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Canton Public School District

Audited Financial Statements
June 30, 2011

Fortenberry & Ballard, PC
Certified Public Accountants

**Canton Public School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Canton Public School District

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Public School District as of and for the year ended June 30, 2011, which collectively comprise the Canton Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Canton Public School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Public School District, as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 4, 2012, on our consideration of the Canton Public School District'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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic

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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 supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Canton Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Canton Public School District's basic financial statements. The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 4, 2012

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

Canton Public School District
Management's Discussion and Analysis
For The Year Ended June 30, 2011

The following discussion and analysis of Canton Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's 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 School District's financial performance.

FINANCIAL HIGHLIGHTS

- Total net assets for 2011 increased \$871,294, including a prior period adjustment in the amount of (\$8,557), which represents a 4% increase from fiscal year 2010. Total net assets for 2010 increased \$1,243,690, including a prior period adjustment of \$864, which represents a 6% increase from fiscal year 2009.
- General revenues amounted to \$22,259,583 and \$22,082,205, or 73% and 75% of all revenues for fiscal years 2011 and 2010, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$8,333,118, or 27% of total revenues for 2011, and \$7,509,079, or 25% of total revenues for 2010.
- The District had \$29,712,850 and \$28,348,458 in expenses for fiscal years 2011 and 2010; only \$8,333,118 for 2011 and \$7,509,079 for 2010 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$22,259,583 for 2011 and \$22,082,205 for 2010 were adequate to provide for these programs.
- Among the major funds, the General Fund had \$19,331,951 in revenues and \$17,224,683 in expenditures for 2011, and \$18,902,695 in revenues and \$17,560,738 in expenditures for 2010. The General Fund's fund balance decreased by \$1,794,806, including a prior period adjustment of (\$8,557) from 2010 to 2011, and decreased by \$86,016, including a prior period adjustment of (\$3,648) from 2009 to 2010.
- Capital assets, net of accumulated depreciation, decreased by \$2,419 for 2011 and decreased by \$796,291 for 2010. The decrease for 2011 was due to increase in accumulated depreciation.
- Long-term debt increased by \$15,861,553 for 2011 and decreased by \$1,941,345 for 2010. This increase was due primarily to the issuance of certificates of participation in the amount of \$15,000,000 and qualified school construction bonds in the amount of \$3,000,000 during the fiscal year for construction. In addition, the liability for compensated absences decreased by \$11,796 in 2011, and increased by \$7,512 in 2010.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplemental information, supplemental information, and other information.

Canton Public School District
Management's Discussion and Analysis
For The Year Ended June 30, 2011

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Assets and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Assets presents information on all the District's nonfiduciary assets and liabilities, with the difference between the two reported as "net assets." Over time, increases or decreases in the District's net assets may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section and interest and other expenses on long-term liabilities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds - Most of the District's general activities are reported in its governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, governmental funds are accounted for using the modified accrual basis of accounting and the flow of current financial resources measurement focus. The approach focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at year end. The governmental fund statements provide a detailed view of the District's near term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental

Canton Public School District
Management's Discussion and Analysis
For The Year Ended June 30, 2011

funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Assets, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

The District maintains individual governmental funds in accordance with the *Financial Accounting Manual for Mississippi Public School Districts*. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

Fiduciary funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because resources of those funds are not available to support the District's own programs. These funds are reported using the accrual basis of accounting. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Reconciliation of Government-wide and Fund Financial Statements

The financial statements include two schedules that reconcile the amounts reported on the governmental funds financial statements (modified accrual basis of accounting) with government-wide financial statements (accrual basis of accounting). The following summarizes the major differences between the two statements:

Capital assets used in governmental activities are not reported on governmental funds financial statements.

Capital outlay spending results in capital assets on government-wide financial statements, but is reported as expenditures on the governmental funds financial statements.

Bond and note proceeds result in liabilities on government-wide financial statements, but are recorded as other financing sources on the governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Canton Public School District
Management's Discussion and Analysis
For The Year Ended June 30, 2011

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplemental Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplemental information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund as required by the Governmental Accounting Standard Board.

Supplemental Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets

Net assets may serve over time as a useful indicator of the District's financial position. Assets exceeded liabilities by \$23,856,839 as of June 30, 2011.

The District's financial position is a product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets and the depreciation of capital assets.

Table 1 presents a summary of the District's net assets at June 30, 2011 and June 30, 2010.

Canton Public School District
Management's Discussion and Analysis
For The Year Ended June 30, 2011

Table 1
Condensed Statement of Net Assets

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Current assets	\$ 31,345,045	14,713,775	113%
Restricted assets	360,930	359,963	0%
Capital assets, net	<u>27,392,431</u>	<u>27,394,850</u>	0%
Total assets	<u>59,098,406</u>	<u>42,468,588</u>	39%
Current liabilities	3,447,312	3,538,545	(3)%
Long-term debt outstanding	<u>31,794,255</u>	<u>15,944,498</u>	99%
Total liabilities	<u>35,241,567</u>	<u>19,483,043</u>	81%
Net assets:			
Invested in capital assets, net of related debt	15,571,155	13,438,471	16%
Restricted	3,467,838	3,842,630	(10)%
Unrestricted	<u>4,817,846</u>	<u>5,704,444</u>	(16)%
Total net assets	<u>\$ 23,856,839</u>	<u>22,985,545</u>	4%

The following are significant current year transactions that have had an impact on the Statement of Net Assets:

- The increase in cash with fiscal agents for capital assets.
- The increase in long-term debt in the amount of \$18,000,000 for capital assets.

Changes in net assets. The District's total revenues for the fiscal years ended June 30, 2011 and June 30, 2010 were \$30,592,701 and \$29,591,284, respectively. The total cost of all programs and services was \$29,712,850 for 2011 and \$28,348,458 for 2010.

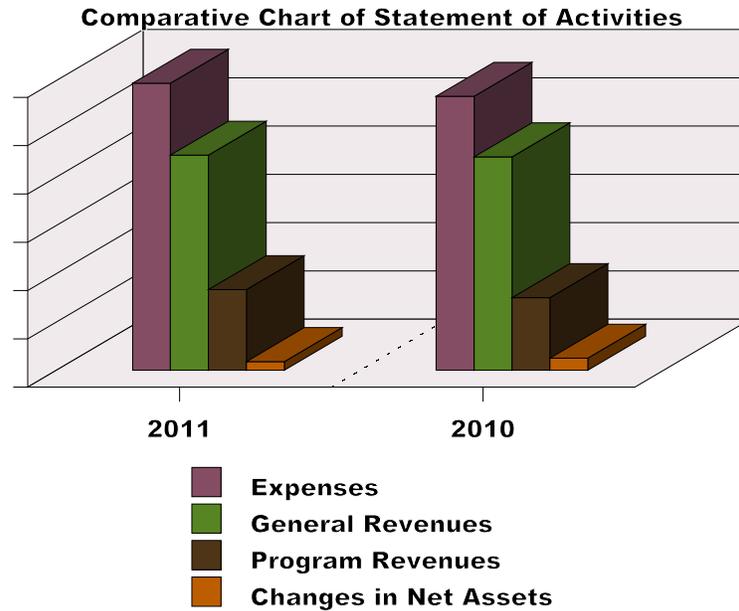
Table 2 presents a summary of the changes in net assets for the fiscal years ended June 30, 2011 and June 30, 2010.

