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Canton Public School District

Audited Financial Statements
For the Year Ended June 30, 2014

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinions

In our opinion, the financial statements referred to above 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, 2014, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8 to 17 and 51 to 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Canton Public School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and 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 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived

from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014, 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* in considering Canton Public School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 1, 2014

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. 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 position for 2014 increased \$573,984, including a prior period adjustment of \$419,790, which represents a 2% increase from fiscal year 2013. Total net position for 2013 decreased \$1,044,571, including a prior period adjustment of \$21,491, which represents a 4% decrease from fiscal year 2012.
- General revenues amounted to \$22,872,152 and \$22,686,664, or 77% and 77% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,705,782, or 23% of total revenues for 2014, and \$6,695,880, or 23% of total revenues for 2013.
- The District had \$29,423,740 and \$30,448,606 in expenses for fiscal years 2014 and 2013; only \$6,705,782 for 2014 and \$6,695,880 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$22,872,152 for 2014 were adequate to provide for these programs. General revenues of \$22,686,664 for 2013 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$20,920,023 in revenues and \$20,190,725 in expenditures for 2014, and \$20,783,051 in revenues and \$20,406,306 in expenditures in 2013. The General Fund's fund balance increased by \$50,690, including a prior period adjustment of \$51,020 from 2013 to 2014, and decreased by \$874,999, including a prior period adjustment of \$(1,862) from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$670,626 for 2014 and increased by \$7,778,826 for 2013. The decrease for 2014 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$1,291,519 for 2014 and decreased by \$992,920 for 2013. The decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$22,475 for 2014 and decreased by \$20,499 for 2013.

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 supplementary information,

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

supplementary information, and other information.

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 Position 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 Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two reported as "net position." Over time, increases or decreases in the District's net position 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 position changed during the most recent fiscal year. All changes in net position 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 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 focuses 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 funds with similar information presented for governmental activities in the government-

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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 Position, 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 non-major funds are combined 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.

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

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

statements can be found immediately following the basic financial statements.

Required Supplementary Information

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

Supplementary 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 position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities by \$25,116,528 as of June 30, 2014.

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 position at June 30, 2014 and June 30, 2013.

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 1
Condensed Statement of Net Position

| | <u>June 30, 2014</u> | <u>June 30, 2013</u> | <u>Percentage Change</u> |
|---|-----------------------------|-----------------------------|------------------------------|
| Current assets | \$ 9,947,572 | \$ 10,587,371 | (6.04) % |
| Restricted assets | 1,497,813 | 1,014,659 | 47.62 % |
| Capital assets, net | 47,536,380 | 48,207,006 | (1.39) % |
| Total assets | <u>58,981,765</u> | <u>59,809,036</u> | (1.38) % |
| Deferred outflows of resources | <u>307,563</u> | <u>350,848</u> | (12.34) % |
| Current liabilities | 1,992,763 | 2,161,307 | (7.80) % |
| Long-term debt outstanding | 32,180,037 | 33,456,033 | (3.81) % |
| Total liabilities | <u>34,172,800</u> | <u>35,617,340</u> | (4.06) % |
| Net position: | | | |
| Net investment in capital assets | 16,303,089 | 15,385,048 | 5.97 % |
| Restricted | 4,061,655 | 3,713,563 | 9.37 % |
| Unrestricted | 4,751,784 | 5,443,933 | (12.71) % |
| Total net position | <u>\$ 25,116,528</u> | <u>\$ 24,542,544</u> | 2.34 % |

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

- Decrease in net capital assets in the amount of \$670,626.
- The principal retirement of \$1,686,568 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$29,577,934 and \$29,382,544, respectively. The total cost of all programs and services was \$29,423,740 for 2014 and \$30,448,606 for 2013.

