account related to the fund. However, the escrow payments received by the City from a homeowner and the home insurance policy premiums paid by the City related to the Delores Blackmon Escrow were incorrectly posted to the General Fund rather than to the Delores Blackmon Escrow Fund. In addition, the insurance premiums paid by the City on behalf of the homeowner have exceeded the balance in the escrow fund plus the escrow payments received from the homeowner.

Cause: The monthly payments received from the homeowner were insufficient to cover the cost of the insurance premiums.

Effect: The City was inadvertently paying for part of the homeowner's insurance policy premiums with General Fund resources.

Recommendation: We recommend that the City review and revise its procedures related to the Delores Blackmon Escrow Fund to ensure that the escrow fund receipts are adequate to cover the cost of the insurance premiums and that escrow fund activity is properly posted to the Delores Blackmon Escrow Fund.

Response: The City will implement the recommendation and implement policies that the appropriate fund is correctly posted and that any amount not owed by the City is not paid, thereby preventing an unauthorized donation. The City's new Tyler Technology accounting software should correct this finding, as budgetary items will not be paid if exceeded, etc.

2019-032 Noncompliance – New Employees

Criteria: State statutes require employers in Mississippi to utilize the E-Verify online employment eligibility verification system and Mississippi New Hire Reporting online system in addition to the I-9 employment eligibility forms required by federal regulations when hiring employees.

Condition: I-9 forms were not signed by the City personnel that completed the employer section of the form and reviewed the new hire's identification documents. In addition, the E-Verify and Mississippi New Hire Reporting online processes were not completed for new hires.

Cause: The City was unaware of the documentation and reporting requirements for new employees.

Effect: The City did not properly report and document its new employees.

Recommendation: We recommend that the City review and revise its procedures to ensure that new employees are properly reported and documented.

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Response: The City will implement the recommendation and ensure that all employees are verified through the E-Verify system as required by MS Senate Bill 3988 of the 2008 Legislative session. The City will not use E-Verify in a manner that could be construed as selective, and will approve, if not already, an MOU to use the E-Verify system for all new hires.

2019-033 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 and has implemented a new Tyler Technology accounting system which will implement more controls on budgetary matters such as this, and budgetary items will not be paid if exceeded, etc.

2019-034 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.

Cause: The City was unaware of these requirements.

(Continued)

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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, ensure that monthly budget reports in compliance with statute are submitted and approved monthly, and ensure that all funds are reflected in the reports. The City recognizes its statutory obligation for approved budget reports and the implications that can result from a lack of submission of a budget report in compliance with statute and approval by the governing authorities.

2019-035 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, by remitting timely payment to vendors within 45 days from receipt of invoice. In the event that an invoice is not timely remitted within 45 days, the City will submit the statutorily incurred penalty to any payment remitted untimely. The City recognizes that in the event of a dispute in an amount owed, a policy should be implemented to ensure that such is timely submitted to the governing authorities for consideration and determination whether a valid dispute exists and provide the vendor a dispute as authorized by statute.

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2019-036 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 in a timely manner as required.

Cause: The City was unaware of the requirement to approve and include the Municipal Compliance Questionnaire as part of the minutes for the first regular meeting after the fiscal year end.

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, and has recently approved the Municipal Questionnaire, while not at the first regular meeting after the fiscal year but approved thereafter.

2019-037 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.

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.

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Response: The City will implement the recommendation, and the City has not only had high turnover within the City Clerk's office, but a former City Clerk was terminated for among other things, failing to provide and produce City minutes. The City will adopt policies and procedures to ensure that this statutory requirement is met. In addition, the City Clerk's office has attended a number of training sessions this year, with respect to these matters.

2019-038 Noncompliance – Surety Bonds

Criteria: Municipalities are required to obtain surety bonds for officials and employees in certain positions and also for employees who handle cash.

Condition: The surety bonds for two of the City's employees who handle cash expired prior to September 30, 2019, and were not renewed because the City failed to pay the renewal premium.

Cause: The City did not have adequate procedures in place to monitor surety bond renewals.

Effect: The City was exposed to loss risks for these unbonded employees.

Recommendation: We recommend that the City implement procedures to ensure that surety bonds are maintained for all applicable officials and employees.

Response: The City will implement the recommendation and ensure that all employees who handle cash are bonded as required by state statute. In addition, the City will adopt policies and procedures to monitor surety bond renewals, so required employees will not be left unbonded, exposing the City of Canton to loss risks.