Canton Public School District
Management's Discussion and Analysis
For The Year Ended June 30, 2011

Table 2
Changes in Net Assets

	<u>Year Ended June 30, 2011</u>	<u>Year Ended June 30, 2010</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 589,488	764,845	(23)%
Operating grants and contributions	7,743,630	6,744,234	15%
Total program revenues	<u>8,333,118</u>	<u>7,509,079</u>	11%
General revenues:			
Property taxes	8,712,592	8,438,736	3%
Grants and contributions not restricted	13,163,055	13,087,972	1%
Unrestricted investment earnings	79,746	84,479	(6)%
Sixteenth section sources	153,031	347,592	(56)%
Other	151,159	123,426	22%
Total general revenues	<u>22,259,583</u>	<u>22,082,205</u>	1%
Total revenues	<u>30,592,701</u>	<u>29,591,284</u>	3%
Expenses:			
Instruction	14,728,415	14,791,093	0%
Support services	10,875,682	10,326,088	5%
Non-instructional	2,396,871	2,418,918	(1)%
Sixteenth section	43,179	56,854	(24)%
Interest and other expenses on long-term liabilities	1,668,703	755,505	121%
Total expenses	<u>29,712,850</u>	<u>28,348,458</u>	5%
Increase (Decrease) in net assets	<u>879,851</u>	<u>1,242,826</u>	(29)%
Net Assets, July 1, as originally reported	22,985,545	21,741,855	6%
Prior Period Adjustments	(8,557)	864	(1090)%
Net Assets, July 1, as restated	<u>22,976,988</u>	<u>21,742,719</u>	6%
Net Assets, June 30	<u>\$ 23,856,839</u>	<u>22,985,545</u>	4%

Canton Public School District
Management's Discussion and Analysis
For The Year Ended June 30, 2011



Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest and other expenses on long-term debt. The table also shows each functional activity's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost presents the financial burden that was placed on the State and District's taxpayers by each of these functions.

Table 3
Net Cost of Governmental Activities

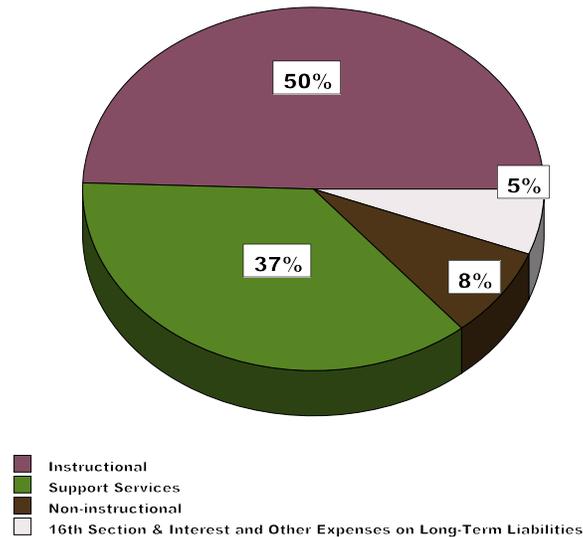
	<u>Total Expenses</u>		Percentage Change
	2011	2010	
Instruction	\$ 14,728,415	14,791,093	0%
Support services	10,875,682	10,326,088	5%
Non-instructional	2,396,871	2,418,918	(1)%
Sixteenth section	43,179	56,854	(24)%
Interest and other expenses on long-term liabilities	1,668,703	755,505	121%
Total expenses	<u>\$ 29,712,850</u>	<u>28,348,458</u>	<u>5%</u>

Canton Public School District
Management's Discussion and Analysis
For The Year Ended June 30, 2011

Net (Expense) Revenue

	<u>2011</u>	<u>2010</u>	<u>Percentage Change</u>
Instruction	\$ (11,535,125)	(11,992,162)	(4)%
Support services	(8,115,330)	(8,211,867)	(1)%
Non-instructional	(111,237)	(33,575)	231%
Sixteenth section	50,663	153,730	67%
Interest and other expenses on long-term liabilities	(1,668,703)	(755,505)	121%
Total net (expense) revenue	<u>\$ (21,379,732)</u>	<u>(20,839,379)</u>	<u>3%</u>

Chart of Expenses per Statement of Activities



- Net cost of governmental activities (\$21,379,732 for 2011 and \$20,839,379 for 2010) was financed by general revenue, which is primarily made up of property taxes (\$8,712,592 for 2011 and \$8,438,736 for 2010) and state and federal revenues (\$13,163,055 for 2011 and \$13,087,972 for 2010). In addition, there was \$153,031 and \$347,592 in Sixteenth Section sources for 2011 and 2010, respectively.
- Investment earnings amounted to \$79,746 for 2011 and \$84,479 for 2010.

Canton Public School District
 Management's Discussion and Analysis
 For The Year Ended June 30, 2011

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$28,645,284, an increase of \$16,975,400, which includes an increase in inventory of \$6,886 and a prior period adjustment of (\$8,557). \$5,525,902, or 19% of the fund balance is unassigned, which represents the residual classification for the general fund's 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 remaining fund balance of \$23,119,382, or 81% is either nonspendable, or restricted to indicate that it is not available for spending except only for the purposes to which it is restricted.

The General Fund is the principal operating fund of the District. The net decrease in fund balance in the General Fund for the fiscal year was \$1,794,806, including a prior period adjustment in the amount of (\$8,557). The fund balance of Other Governmental Funds showed a decrease in the amount of \$229,081, which includes an increase in inventory of \$6,886 due primarily to reflect inventory to actual. The increase (decrease) in the fund balances for the other major funds were as follows:

Major Fund	Increase (Decrease)
Building Projects Fund	\$ 18,964,632
Shortfall Notes Retirement Fund	34,655

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information.

Canton Public School District
Management's Discussion and Analysis
For The Year Ended June 30, 2011

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2011, the District's total capital assets were \$38,647,707, including land, construction in progress, school buildings, building improvements, improvements other than buildings, mobile equipment, buses, other school vehicles and furniture and equipment and leased property under capital leases. This amount represents an increase of \$821,657 from 2010. Total accumulated depreciation as of June 30, 2011, was \$11,255,276, and total depreciation expense for the year was \$915,547, resulting in total net capital assets of \$27,392,431.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
Land	\$ 68,710	68,710	0%
Construction in progress	755,373		
Buildings	21,260,810	21,781,573	(2)%
Building improvements	1,700,645	1,794,024	(5)%
Improvements other than buildings	2,889,132	3,027,396	(5)%
Mobile equipment	439,730	496,439	(11)%
Furniture and equipment	270,976	212,805	27%
Leased property under capital leases	7,055	13,903	(49)%
Total	<u>\$ 27,392,431</u>	<u>27,394,850</u>	<u>0%</u>

Additional information on the District's capital assets can be found in Note 5 included in this report.

Debt Administration. At June 30, 2011, the District had \$31,794,255 in outstanding long-term debt, of which \$1,729,211 is due within one year. The liability for compensated absences decreased \$11,796 from the prior year.

Canton Public School District
Management's Discussion and Analysis
For The Year Ended June 30, 2011

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2011</u>	<u>June 30, 2010</u>	<u>Percentage Change</u>
General obligations bonds payable	\$ 4,260,000	5,040,000	(15)%
Certificates of participation payable	22,210,000	7,485,000	197%
Three mill notes payable	1,680,000	1,790,000	(6)%
Qualified school construction bonds payable	3,000,000		
Shortfall notes payable	514,743	1,482,719	(65)%
Obligations under capital leases	7,763	13,234	(41)%
Compensated absences payable	121,749	133,545	(9)%
Total	<u>\$ 31,794,255</u>	<u>15,944,498</u>	99%

Additional information on the District's long-term debt can be found in Note 6 included in this report.

CURRENT ISSUES AND OTHER INFORMATION

The Canton Public School District is financially stable. The District is proud of its community support of the public schools.

The District has committed itself to financial excellence for many years. The District's system of financial planning, budgeting and internal financial controls is well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

The District actively pursues grant funding to supplement the local, state and federal revenues.

Enrollment for the 2010-2011 year increased by 8% to 3,369 students.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Canton Public School District, 403 East Lincoln Street, Canton, MS 39046.