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 2
Changes in Net Position

| | <u>Year Ended</u> <u>June 30, 2014</u> | <u>Year Ended</u> <u>June 30, 2013</u> | <u>Percentage</u> <u>Change</u> |
|---|---|---|------------------------------------|
| Revenues: | | | |
| Program revenues: | | | |
| Charges for services | \$ 441,128 | \$ 398,793 | 10.62 % |
| Operating grants and contributions | 6,264,654 | 6,297,087 | (0.52) % |
| General revenues: | | | |
| Property taxes | 9,107,477 | 8,809,685 | 3.38 % |
| Grants and contributions not restricted | 13,279,859 | 13,463,029 | (1.36) % |
| Investment earnings | 63,783 | 32,225 | 97.93 % |
| Sixteenth section sources | 213,634 | 133,797 | 59.67 % |
| Other | 207,399 | 247,928 | (16.35) % |
| Total revenues | 29,577,934 | 29,382,544 | 0.66 % |
| Expenses: | | | |
| Instruction | 15,001,368 | 15,001,747 | (0.00) % |
| Support services | 11,001,620 | 11,867,502 | (7.30) % |
| Non-instructional | 2,371,753 | 2,413,605 | (1.73) % |
| Sixteenth section | 41,234 | 42,820 | (3.70) % |
| Interest on long-term liabilities | 1,007,765 | 1,122,932 | (10.26) % |
| Total expenses | 29,423,740 | 30,448,606 | (3.37) % |
| Increase (Decrease) in net position | 154,194 | (1,066,062) | 114.46 % |
| Net Position, July 1, as previously reported | 24,542,544 | 25,587,115 | (4.08) % |
| Prior Period Adjustment | 419,790 | 21,491 | 1,853.33 % |
| Net Position, July 1, as restated | 24,962,334 | 25,608,606 | (2.52) % |
| Net Position, June 30 | \$ 25,116,528 | \$ 24,542,544 | 2.34 % |

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, and interest on long-term liabilities. 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.

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 3
Net Cost of Governmental Activities

| | <u>Total Expenses</u> | | <u>Percentage Change</u> |
|-----------------------------------|-----------------------------|-----------------------------|------------------------------|
| | <u>2014</u> | <u>2013</u> | |
| Instruction | \$ 15,001,368 | \$ 15,001,747 | (0.00) % |
| Support services | 11,001,620 | 11,867,502 | (7.30) % |
| Non-instructional | 2,371,753 | 2,413,605 | (1.73) % |
| Sixteenth section | 41,234 | 42,820 | (3.70) % |
| Interest on long-term liabilities | 1,007,765 | 1,122,932 | (10.26) % |
| Total expenses | <u>\$ 29,423,740</u> | <u>\$ 30,448,606</u> | (3.37) % |

| | <u>Net (Expense) Revenue</u> | | <u>Percentage Change</u> |
|------------------------------------|-------------------------------|-------------------------------|------------------------------|
| | <u>2014</u> | <u>2013</u> | |
| Instruction | \$ (12,844,305) | \$ (12,666,617) | 1.40 % |
| Support services | (9,016,147) | (9,952,811) | (9.41) % |
| Non-instructional | 183,020 | 32,454 | 463.94 % |
| Sixteenth section | (32,761) | (42,820) | (23.49) % |
| Interest on long-term liabilities | (1,007,765) | (1,122,932) | (10.26) % |
| Total net (expense) revenue | <u>\$ (22,717,958)</u> | <u>\$ (23,752,726)</u> | (4.36) % |

- Net cost of governmental activities (\$22,717,958 for 2014 and \$23,752,726 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$9,107,477 for 2014 and \$8,809,685 for 2013) and state and federal revenues (\$13,279,859 for 2014 and \$13,463,029 for 2013). In addition, there was \$213,634 and \$133,797 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$63,783 for 2014 and \$32,225 for 2013.

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 \$9,716,199, an increase of \$9,719, which includes a prior period adjustment of \$(104,966) and an increase in inventory of \$2,916. \$4,946,259, or 51%, of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$4,769,940, or 49% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$50,690, which includes a prior period adjustment of \$51,020. The fund balance of Other Governmental Funds showed an increase in the amount of \$382,643, which includes a prior period adjustment of \$(45,375) and an increase in inventory of \$2,916. The increase (decrease) in the fund balances for the other major fund was as follows:

| <u>Major Fund</u> | <u>Increase (Decrease)</u> |
|---------------------------------|----------------------------|
| Sixteenth Section Interest Fund | \$ (423,614) |

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. Budget revisions during the year were routine in nature and insignificant when compared with total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$61,343,523, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$537,460 from 2013. Total accumulated depreciation as of June 30, 2014, was \$13,807,143, and total depreciation expense for the year was \$1,502,471, resulting in total net capital assets of \$47,536,380.