FINANCIAL STATEMENTS

CANTON PUBLIC SCHOOL DISTRICTExhibit A

Statement of Net Assets

June 30, 2011

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 16,422,269
Cash with fiscal agents	13,798,064
Due from other governments	1,048,545
Other receivables, net	7,007
Inventories	69,160
Restricted assets	360,930
Capital assets, non-depreciable:	
Land	68,710
Construction in progress	755,373
Capital assets, net of accumulated depreciation:	
depreciation:	
Buildings	21,260,810
Building improvements	1,700,645
Improvements other than buildings	2,889,132
Mobile equipment	439,730
Furniture and equipment	270,976
Leased property under capital leases	7,055
	<hr/>
Total Assets	59,098,406
	<hr/>
Liabilities	
Accounts payable and accrued liabilities	3,060,690
Interest payable on long-term liabilities	386,622
Long-term liabilities, due within one year	
Capital related liabilities	1,214,468
Non-capital related liabilities	514,743
Long-term liabilities, due beyond one year	
Capital related liabilities	29,943,295
Non-capital related liabilities	121,749
	<hr/>
Total Liabilities	35,241,567
	<hr/>
Net Assets	
Invested in capital assets, net of related debt	15,571,155
Restricted net assets:	
Expendable:	
School-based activities	2,989,830
Forestry improvements	61,701
Unemployment benefits	57,809
Non-expendable:	
Sixteenth section	358,498
Unrestricted	4,817,846
	<hr/>
Total Net Assets	\$ 23,856,839
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement.

CANTON PUBLIC SCHOOL DISTRICT

Exhibit B

Statement of Activities

For the Year Ended June 30, 2011

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
				Governmental Activities
Governmental Activities:				
Instruction	\$ 14,728,415	224,500	2,968,790	(11,535,125)
Support services	10,875,682	15,731	2,744,621	(8,115,330)
Non-instructional	2,396,871	255,415	2,030,219	(111,237)
Sixteenth section	43,179	93,842		50,663
Interest and other expenses on long-term liabilities	1,668,703			(1,668,703)
Total Governmental Activities	\$ 29,712,850	589,488	7,743,630	0
General Revenues:				
Taxes:				
				6,988,703
				1,723,889
Unrestricted grants and contributions:				
				12,150,017
				1,013,038
				79,746
				153,031
				151,159
				22,259,583
				879,851
				22,985,545
				(8,557)
				22,976,988
				\$ 23,856,839

The notes to the financial statements are an integral part of this statement.

CANTON PUBLIC SCHOOL DISTRICT

Exhibit C

Balance Sheet - Governmental Funds

June 30, 2011

	Major Funds				
	General	Building	Shortfall	Other	Total
	Fund	Projects	Notes Retirement	Governmental	Governmental
	Fund	Fund	Fund	Funds	Funds
ASSETS					
Cash and cash equivalents	\$ 6,374,761	5,591,223	959,929	3,857,285	16,783,198
Cash with fiscal agents		13,798,064			13,798,064
Due from other governments	344,083		42,702	661,760	1,048,545
Other receivables, net				7,007	7,007
Due from other funds	176,912			161,962	338,874
Inventories				69,160	69,160
Total Assets	\$ <u>6,895,756</u>	<u>19,389,287</u>	<u>1,002,631</u>	<u>4,757,174</u>	<u>32,044,848</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,264,937	52,800	967,976	774,977	3,060,690
Due to other funds	104,917			233,957	338,874
Total Liabilities	<u>1,369,854</u>	<u>52,800</u>	<u>967,976</u>	<u>1,008,934</u>	<u>3,399,564</u>
Fund Balances:					
Nonspendable:					
Permanent Fund Purposes				358,498	358,498
Inventory				69,160	69,160
Restricted for:					
Unemployment Benefits				57,809	57,809
Forestry Improvements				61,701	61,701
Capital Improvements		19,336,487			19,336,487
Debt Service			34,655	280,402	315,057
Food Service				386,423	386,423
Other Commitments				65,542	65,542
Sixteenth section				2,468,705	2,468,705
Unassigned	5,525,902				5,525,902
Total Fund Balances	<u>5,525,902</u>	<u>19,336,487</u>	<u>34,655</u>	<u>3,748,240</u>	<u>28,645,284</u>
Total Liabilities and Fund Balances	\$ <u>6,895,756</u>	<u>19,389,287</u>	<u>1,002,631</u>	<u>4,757,174</u>	<u>32,044,848</u>

The notes to the financial statements are an integral part of this statement.

CANTON PUBLIC SCHOOL DISTRICT

Exhibit C-1

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets

June 30, 2011

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 28,645,284
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$11,255,276	27,392,431
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(31,794,255)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(386,622)
4. Rounding difference	<u>1</u>
Total Net Assets - Governmental Activities	\$ <u><u>23,856,839</u></u>

The notes to the financial statements are an integral part of this statement.

CANTON PUBLIC SCHOOL DISTRICT

Exhibit D

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2011

	Major Funds				Total Governmental Funds
	General	Building	Shortfall	Other	
	Fund	Projects Fund	Notes Retirement Fund	Governmental Funds	
Revenues:					
Local sources	\$ 7,372,929	24,906	1,002,631	989,188	9,389,654
Intermediate sources	42,880				42,880
State sources	11,730,510			1,102,865	12,833,375
Federal sources	185,632			7,887,681	8,073,313
Sixteenth section sources				246,874	246,874
Total Revenues	19,331,951	24,906	1,002,631	10,226,608	30,586,096
Expenditures:					
Instruction	9,659,976			4,468,448	14,128,424
Support services	7,539,799	253,504		2,990,480	10,783,783
Noninstructional services	18,000	49,212		2,282,440	2,349,652
Sixteenth section				43,179	43,179
Facilities acquisition and construction		755,373			755,373
Debt service:					
Principal	5,471		967,976	1,165,000	2,138,447
Interest	1,437			901,034	902,471
Other		502,185		12,116	514,301
Total Expenditures	17,224,683	1,560,274	967,976	11,862,697	31,615,630
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	2,107,268	(1,535,368)	34,655	(1,636,089)	(1,029,534)
Other Financing Sources (Uses):					
Proceeds of long-term debt issued		18,000,000			18,000,000
Insurance loss recoveries	6,605				6,605
Operating transfers in	201,189	2,500,000		1,915,628	4,616,817
Operating transfers out	(4,101,311)			(515,506)	(4,616,817)
Total Other Financing Sources (Uses)	(3,893,517)	20,500,000	0	1,400,122	18,006,605
Net Change in Fund Balances	(1,786,249)	18,964,632	34,655	(235,967)	16,977,071
Fund Balances:					
July 1, 2010 - Beginning, as originally reported	7,320,708	371,855	0	3,977,321	11,669,884
Prior period adjustment(s)	(8,557)				(8,557)
July 1, 2010 - Beginning, as restated	7,312,151	371,855	0	3,977,321	11,661,327
Increase in reserve for inventory				6,886	6,886
June 30, 2011	\$ 5,525,902	19,336,487	34,655	3,748,240	28,645,284

The notes to the financial statements are an integral part of this statement.

CANTON PUBLIC SCHOOL DISTRICTExhibit D-1

Reconciliation of the Governmental Funds Statement of Revenues,
 Expenditures and Changes in Fund Balances to the Statement of Activities
 For the Year Ended June 30, 2011

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ 16,977,071
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchases and construction in progress amounted to \$914,976 and the depreciation expense amounted to \$915,547.	(571)
2. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	2,138,447
3. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	(251,931)
4. The acquisition of long-term debt is reported in the governmental funds, but not in the Statement of Activities	(18,000,000)
5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(1,848)
6. Increase in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are decreased in the in the Statement of Activities.	6,886
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	11,796
8. Rounding difference	<u>1</u>
Change in Net Assets of Governmental Activities	\$ <u><u>879,851</u></u>

The notes to the financial statements are an integral part of this statement.

CANTON PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2011

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ <u>66,250</u>
Total Assets	\$ <u><u>66,250</u></u>
Liabilities	
Accounts payable and accrued liabilities	\$ 41,242
Due to student clubs	<u>25,008</u>
Total Liabilities	\$ <u><u>66,250</u></u>

The notes to the financial statements are an integral part of this statement.