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 4
Capital Assets, Net of Accumulated Depreciation

| | <u>June 30, 2014</u> | <u>June 30, 2013</u> | <u>Percentage Change</u> |
|-----------------------------------|-----------------------------|-----------------------------|------------------------------|
| Land | \$ 68,710 | \$ 68,710 | 0.00 % |
| Construction in Progress | - | 18,417,998 | (100.00) % |
| Buildings | 41,934,799 | 24,293,063 | 72.62 % |
| Building improvements | 1,450,408 | 1,545,087 | (6.13) % |
| Improvements other than buildings | 3,055,754 | 3,219,350 | (5.08) % |
| Mobile equipment | 274,623 | 349,054 | (21.32) % |
| Furniture and equipment | 752,086 | 313,744 | 139.71 % |
| Total | <u>\$ 47,536,380</u> | <u>\$ 48,207,006</u> | (1.39) % |

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

Debt Administration. At June 30, 2014, the District had \$32,159,183 in outstanding long-term debt, of which \$1,856,972 is due within one year. During the fiscal year, the District received proceeds from the issuance of a shortfall note in the amount of \$395,049. The District made principal payments totaling \$1,686,568 on outstanding long-term debt during the fiscal year. The liability for compensated absences increased \$22,475 from the prior year.

Table 5
Outstanding Long-Term Debt

| | <u>June 30, 2014</u> | <u>June 30, 2013</u> | <u>Percentage Change</u> |
|---|-----------------------------|-----------------------------|------------------------------|
| General obligation bonds payable | \$ 8,330,000 | \$ 9,480,000 | (12.13) % |
| Certificates of participation payable | 14,825,000 | 15,150,000 | (2.15) % |
| Three mill notes payable | 1,365,000 | 1,515,000 | (9.90) % |
| Shortfall notes payable | 523,856 | 190,375 | 175.17 % |
| Qualified school construction bonds payable | 7,000,000 | 7,000,000 | 0.00 % |
| Compensated absences payable | 115,327 | 92,852 | 24.21 % |
| Total | <u>\$ 32,159,183</u> | <u>\$ 33,428,227</u> | (3.80) % |

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

CURRENT ISSUES

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

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

CANTON PUBLIC SCHOOL DISTRICT

Statement of Net Position
June 30, 2014

Exhibit A

| | Governmental Activities |
|--|----------------------------|
| Assets | |
| Cash and cash equivalents | \$ 9,047,183 |
| Due from other governments | 760,456 |
| Other receivables, net | 108,967 |
| Inventories | 30,966 |
| Restricted assets | 1,497,813 |
| Capital assets, non-depreciable: | |
| Land | 68,710 |
| Capital assets, net of accumulated depreciation: | |
| Buildings | 41,934,799 |
| Building improvements | 1,450,408 |
| Improvements other than buildings | 3,055,754 |
| Mobile equipment | 274,623 |
| Furniture and equipment | 752,086 |
| Total Assets | 58,981,765 |
| Deferred Outflows of Resources | |
| Deferred outflow from advance refunding of debt | 307,563 |
| Total Deferred Outflows of Resources | 307,563 |
| Liabilities | |
| Accounts payable and accrued liabilities | 1,726,304 |
| Unearned revenue | 2,882 |
| Interest payable on long-term liabilities | 263,577 |
| Long-term liabilities, due within one year: | |
| Capital related liabilities | 1,660,000 |
| Non-capital related liabilities | 196,972 |
| Long-term liabilities, due beyond one year: | |
| Capital related liabilities | 29,860,000 |
| Capital related bond premiums | 20,854 |
| Non-capital related liabilities | 442,211 |
| Total Liabilities | 34,172,800 |
| Net Position | |
| Net investment in capital assets | 16,303,089 |
| Restricted for: | |
| Expendable: | |
| School-based activities | 1,995,572 |
| Ad valorem | 144,906 |
| Debt service | 1,426,771 |
| Forestry improvements | 55,162 |
| Unemployment benefits | 80,744 |
| Non-expendable: | |
| Sixteenth section | 358,500 |
| Unrestricted | 4,751,784 |
| Total Net Position | \$ 25,116,528 |

CANTON PUBLIC SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2014

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) |
|--------------------------------------|----------------------|----------------------|------------------------------------|-------------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Revenue and Changes in Net Position |
| | | | | Governmental Activities |
| Governmental Activities: | | | | |
| Instruction | \$ 15,001,368 | \$ 158,187 | \$ 1,998,876 | \$ (12,844,305) |
| Support services | 11,001,620 | 61,573 | 1,923,900 | (9,016,147) |
| Non-instructional | 2,371,753 | 212,895 | 2,341,878 | 183,020 |
| Sixteenth section | 41,234 | 8,473 | - | (32,761) |
| Interest on long-term liabilities | 1,007,765 | - | - | (1,007,765) |
| Total Governmental Activities | \$ 29,423,740 | \$ 441,128 | \$ 6,264,654 | \$ (22,717,958) |