Canton Public School District
Notes to the Financial Statements
June 30, 2011

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 1 - Summary of Significant Accounting Policies

The accompanying financial statements of the school district have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for governmental accounting and financial reporting principles. The most significant of the school district's accounting policies are described below.

A. Basis of Presentation

In February 2009, the GASB issued GASB Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The fund balance amounts for governmental funds have been reclassified in accordance with GASB Statement No. 54. As a result, amounts previously reported as reserved and unreserved are now reported as nonspendable, restricted, committed, assigned, or unassigned.

B. Financial Reporting Entity

As defined by accounting principles generally accepted in the United States of America, the school district is considered an "other stand alone government." The school district is a related organization of, but not a component unit of, the city of Canton since the governing authority of the city selects a majority of the school district's board but does not have financial accountability for the school district.

For financial reporting purposes, Canton Public School District has included all funds and organizations. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District.

C. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2011

these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

1. Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function, or segment, are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. The general fund is used to account for and report all financial resources not accounted for and reported in another fund.

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2011

Building Projects Fund - This fund is used to account for the capital projects of the district. The acquisition and construction of new capital projects revenue and expenditures are reported in this fund.

Shortfall Notes Retirement Fund - This fund is used to account for proceeds and expenditures used to retire the principal and interest on the Shortfall Note debt.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental funds column of the fund financial statements.

The District's fiduciary funds include the following:

Payroll Clearing Fund - This fund serves as a clearing fund for payroll type transactions.

Student Club Funds - These various funds account for the monies raised through school club activities and fund raisers and club related expenditures approved by the individual clubs.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Capital Projects Funds - Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Debt Service Funds - Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Funds - Permanent Funds are used to account for and report resources that are restricted to the extent that only earnings, and not the principal, may be used for purposes that support the district's programs.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

FIDUCIARY FUNDS

Agency Funds - Agency Funds are used to report resources held by the district in a purely custodial capacity (assets equal liabilities) and do not involve measurement of results of operations.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

In the government-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the economic resources measurement focus and the accrual basis of accounting, as are the Fiduciary Fund financial statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred or economic asset used, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be available when they are collectible within the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

Federal grants and assistance awards made on the basis of entitlement periods are recorded as receivables and revenues when entitlement occurs. Federal reimbursement type grants are recorded as revenues when the related expenditures are recognized. Use of grant resources is conditioned upon compliance with terms of the grant agreements and applicable federal regulations, which include subjecting grants to financial and compliance audits.

Property taxes, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual.

Ad valorem property taxes are levied by the governing authority of the city on behalf of the school district based upon an order adopted by the school board of the school district requesting an ad valorem tax effort in dollars. Since the taxes are not levied and collected by the school district, the revenues to be generated by

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2011

the annual levies are not recognized until the taxes are actually collected by the tax levying authority.

Capital asset acquisitions are reported as expenditures in the governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

The effect of inter-fund activity has been eliminated from the government-wide statements.

Revenues from the Mississippi Adequate Education Program are appropriated on a fiscal year basis and are recorded at the time the revenues are received from the State of Mississippi.

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2005 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2003, issued by the U.S. Department of Education.

E. Encumbrances

An encumbrance system is not maintained to account for commitments resulting from approved purchase orders, work orders and contracts.

F. Assets, liabilities, and net assets/fund balances

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Sections 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of inter-fund loans) or “advances to/from other funds” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

Due from other governments represents amounts due from the State of Mississippi and various grants and reimbursements from other governments.

4. Inventories and Prepaid Items

Donated commodities are received from the USDA and are valued at USDA cost. Other inventories are valued at cost (calculated on the first-in, first-out basis). The costs of governmental fund type inventories are reported as expenditures when purchased.

Prepaid items, such as prepaid insurance, are not reported for governmental fund types since the costs of such items are accounted for as expenditures in the period of acquisition.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Assets because their use is limited by applicable debt statutes. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund. In addition, unspent proceeds from the issuance of long-term debt reported as cash and cash equivalents in a Capital Projects Fund is classified as restricted assets because the funds are to be spent for specific purposes outlined in resolutions approved by the board, bond documentation, etc.

6. Capital Assets

Capital assets include land, improvements to land, easements, water rights, timber rights, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost or estimated historical cost based on appraisals or deflated current replacement cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the thresholds in the table below.

Capital acquisition and construction are reflected as expenditures in the Governmental Fund statements and the related assets are reported as capital assets in the governmental activities column in the government-wide financial statements.

Depreciation is calculated on the straight-line basis for all assets, except land.

The following schedule details the capitalization thresholds:

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2011

	Capitalization Policy	Estimated Useful Life
	_____	_____
Land	\$ 0	0
Buildings	50,000	40 years
Building Improvements	25,000	20 years
Improvements other than buildings	25,000	20 years
Mobile equipment	5,000	5-10 years
Furniture and equipment	5,000	3-7 years
Leased property under capital leases	*	*

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 5 for details.

7. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required to do so by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

8. Long-term Liabilities and Deferred Debt Expense

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond issue cost, bond discounts or premiums, and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures. See Note 6 for details.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

9. Fund Balances

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

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

Nonspendable fund balance includes items that cannot be spent. This includes activity that is not in a spendable form (inventories, prepaid amounts, long-term portion of loans/notes receivable, or property held for resale unless the proceeds are restricted, committed, or assigned) and activity that is legally or contractually required to remain intact, such as a principal balance in a permanent fund.

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

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

Assigned fund balance includes amounts that are constrained by the District'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 Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it may be necessary to report a negative unassigned fund balance.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

is the District'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 District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

Note 2 - Cash and Cash Equivalents and Cash with Fiscal Agents

The district follows the practice of aggregating the cash assets of various funds to maximize cash management efficiency and returns. Restrictions on deposits and investments are imposed by statutes as follows:

Deposits. The school board must advertise and accept bids for depositories no less than once every three years as required by Section 37-7-333, Miss. Code Ann. (1972). The collateral pledged for the school districts' deposits in financial institutions is held in the name of the State Treasurer under a program established by the Mississippi State Legislature and is governed by Section 27-105-5, Miss. Code Ann. (1972). Under this program, the entity's funds are protected through a collateral pool administered by the State Treasurer. Financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$16,783,198 and \$66,250, respectively. The carrying amount of deposits reported in the government-wide financial statements was: cash and cash equivalents of \$16,422,269 and restricted assets of \$360,930 (which represents the cash balance of the Sixteenth Section Principal Fund). The bank balance was \$17,542,803.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2011, none of the district's bank balance of \$17,542,803 was exposed to custodial credit risk.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$13,798,064.

Note 3 - Interfund Receivables, Payables, and Transfers

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 176,912
Other Governmental Funds	General Fund	104,917
	Other Governmental Funds	<u>57,045</u>
Total		\$ <u><u>338,874</u></u>

The primary purpose of the inter-fund receivables and payables was to close out federal program funds as part of routine year-end closing procedures. All inter-fund receivables and payables are expected to be repaid within one year.

B. Interfund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Other Governmental Funds	\$ 201,189
Building Projects Fund	General Fund	2,500,000
Other Governmental Funds	General Fund	1,601,311
Other Governmental Funds	Other Governmental Funds	<u>314,317</u>
Total		\$ <u><u>4,616,817</u></u>

The transfers were primarily for indirect cost transfers.

Note 4 - Restricted Assets

The restricted assets represent the cash balance, totaling \$360,930, of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs.