General Revenues:

Taxes:

 General purpose levies 7,482,931

 Debt purpose levies 1,624,546

Unrestricted grants and contributions:

 State 13,024,377

 Federal 255,482

Unrestricted investment earnings 63,783

Sixteenth section sources 213,634

Other 207,399

Total General Revenues 22,872,152

Change in Net Position 154,194

Net Position - Beginning, as previously reported 24,542,544

 Prior Period Adjustments 419,790

Net Position - Beginning, as restated 24,962,334

Net Position - Ending \$ 25,116,528

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

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2014

Exhibit C

| | Major Funds | | | Total Governmental Funds |
|--|---------------------|---------------------------------------|--------------------------------|--------------------------------|
| | General Fund | Sixteenth Section Interest Fund | Other Governmental Funds | |
| Assets | | | | |
| Cash and cash equivalents | \$ 6,047,279 | \$ 1,368,124 | \$ 1,995,747 | \$ 9,411,150 |
| Cash with fiscal agents | - | - | 1,133,846 | 1,133,846 |
| Due from other governments | 423,564 | - | 335,542 | 759,106 |
| Other receivables, net | 30,232 | 78,553 | 182 | 108,967 |
| Due from other funds | 248,345 | - | 8,748 | 257,093 |
| Inventories | - | - | 30,966 | 30,966 |
| Total assets | <u>\$ 6,749,420</u> | <u>\$ 1,446,677</u> | <u>\$ 3,505,031</u> | <u>\$ 11,701,128</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 1,338,754 | \$ 53,667 | \$ 333,883 | \$ 1,726,304 |
| Due to other funds | 7,398 | - | 248,345 | 255,743 |
| Deferred revenue | - | - | 2,882 | 2,882 |
| Total Liabilities | <u>1,346,152</u> | <u>53,667</u> | <u>585,110</u> | <u>1,984,929</u> |
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Inventory | - | - | 30,966 | 30,966 |
| Permanent fund principal | - | - | 358,500 | 358,500 |
| Restricted: | | | | |
| Ad valorem | 144,906 | - | - | 144,906 |
| Debt service | - | - | 1,690,348 | 1,690,348 |
| Forestry improvement purposes | - | - | 55,162 | 55,162 |
| Unemployment benefits | - | - | 80,744 | 80,744 |
| Food service | - | - | 565,479 | 565,479 |
| Sixteenth section | - | 1,393,010 | - | 1,393,010 |
| Other purposes | - | - | 6,117 | 6,117 |
| Assigned: | | | | |
| Capital improvements | - | - | 132,605 | 132,605 |
| Activity funds | 161,783 | - | - | 161,783 |
| Other purposes | 150,320 | - | - | 150,320 |
| Unassigned | | | | |
| | 4,946,259 | - | - | 4,946,259 |
| Total Fund Balances | <u>5,403,268</u> | <u>1,393,010</u> | <u>2,919,921</u> | <u>9,716,199</u> |
| Total Liabilities and Fund Balances | <u>\$ 6,749,420</u> | <u>\$ 1,446,677</u> | <u>\$ 3,505,031</u> | <u>\$ 11,701,128</u> |

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014**

Exhibit C-1

Total fund balances for governmental funds \$ 9,716,199

Amounts reported for governmental activities in the statement of Net Position are different because:

1. Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:

| | | |
|-----------------------------------|---------------------|------------|
| Land | \$ 68,710 | |
| Buildings | 50,639,288 | |
| Building improvements | 2,366,978 | |
| Improvements other than buildings | 4,089,901 | |
| Mobile equipment | 1,242,676 | |
| Furniture and equipment | 2,935,970 | |
| Accumulated depreciation | <u>(13,807,143)</u> | 47,536,380 |

2. Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported in the funds:

| | | |
|-------------------------------|------------------|--------------|
| General obligation bonds | (8,330,000) | |
| Other bonds payable | (7,000,000) | |
| Notes payable | (1,888,856) | |
| Certificates of participation | (14,825,000) | |
| Compensated absences | (115,327) | |
| Unamortized charges | 307,563 | |
| Unamortized premiums | (20,854) | |
| Accrued interest payable | <u>(263,577)</u> | (32,136,051) |