Note 5 - Capital Assets

The following is a summary of changes in capital assets for governmental activities:

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2011

	Balance 7-1-2010	Additions	Retirements	Balance 6-30-2011
<u>Non-depreciable capital assets:</u>				
Land	\$ 68,710			68,710
Construction in progress		755,373		755,373
Total non-depreciable capital assets	<u>68,710</u>	<u>755,373</u>	<u>0</u>	<u>824,083</u>
<u>Depreciable capital assets:</u>				
Buildings	27,864,372			27,864,372
Building improvements	2,334,478			2,334,478
Improvements other than buildings	3,456,590			3,456,590
Mobile equipment	1,924,858	32,588	10,164	1,947,282
Furniture and equipment	2,156,291	127,015	83,155	2,200,151
Leased property under capital leases	20,751			20,751
Total depreciable capital assets	<u>37,757,340</u>	<u>159,603</u>	<u>93,319</u>	<u>37,823,624</u>
<u>Less accumulated depreciation for:</u>				
Buildings	6,082,799	520,763		6,603,562
Building improvements	540,454	93,379		633,833
Improvements other than buildings	429,194	138,264		567,458
Mobile equipment	1,428,419	88,281	9,148	1,507,552
Furniture and equipment	1,943,486	68,012	82,323	1,929,175
Leased property under capital leases	6,848	6,848		13,696
Total accumulated depreciation	<u>10,431,200</u>	<u>915,547</u>	<u>91,471</u>	<u>11,255,276</u>
Total depreciable capital assets, net	<u>27,326,140</u>	<u>(755,944)</u>	<u>1,848</u>	<u>26,568,348</u>
Governmental activities capital assets, net	<u>\$ 27,394,850</u>	<u>(571)</u>	<u>1,848</u>	<u>27,392,431</u>

Depreciation expense was charged to the following governmental functions:

	<u>Amount</u>
Instruction	\$ 742,580
Support services	118,966
Non-instructional	54,001
Total depreciation expense	<u>\$ 915,547</u>

Construction in progress is composed of:

	<u>Spent to June 30, 2011</u>	<u>Remaining Commitment</u>
Nichols School Renovations	\$ 119,587	39,091
New Elementary/Middle Schools	635,786	278,405
Total	<u>\$ 755,373</u>	<u>317,496</u>

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

Construction projects included in government activities are funded with proceeds from the issuance of qualified school construction bonds.

Note 6 - Long-Term Liabilities

The following is a summary of changes in long-term liabilities and other obligations for governmental activities:

		Balance 7-1-2010	Additions	Reductions	Balance 6-30-2011	Amounts due in one year
A.	General obligation bonds payable	\$ 5,040,000		780,000	4,260,000	800,000
B.	Certificates of participation payable	7,485,000	15,000,000	275,000	22,210,000	295,000
C.	Three mill notes payable	1,790,000		110,000	1,680,000	115,000
D.	Qualified school construction bonds		3,000,000		3,000,000	
E.	Shortfall notes payable	1,482,719		967,976	514,743	514,743
F.	Obligations under capital leases	13,234		5,471	7,763	4,468
G.	Compensated absences payable	133,545		11,796	121,749	
	Total	\$ 15,944,498	18,000,000	2,150,243	31,794,255	1,729,211

A. General obligation bonds payable

General obligation bonds are direct obligations and pledge the full faith and credit of the school district. General obligation bonds currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
General obligation bonds, Series 2003	2.0-4.0%	12-01-03	04-01-17	\$ 4,990,000	2,695,000
General obligation bonds, Series 2010A, Refunding	3.2%	02-23-10	06-23-17	715,000	625,000
General obligation bonds, Series 2010B, Refunding	3.2%	02-23-10	06-23-14	1,235,000	940,000
Total				\$ 6,940,000	4,260,000

Details of the district's June 30, 2011 general obligation bonded indebtedness are as follows:

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

1. General Obligation Bond Series 2003:

Year Ending June 30		Principal	Interest	Total
2012	\$	405,000	102,475	507,475
2013		425,000	88,300	513,300
2014		440,000	72,363	512,363
2015		455,000	55,863	510,863
2016		475,000	38,800	513,800
2017		495,000	19,800	514,800
Total	\$	<u>2,695,000</u>	<u>377,601</u>	<u>3,072,601</u>

This debt will be retired from the Bond Issues Retirement Fund.

2. General Obligation Bond Series 2010A, Refunding:

Year Ending June 30		Principal	Interest	Total
2012	\$	95,000	20,501	115,501
2013		95,000	17,179	112,179
2014		100,000	13,667	113,667
2015		105,000	10,029	115,029
2016		110,000	6,212	116,212
2017		120,000	2,130	122,130
Total	\$	<u>625,000</u>	<u>69,718</u>	<u>694,718</u>

This debt will be retired from the Bond Retirement Fund.

3. General Obligation Bond Series 2010B, Refunding:

Year Ending June 30		Principal	Interest	Total
2012	\$	300,000	25,280	325,280
2013		310,000	15,520	325,520
2014		330,000	5,280	335,280
Total	\$	<u>940,000</u>	<u>46,080</u>	<u>986,080</u>

This debt will be retired from the Bond Retirement Fund.

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2011

Total General Obligation Bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2012	\$	800,000	148,256	948,256
2013		830,000	120,999	950,999
2014		870,000	91,310	961,310
2015		560,000	65,892	625,892
2016		585,000	45,012	630,012
2017		615,000	21,930	636,930
Total	\$	<u>4,260,000</u>	<u>493,399</u>	<u>4,753,399</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2011, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2010.

B. Certificates of participation payable

As more fully explained in Note 13, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of Participation of 2002B	4.625-6%	04-01-02	04-01-22	\$ 2,750,000	1,990,000
Certificates of Participation of 2003	1.6-4.7%	02-01-03	04-01-22	6,325,000	5,220,000
Certificates of Participation of 2010	2-4.75%	09-15-10	09-01-30	<u>15,000,000</u>	<u>15,000,000</u>
Total				<u>\$ 24,075,000</u>	<u>22,210,000</u>

Details of the district's June 30, 2011 certificates of participation are as follows:

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2011

1. Certificates of Participation issued April 1, 2002, Series B:

Year Ending June 30	Principal	Interest	Total
2012	\$ 135,000	95,593	230,593
2013	140,000	87,493	227,493
2014	150,000	80,493	230,493
2015	160,000	73,555	233,555
2016	170,000	66,035	236,035
2017-2021	1,000,000	200,925	1,200,925
2022	<u>235,000</u>	<u>11,045</u>	<u>246,045</u>
Total	\$ <u>1,990,000</u>	<u>615,139</u>	<u>2,605,139</u>

This debt will be retired from Bond Issues Retirement Funds - COPs.

2. Certificates of Participation issued February 1, 2003:

Year Ending June 30	Principal	Interest	Total
2012	\$ 160,000	226,652	386,652
2013	165,000	220,732	385,732
2014	165,000	214,462	379,462
2015	505,000	207,863	712,863
2016	525,000	187,410	712,410
2017-2021	3,015,000	577,065	3,592,065
2022	<u>685,000</u>	<u>32,195</u>	<u>717,195</u>
Total	\$ <u>5,220,000</u>	<u>1,666,379</u>	<u>6,886,379</u>

This debt will be retired from Bond Issues Retirement Funds - COPs.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

3. Certificates of Participation issued September 1, 2010:

Year Ending June 30	Principal	Interest	Total
2012	\$ 0	635,980	635,980
2013	0	635,980	635,980
2014	175,000	634,230	809,230
2015	180,000	630,230	810,230
2016	190,000	625,605	815,605
2017-2021	2,555,000	2,917,972	5,472,972
2022-2026	5,055,000	2,218,326	7,273,326
2027-2031	6,845,000	843,007	7,688,007
Total	\$ <u>15,000,000</u>	<u>9,141,330</u>	<u>24,141,330</u>

This debt will be retired from Bond Issues Retirement Funds - COPs.