Net Position of governmental activities \$ 25,116,528

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014**

Exhibit D

| | Major Funds | | | Total Governmental Funds |
|--|---------------------|---------------------------------------|--------------------------------|--------------------------------|
| | General Fund | Sixteenth Section Interest Fund | Other Governmental Funds | |
| Revenues: | | | | |
| Local sources | \$ 7,896,855 | \$ - | \$ 1,843,388 | \$ 9,740,243 |
| State sources | 12,767,686 | - | 761,170 | 13,528,856 |
| Federal sources | 255,482 | - | 5,760,176 | 6,015,658 |
| Sixteenth section sources | - | 221,301 | 10,303 | 231,604 |
| Total Revenues | 20,920,023 | 221,301 | 8,375,037 | 29,516,361 |
| Expenditures: | | | | |
| Instruction | 11,549,093 | - | 2,259,549 | 13,808,642 |
| Support services | 8,640,882 | - | 2,221,463 | 10,862,345 |
| Noninstructional services | 750 | - | 2,288,063 | 2,288,813 |
| Sixteenth section | - | 34,304 | 6,930 | 41,234 |
| Facilities acquisition and construction | - | - | 200,000 | 200,000 |
| Debt service: | | | | |
| Principal | - | - | 1,686,568 | 1,686,568 |
| Interest | - | - | 950,160 | 950,160 |
| Other | - | - | 23,452 | 23,452 |
| Total Expenditures | 20,190,725 | 34,304 | 9,636,185 | 29,861,214 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 729,298 | 186,997 | (1,261,148) | (344,853) |
| Other Financing Sources (Uses): | | | | |
| Bonds and notes issued | 395,049 | - | - | 395,049 |
| Insurance recovery | 61,573 | - | - | 61,573 |
| Payments held by escrow agent | - | - | 466,667 | 466,667 |
| Payment to QSCB debt escrow agent | - | - | (466,667) | (466,667) |
| Operating transfers in | 698,863 | - | 2,168,878 | 2,867,741 |
| Operating transfers out | (1,885,113) | (500,000) | (482,628) | (2,867,741) |
| Total Other Financing Sources (Uses) | (729,628) | (500,000) | 1,686,250 | 456,622 |
| Net Change in Fund Balances | (330) | (313,003) | 425,102 | 111,769 |
| Fund Balances: | | | | |
| July 1, 2013, as previously reported | 5,352,578 | 1,816,624 | 2,537,278 | 9,706,480 |
| Prior period adjustments | 51,020 | (110,611) | (45,375) | (104,966) |
| July 1, 2013, as restated | 5,403,598 | 1,706,013 | 2,491,903 | 9,601,514 |
| Increase (Decrease) in inventory | - | - | 2,916 | 2,916 |
| June 30, 2014 | \$ 5,403,268 | \$ 1,393,010 | \$ 2,919,921 | \$ 9,716,199 |

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

**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, 2014**

Exhibit D-1

| | | |
|---|--------------------|-------------------|
| Net change in fund balances - total governmental funds | \$ | 111,769 |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| 1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are: | | |
| Capital outlay | \$ 355,975 | |
| Depreciation expense | <u>(1,502,471)</u> | (1,146,496) |
| 2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold. | | |
| | | (48,886) |
| 3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities: | | |
| Bonds and notes issued | (395,049) | |
| Payments of debt principal | 1,686,568 | |
| Accrued interest payable | <u>2,180</u> | 1,293,699 |
| 4. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include: | | |
| Change in compensated absences | (22,475) | |
| Change in inventory | 2,916 | |
| Amortization of deferred charges, premiums and discounts | <u>(36,333)</u> | (55,892) |
| Change in Net Position of governmental activities | | <u>\$ 154,194</u> |

CANTON PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2014

Exhibit E

| | <u>Agency Funds</u> |
|--|-------------------------|
| Assets | |
| Cash and cash equivalents | \$ 83,822 |
| Total Assets | <u>\$ 83,822</u> |
| Liabilities | |
| Accounts payable and accrued liabilities | \$ 56,049 |
| Due to other funds | 1,350 |
| Due to student clubs | 26,423 |
| Total Liabilities | <u>\$ 83,822</u> |

Canton Public School District

Notes to the Financial Statements
June 30, 2014

Canton Public School District

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

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. 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.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements - The Statement of Net Position 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 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 Position presents the District's non-fiduciary assets and liabilities, with the difference reported as net position. Net position is reported in three categories:

1. Net investment in capital assets 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.

Canton Public School District

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

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has 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.

Sixteenth Section Interest Fund - This special revenue fund accounts for expendable revenues derived from the use of sixteenth section lands held in trust by the school district and from investment of sixteenth section funds.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental 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.

Canton Public School District

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

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 Fund - 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.

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.

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

In the government-wide Statement of Net Position 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 or soon enough thereafter to pay liabilities of 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

Canton Public School District

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

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 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 is both restricted and unrestricted net position 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 2012 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.

Canton Public School District

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

D. Encumbrances

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

E. Assets, liabilities, deferred outflows/inflows, and net position/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.

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.

Canton Public School District

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

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.

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position 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.

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 Position. 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.

Canton Public School District

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

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

The following schedule details the capitalization thresholds:

| | 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. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources expense until then. The district has deferred outflow from advance refunding debt. See Note 17 for further details.

8. 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 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.

Canton Public School District

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

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. 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.

10. 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, 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, 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

Canton Public School District

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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 district's 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.

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any

Canton Public School District

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

open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

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 \$9,411,150 and \$83,822, respectively.

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 institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district's bank balance of \$10,323,167 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,133,846.

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 | \$ 248,345 |
| Other Governmental Funds | General Fund | 7,398 |
| | Fiduciary Funds | 1,350 |
| Total | | <u>\$ 257,093</u> |

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

Canton Public School District

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

B. Interfund Transfers

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|--------------------------|---------------------------------|----------------------------|
| General Fund | Sixteenth Section Interest Fund | \$ 500,000 |
| | Other Governmental Funds | 198,863 |
| Other Governmental Funds | General Fund | 1,885,113 |
| | Other Governmental Funds | 283,765 |
| Total | | \$ <u><u>2,867,741</u></u> |

Operating transfers were primarily for the following: indirect cost transfers, vocational expenditure transfers, the transfer of expendable sixteenth section sources, debt service transfers, and other routine operating transfers.

Note 4 - Restricted Assets

The restricted assets represents the cash balance totaling \$363,967 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.

In addition, the restricted assets represent the investment balance held by fiscal agents, totaling \$1,133,846 of the Three Mill Notes Retirement Fund (which includes the QSCB Sinking Fund) and Bond Retirement Fund - Certificate of Participation.

Canton Public School District

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

Note 5 - Capital Assets

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

| | Balance 7-1-2013 | Increases | Decreases | Completed Construction | Adjustments | Balance 6-30-2014 |
|---|---------------------|-------------|-----------|---------------------------|-------------|----------------------|
| <u>Non-depreciable capital assets:</u> | | | | | | |
| Land | \$ 68,710 | | | | | 68,710 |
| Construction in progress | 18,417,998 | 200,000 | | (18,617,998) | | 0 |
| Total non-depreciable capital assets | 18,486,708 | 200,000 | 0 | (18,617,998) | | 68,710 |
| <u>Depreciable capital assets:</u> | | | | | | |
| Buildings | 32,021,290 | | | 18,617,998 | | 50,639,288 |
| Building improvements | 2,366,978 | | | | | 2,366,978 |
| Improvements other than buildings | 4,089,901 | | | | | 4,089,901 |
| Mobile equipment | 1,506,558 | 30,923 | 300,363 | | 5,558 | 1,242,676 |
| Furniture and equipment | 2,334,628 | 125,052 | 124,418 | | 600,708 | 2,935,970 |
| Total depreciable capital assets | 42,319,355 | 155,975 | 424,781 | 18,617,998 | 606,266 | 61,274,813 |
| <u>Less accumulated depreciation for:</u> | | | | | | |
| Buildings | 7,728,227 | 976,262 | | | | 8,704,489 |
| Building improvements | 821,891 | 94,679 | | | | 916,570 |
| Improvements other than buildings | 870,551 | 163,596 | | | | 1,034,147 |
| Mobile equipment | 1,157,504 | 78,732 | 270,327 | | 2,144 | 968,053 |
| Furniture and equipment | 2,020,884 | 189,202 | 105,568 | | 79,366 | 2,183,884 |
| Total accumulated depreciation | 12,599,057 | 1,502,471 | 375,895 | 0 | 81,510 | 13,807,143 |
| Total depreciable capital assets, net | 29,720,298 | (1,346,496) | 48,886 | 18,617,998 | 524,756 | 47,467,670 |
| Governmental activities capital assets, net | \$ 48,207,006 | (1,146,496) | 48,886 | 0 | 524,756 | 47,536,380 |

Adjustments were made to properly present capital assets.