Total Certificates of Participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
2012	\$ 295,000	958,225	1,253,225
2013	305,000	944,205	1,249,205
2014	490,000	929,185	1,419,185
2015	845,000	911,648	1,756,648
2016	885,000	879,050	1,764,050
2017-2021	6,570,000	3,695,962	10,265,962
2022-2026	5,975,000	2,261,566	8,236,566
2027-2031	6,845,000	843,007	7,688,007
Total	\$ <u>22,210,000</u>	<u>11,422,848</u>	<u>33,632,848</u>

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Note 2002B	4.6-6.5%	04-01-02	04-01-22	\$ <u>1,955,000</u>	<u>1,680,000</u>

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

1. Three Mill Notes Payable issued April 1, 2002, Series B:

Year Ending June 30	Principal	Interest	Total
2012	\$ 115,000	82,908	197,908
2013	120,000	77,388	197,388
2014	130,000	71,867	201,867
2015	135,000	65,887	200,887
2016	145,000	59,475	204,475
2017 - 2021	840,000	182,890	1,022,890
2022	195,000	10,140	205,140
Total	\$ 1,680,000	550,555	2,230,555

This debt will be retired from the Three Mill Notes Retirement Fund.

D. Shortfall Notes Payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
2009 Shortfall Note	4.25%	06-30-09	07-05-11	\$ 1,483,000	514,743

1. Shortfall Note issued June 30, 2008:

This debt was paid off during the year and retired from the Shortfall Notes Retirement Fund.

2. Shortfall Note issued June 30, 2009:

Year Ending June 30	Principal	Interest	Total
2012	\$ 514,743	21,936	536,679

This debt will be retired from the Shortfall Note Retirement Fund.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

E. Qualified school construction bonds payable

As more fully explained in Note 14 debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Qualified school construction bond	6.09%	01-06-11	01-06-16	\$ <u>3,000,000</u>	<u>3,000,000</u>

F. Obligations under capital lease

The school district has entered into a lease agreement as lessee for financing the acquisition of a copier at a cost of \$20,751 with a \$0 down payment. This lease qualifies as a capital lease for accounting purposes.

The various options available to the lessee for this lease are as follows:

- The district may purchase the equipment, as is and without warranty, at the fair market value as determined by the lessor.
- The district may return the equipment at the cost and risks of the district. The district shall also be responsible for compensating the lessor for any circumstances resulting in a loss of value in excess of normal wear and tear.
- The district may continue the lease for thirty-day increments for an indefinite period under the original terms of the lease agreement.

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Copier	8.05%	07-02-08	07-02-12	\$ <u>20,751</u>	<u>7,763</u>

The following is a schedule by years of the total payments due on this debt:

Year Ending June 30	Principal	Interest	Total
2012	\$ 4,468	587	5,055
2013	<u>3,295</u>	<u>214</u>	<u>3,509</u>
Total	\$ <u>7,763</u>	<u>801</u>	<u>8,564</u>

This debt will be retired from the District Maintenance Fund.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

G. Compensated absences payable

As more fully explained in Note 1(F)(7), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

Note 7 - Prior Year Defeasance of Debt

In prior years, the Canton Public School District defeased certain certificates of participation by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the school district's financial statements. On June 30, 2011, \$215,000 of certificates of participation outstanding are defeased.

Note 8 - Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has operating leases for two copiers and a postage meter.

Lease expenditures for the year ended June 30, 2011 amounted to \$22,373. Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2012	\$ 12,379
2013	12,379
2014	8,183
2015	7,115
Total	<u>\$ 40,056</u>

Note 9 - Defined Benefit Pension Plan

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

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate for fiscal year ended June 30, 2011 was 12.00% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2011, 2010 and 2009 were \$1,653,838, \$1,787,050, and \$1,738,123, respectively, which equaled the required contributions for each year.

Note 10 - Sixteenth Section Lands

Sixteenth section school lands, or lands granted in lieu thereof, constitute property held in trust for the benefit of the public schools. The school board, under the general supervision of the Office of the Secretary of State, has control and jurisdiction of said school trust lands and of all funds arising from any disposition thereof. It is the duty of the school board to manage the school trust lands and all funds arising therefrom as trust property. Accordingly, the board shall assure that adequate compensation is received for all uses of the trust lands, except for uses by the public schools. The following are the future rental payments to be made to the school district for the use of school trust lands. These future rental payments are from existing leases and do not anticipate renewals or new leases.

Year Ending June 30		Amount
2012	\$	105,230
2013		105,230
2014		104,615
2015		104,465
2016		35,994
2017-2021		68,819
2022-2026		28,444
2027-2031		27,819
2032-2036		21,319
Thereafter		151,976
Total	\$	<u>753,911</u>

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

Note 11 - Prior Period Adjustments

A summary of significant fund balance adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. See explanation below.	\$ <u><u>(8,557)</u></u>

Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances

<u>Major Funds</u>	<u>Explanation(s)</u>	<u>Amount</u>
General Fund	Overstatement of prior year receivable.	\$ <u><u>(8,557)</u></u>

Note 12 - Risk Management

The school district 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 district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13 - Trust Certificates

A trust agreement dated April 1, 2002, was executed by and between the school district and Trustmark National Bank of Jackson, Mississippi, Trustee.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,750,000. Approximately \$2,730,312 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$19,688 was used to pay the cost of issuance.

A trust agreement dated February 1, 2003, was executed by and between the school district and Trustmark National Bank of Jackson, Mississippi, Trustee.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$6,325,000. Approximately \$6,187,411 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$137,589 was used to pay the cost of

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2011

issuance.

A trust agreement dated September 15, 2010, was executed by and between the school district and Duncan-Williams, Inc., Memphis, Tennessee.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$15,000,000. Approximately \$14,848,189 was used to provide the financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$151,811 was used to pay for the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, *et seq.*, Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

It is not anticipated the project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 14 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs.

The school district makes equal annual payments into a sinking fund which is used to

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2011

payoff the bonds of termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2011 was \$0. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Year Ending June 30	Principal
2012	\$ 182,700
2013	182,700
2014	182,700
2015	182,700
2016	182,700
2017 - 2021	913,500
2022 - 2026	913,500
Total	<u>\$ 2,740,500</u>

Note 15 - Insurance Loss Recoveries

The Canton Public School District received \$6,605 in insurance loss recoveries related to air conditioner damage during the 2010-2011 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as other revenue.

Note 16 - Subsequent Events

Events that occur after the statement of net assets date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net assets date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net assets date require disclosure in the accompanying notes. Management of the Canton Public School District evaluated the activity of the district through the date the report was available to be issued, and determined that the following subsequent events have occurred that require disclosure in the notes to the financial statements:

Issuance of a Qualified School Construction Bond in the amount of \$4,000,000 and a refunding of a Limited Tax note in the amount of \$1,660,000.

REQUIRED SUPPLEMENTARY INFORMATION

CANTON PUBLIC SCHOOL DISTRICT
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 7,426,974	7,370,216	7,372,929	(56,758)	2,713
Intermediate sources	10,000	42,880	42,880	32,880	0
State sources	12,566,953	11,730,510	11,730,510	(836,443)	0
Federal sources	182,271	185,632	185,632	3,361	0
Total Revenues	<u>20,186,198</u>	<u>19,329,238</u>	<u>19,331,951</u>	<u>(856,960)</u>	<u>2,713</u>
Expenditures:					
Instruction	10,950,499	9,659,976	9,659,976	1,290,523	0
Support services	8,185,614	7,539,799	7,539,799	645,815	0
Noninstructional services	30,475	18,000	18,000	12,475	0
Debt service:					
Principal	4,751	5,471	5,471	(720)	0
Interest	7,249	1,437	1,437	5,812	0
Total Expenditures	<u>19,178,588</u>	<u>17,224,683</u>	<u>17,224,683</u>	<u>1,953,905</u>	<u>0</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,007,610</u>	<u>2,104,555</u>	<u>2,107,268</u>	<u>1,096,945</u>	<u>2,713</u>
Other Financing Sources (Uses):					
Insurance loss recoveries		6,605	6,605	6,605	0
Operating transfers in	1,025,850	718,741	201,189	(307,109)	(517,552)
Operating transfers out	(2,079,482)	(4,618,863)	(4,101,311)	(2,539,381)	517,552
Total Other Financing Sources (Uses)	<u>(1,053,632)</u>	<u>(3,893,517)</u>	<u>(3,893,517)</u>	<u>(2,839,885)</u>	<u>0</u>
Net Change in Fund Balances	<u>(46,022)</u>	<u>(1,788,962)</u>	<u>(1,786,249)</u>	<u>(1,742,940)</u>	<u>2,713</u>
Fund Balances:					
July 1, 2010 - Beginning, as originally reported	4,450,888	7,320,708	7,320,708	2,869,820	0
Prior period adjustment(s)	0	(8,557)	(8,557)	(8,557)	0
July 1, 2010 - Beginning, as restated	<u>4,450,888</u>	<u>7,312,151</u>	<u>7,312,151</u>	<u>2,861,263</u>	<u>0</u>
June 30, 2011	<u>\$ 4,404,866</u>	<u>5,523,189</u>	<u>5,525,902</u>	<u>1,118,323</u>	<u>2,713</u>

The notes to the required supplemental information are an integral part of this statement.

Canton Public School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2011

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedules present the original legally adopted budget, the final legally adopted budget, the actual data on the GAAP basis, variances between the original budget and the final budget, and variances between the final budget and the actual data.

(2) Budget Amendments and Revisions

The budget is adopted by the school board and filed with the taxing authority. Amendments can be made on the approval of the school board. By statute, final budget revisions must be approved on or before October 15. A budgetary comparison is presented for the general fund and each major special revenue fund consistent with accounting principles generally accepted in the United States of America.

SUPPLEMENTAL INFORMATION

Canton Public School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2011

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 516,776
National School Lunch Program	10.555	1,607,260
Summer Food Service Program for Children	10.559	97,095
Total child nutrition cluster		<u>2,221,131</u>
Fresh Fruit and Vegetable Program	10.582	36,991
Total passed-through the Mississippi Department of Education		<u>2,258,122</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>2,258,122</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	55,697
TOTAL U. S. DEPARTMENT OF DEFENSE		<u>55,697</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	158,491
Total Federal Communications Commission		<u>158,491</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Cluster:		
Title I Grants to Local Educational Agencies	84.010	2,147,281
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	668,362
Total Title I Cluster		<u>2,815,643</u>
Education Technology State Grants Cluster:		
Education Technology State Grants	84.318	18,900
ARRA - Education Technology State Grants, Recovery Act	84.386	24,710
Total Education Technology State Grants Cluster		<u>43,610</u>
Career and Technical Education - Basic Grants to States	84.048	60,980
Safe and Drug Free Schools and Communities - State Grants	84.186	266
Twenty First Century Community Learning Centers	84.287	165,160
English Language Acquisition Grants	84.365	7,984
Improving Teacher Quality - State Grants	84.367	728,720
School Improvement Grants	84.377	68,732
ARRA - State Fiscal Stabilization Fund (SFSF), Recovery Act	84.394	827,406
Education Jobs Fund	84.410	50,000
Sub-total		<u>1,909,248</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	590,086
Special Education - Preschool Grants	84.173	1,172
ARRA - Special Education Grants to States, Recovery Act	84.391	263,177
ARRA - Special Education Preschool Grants, Recovery Act	84.392	7,686
Total special education cluster		<u>862,121</u>
Total passed-through the Mississippi Department of Education		<u>5,630,622</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>5,630,622</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Administered through the Centers for Disease Control and Prevention		
Passed through the Mississippi Department of Education:		
Medical Assistance Program	93.978	27,142
Total passed-through the Mississippi Department of Education		<u>27,142</u>
TOTAL U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>27,142</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 8,130,074</u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

CANTON PUBLIC SCHOOL DISTRICT

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2011

Expenditures	Total	Instruction and Other			
		Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 18,828,804	14,090,801	690,803	1,387,824	2,659,376
Other	12,786,826	3,536,205	221,012	27,275	9,002,334
Total	\$ 31,615,630	17,627,006	911,815	1,415,099	11,661,710
Total number of students*	3,369				
Cost per student	\$ 9,384	5,232	271	420	3,461

For purposes of this schedule, the following columnar descriptions are applicable:

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100, & 2200 functional codes).

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s).

Other - includes all expenditure functions not included in Instruction or Administration Categories.

* Includes the number of students reported on the ADA report submission for month 9, which is the final submission for the fiscal year.

Note to Preparer: Include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

OTHER INFORMATION

CANTON PUBLIC SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

General Fund

Last Four Years

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 7,372,929	7,204,486	6,174,769	5,387,331
Intermediate sources	42,880			
State sources	11,730,510	11,514,180	12,973,872	13,236,999
Federal sources	185,632	184,029	265,085	219,637
Total Revenues	19,331,951	18,902,695	19,413,726	18,843,967
Expenditures:				
Instruction	9,659,976	9,984,357	10,738,605	10,278,783
Support services	7,539,799	7,553,125	7,626,477	7,474,833
Noninstructional	18,000	18,000	37,504	6,759
Debt service:				
Principal	5,471	4,005	5,698	6,625
Interest	1,437	1,251	1,757	830
Total Expenditures	17,224,683	17,560,738	18,410,041	17,767,830
Excess (Deficiency) of Revenues over Expenditures	2,107,268	1,341,957	1,003,685	1,076,137
Other Financing Sources (Uses):				
Proceeds of loans			1,376,582	
Proceeds of shortfall note				1,175,560
Inception of capital leases				
Insurance loss recoveries	6,605		8,499	
Operating transfers in	201,189	136,773	152,584	184,387
Operating transfers out	(4,101,311)	(1,561,098)	(1,254,531)	(1,596,468)
Other financing uses				
Total Other Financing Sources (Uses)	(3,893,517)	(1,424,325)	283,134	(236,521)
Net Change in Fund Balances	(1,786,249)	(82,368)	1,286,819	839,616
Fund Balances:				
July 1,	7,320,708	7,406,724	6,119,905	5,286,353
Prior period adjustments	(8,557)	(3,648)		(6,064)
July 1, as restated	7,312,151	7,403,076	6,119,905	5,280,289
June 30,	\$ 5,525,902	7,320,708	7,406,724	6,119,905

*SOURCE - PRIOR YEAR AUDIT REPORTS

CANTON PUBLIC SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2011	2010*	2009*	2008*
Revenues:				
Local sources	\$ 9,389,654	9,184,475	7,942,883	6,644,134
Intermediate sources	42,880			
State sources	12,833,375	12,469,559	13,991,512	14,130,591
Federal sources	8,073,313	7,362,647	6,751,668	7,072,348
Sixteenth section sources	246,874	574,603	231,127	308,701
Total Revenues	30,586,096	29,591,284	28,917,190	28,155,774
Expenditures:				
Instruction	14,128,424	14,110,499	13,868,533	14,161,421
Support services	10,783,783	10,203,751	10,273,382	9,944,292
Noninstructional services	2,349,652	2,357,840	2,399,092	2,241,705
Sixteenth section	43,179	56,854	31,599	40,648
Facilities acquisition and construction	755,373	46,284	365,918	4,249,825
Debt service:				
Principal	2,138,447	3,908,584	1,737,234	1,226,625
Interest	902,471	759,211	768,837	774,534
Other	514,301	12,275	10,519	11,601
Total Expenditures	31,615,630	31,455,298	29,455,114	32,650,651
Excess (Deficiency) of Revenues over Expenditures	(1,029,534)	(1,864,014)	(537,924)	(4,494,877)
Other Financing Sources (Uses):				
Proceeds of refunding bonds		1,950,000		
Proceeds of long-term debt issued	18,000,000			
Proceeds of shortfall notes			1,483,000	1,370,834
Inception of capital leases				
Insurance loss recoveries	6,605		8,499	
Operating transfers in	4,616,817	1,755,159	1,465,940	1,828,395
Operating transfers out	(4,616,817)	(1,755,159)	(1,465,940)	(1,828,395)
Other financing uses				
Total Other Financing Sources (Uses)	18,006,605	1,950,000	1,491,499	1,370,834
Net Change in Fund Balances	16,977,071	85,986	953,575	(3,124,043)
Fund Balances:				
July 1,	11,669,884	11,579,717	10,618,712	13,763,869
Prior period adjustments	(8,557)	(2,648)		(8,458)
July 1, Restated	11,661,327	11,577,069	10,618,712	13,755,411
Increase (Decrease) in inventory	6,886	6,829	7,430	(12,656)
June 30,	\$ 28,645,284	11,669,884	11,579,717	10,618,712

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Canton Public School District

We have audited the financial statements of the Canton Public School District as of and for the year ended June 30, 2011, and have issued our report thereon dated April 4, 2012. 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.

Internal Control Over Financial Reporting

Management of the Canton Public School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the school district's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness. [Finding **2011-1**].

Compliance and Other Matters

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

We noted a certain matter that we reported to management of the school district in a separate letter dated April 4, 2012, which is included in this report.

Canton Public School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Canton Public School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
April 4, 2012

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Superintendent and School Board
Canton Public School District

Compliance

We have audited the Canton Public School District's compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the school district's major federal programs for the year ended June 30, 2011. The Canton Public School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the school district's management. Our responsibility is to express an opinion on the school district's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the school district's compliance with those requirements.

In our opinion, the Canton Public School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

Management of the Canton Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Canton Public School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for

the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding **2011-2** to be a material weakness.

Canton Public School District's response to the finding identified in our audit is described in the accompanying Auditee's Corrective Action Plan. We did not audit Canton Public School District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board and management, others within the entity, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
April 4, 2012

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
STATE LAWS AND REGULATIONS

Superintendent and School Board
Canton Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Public School District as of and for the year ended June 30, 2011, which collectively comprise Canton Public School District's basic financial statements and have issued our report thereon dated April 4, 2012. 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.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds." As required by the state legal compliance audit program prescribed by the Office of the State Auditor, we have also performed procedures to test compliance with certain other state laws and regulations. However, providing an opinion on compliance with all state laws and regulations was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district reported \$0 of classroom supply funds carried over from previous years.

Section 37-9-18(3)(b), Miss. Code Ann. (1972), states in part, "the auditor shall test to ensure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of our procedures performed to test compliance with the requirements of Section 37-9-18(3)(b), Miss. Code Ann. (1972), disclosed no instances of noncompliance related to incorrect or inappropriate functional level expenditure coding.

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our finding and recommendation and your response is as follow:

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

Finding 1:

Section 37-9-31, Miss. Code Ann. (1972), states in part that all school principals and attendance center principals shall furnish good and sufficient surety bonds in like manner as required of superintendents. The amount of such bonds shall be fifty thousand dollars (\$50,000), with sufficient surety and all such bonds shall be filed and recorded in the office of the clerk of the chancery court of the county in which the school district is located. During our audit, we noted seven (7) principals were not correctly bonded.

Recommendation:

The school district should comply with Section 37-9-31.

Response:

The school district will comply with Section 37-9-31.

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

The Canton Public School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
April 4, 2012

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Canton Public School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

Section I: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued: Unqualified.
2. Internal control over financial reporting:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? Yes.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major federal programs: Unqualified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes.
7. Federal programs identified as major programs:

Child Nutrition Cluster	CFDA# 10.553, 10.555 and 10.559
Title I Cluster	CFDA# 84.010, 84.389
Special Education Cluster	CFDA #84.027, 84.173, 84.391 and 84.392
State Fiscal Stabilization Fund	CFDA 84.394
Title II - Improving Teacher Quality State Grants	CFDA# 84.367

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statements Findings

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

Material Weakness:

Finding 2011-1:

Controls Relating to Segregation of Duties Should Be Strengthened

Management is responsible for establishing a proper internal control system to ensure strong financial accountability and safeguarding of assets.

During our tests of internal controls we noted the following:

The Assistant Director of Finance performed or had the ability to perform the following functions, which indicated a lack of adequate segregation of duties:

- Prepared cash receipts
- Posted receipts to the general ledger
- Prepared bank deposits
- Performed bank reconciliations

We also noted that all accounting employees have access to the payroll, accounts payable and general ledger programs in the accounting system.

Without proper segregation of duties, the district increases the risk that unauthorized or inappropriate transactions could be processed and the district personnel would not detect the problem while performing their normal duties.

Recommendation:

We recommend the district strengthen its internal controls whereby duties would be segregated to the greatest possible extent. We also recommend the district limit employees' access to the accounting programs in the accounting systems.

Section III: Federal Award Findings and Questioned Costs

The results of our tests disclosed the following finding and questioned cost related to the federal awards.

Material Weakness:

Finding 2011-2:

Internal Controls Surrounding the Reporting Requirements Should Be Strengthened

Program: Child Nutrition Cluster, Passed-Through the Mississippi Department of Education

CFDA# 10.553 - School Breakfast Program

CFDA# 10.555 - National School Lunch Program

CFDA# 10.559 - Summer Food Service Program for Children

Compliance requirement: Reporting

Management is responsible for complying with the requirements of the Mississippi Department of Education's Policies and Procedures Manual for Child Nutrition Programs, which requires that the school district's "Monthly Claim for Reimbursement - School Lunch and School Breakfast" report be received by the Mississippi Department of Education by the 10th day of the month following the reporting month.

During the test work surrounding the submission of the "Monthly Claim for Reimbursement - School Lunch and School Breakfast" report by the proper deadline, we noted that seven of the ten required reports were not submitted to the Mississippi Department of Education by the 10th of the month.

Lack of adequate internal controls concerning the timely submission of the "Monthly Claim for Reimbursement - School Lunch and School Breakfast" reports by the proper deadline could result in the district not receiving its federal reimbursement in a timely manner to cover the expenditures of the program.

Recommendation:

The district should implement policies and procedures to ensure compliance with the reporting requirements of the Child Nutrition Cluster.

**AUDITEE'S CORRECTIVE ACTION PLAN AND
SUMMARY OF PRIOR AUDIT FINDINGS**

Canton Public School District
403 East Lincoln Street
Canton, MS 39046
Mr. Dwight Lockett - Superintendent
Clara Gray - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN

As required by Section ____315(c) of OMB Circular A-133, the Canton Public School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2011:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2011-1	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Clara Gray Phone Number: 601-859-4110</p> <p>b. Corrective Action Planned:</p> <p>The majority of the districts funds (95%) are electronically deposited, only about (5%) are collected and deposited by employees. The district will implement processes and procedures to segregate duties to the greatest extent possible.</p> <p>c. Anticipated Completion Date:</p> <p>June 30, 2012</p>

Canton Public School District
403 East Lincoln Street
Canton, MS 39046
Mr. Dwight Luckett - Superintendent
Clara Gray - Business Manager

AUDITEE'S CORRECTIVE ACTION PLAN (Continued)

As required by Section ____,315(c) of OMB Circular A-133, the Canton Public School District has prepared and hereby submits the following corrective action plan for the finding included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2011:

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2011-2	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p style="margin-left: 40px;">Name: Clara Gray Phone Number: 601-859-4110</p> <p>b. Corrective Action Planned:</p> <p style="margin-left: 40px;">The district has appointed an Executive Director of Operations to oversee the Food Service and Maintenance operations. The Food Service Director will submit a copy of the Monthly Claim report to the Executive Director by the 9th of each month. The Executive Director will ensure that the claim report is submitted by the 10th to Mississippi Department of Education.</p> <p>c. Anticipated Completion Date:</p> <p style="margin-left: 40px;">June 30, 2012</p>

Canton Public School District
403 East Lincoln Street
Canton, MS 39046
Mr. Dwight Lockett - Superintendent
Clara Gray - Business Manager

AUDITEE'S SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

As required by Section __.315(b) of OMB Circular A-133, the Canton Public School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2011:

<u>Finding</u>	<u>Status</u>
2010-2	Not corrected (See Finding 2011-2)