Depreciation expense was charged to the following governmental functions:

| | Amount |
|----------------------------|--------------|
| Instruction | \$ 1,219,760 |
| Support services | 182,084 |
| Non-instructional | 100,627 |
| Total depreciation expense | \$ 1,502,471 |

Canton Public School District

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

Note 6 - Long-Term Liabilities

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

| | | Balance 7-1-2013 | Additions | Reductions | Balance 6-30-2014 | Amounts due in one year |
|----|---------------------------------------|----------------------|----------------|------------------|----------------------|----------------------------|
| A. | General obligation bonds payable | \$ 9,480,000 | | 1,150,000 | 8,330,000 | 1,325,000 |
| B. | Certificates of participation payable | 15,150,000 | | 325,000 | 14,825,000 | 180,000 |
| C. | Three mill notes payable | 1,515,000 | | 150,000 | 1,365,000 | 155,000 |
| D. | Shortfall notes payable | 190,375 | 395,049 | 61,568 | 523,856 | 191,206 |
| E. | Qualified school construction bonds | 7,000,000 | | | 7,000,000 | |
| F. | Compensated absences payable | 92,852 | 22,475 | | 115,327 | 5,766 |
| | Total | \$ <u>33,428,227</u> | <u>417,524</u> | <u>1,686,568</u> | <u>32,159,183</u> | <u>1,856,972</u> |

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 |
|---|------------------|---------------|------------------|----------------------|-----------------------|
| 1. General obligation refunding bonds, Series 2010A | 3.55% | 02-23-10 | 12-01-16 | \$ 715,000 | 335,000 |
| 2. General obligation refunding bonds, Series 2010B | 3.20% | 02-23-10 | 12-01-13 | 1,235,000 | 0 |
| 3. General obligation refunding bonds, Series 2012 | 2.0-2.5% | 05-01-12 | 04-01-22 | 5,185,000 | 4,890,000 |
| 4. General obligation refunding bonds, Series 2012B | 1.0-2.25% | 08-30-12 | 04-01-22 | 1,765,000 | 1,685,000 |
| 5. General obligation refunding bonds, Series 2013 | 2.0% | 05-30-13 | 04-01-17 | <u>1,880,000</u> | <u>1,420,000</u> |
| Total | | | | \$ <u>10,780,000</u> | <u>8,330,000</u> |

1. General obligation refunding bonds issued on February 23, 2010:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|---------------|----------------|
| 2015 | \$ 105,000 | 10,029 | 115,029 |
| 2016 | 110,000 | 6,212 | 116,212 |
| 2017 | <u>120,000</u> | <u>2,130</u> | <u>122,130</u> |
| Total | \$ <u>335,000</u> | <u>18,371</u> | <u>353,371</u> |

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

Canton Public School District

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

2. General obligation refunding bonds issued on February 23, 2010 were paid off and retired from the Bond Issues Retirement Fund.
3. General obligation refunding bonds issued on May 1, 2012:

| Year Ending June 30 | | Principal | Interest | Total |
|------------------------|----|------------------|----------------|------------------|
| 2015 | \$ | 565,000 | 105,925 | 670,925 |
| 2016 | | 575,000 | 94,625 | 669,625 |
| 2017 | | 590,000 | 83,125 | 673,125 |
| 2018 | | 605,000 | 71,325 | 676,325 |
| 2019 | | 615,000 | 59,227 | 674,227 |
| 2020 - 2022 | | 1,940,000 | 96,175 | 2,036,175 |
| Total | \$ | <u>4,890,000</u> | <u>510,402</u> | <u>5,400,402</u> |

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

4. General obligation refunding bonds issued on August 30, 2012:

| Year Ending June 30 | | Principal | Interest | Total |
|------------------------|----|------------------|----------------|------------------|
| 2015 | \$ | 195,000 | 30,737 | 225,737 |
| 2016 | | 195,000 | 28,788 | 223,788 |
| 2017 | | 205,000 | 24,887 | 229,887 |
| 2018 | | 210,000 | 20,788 | 230,788 |
| 2019 | | 215,000 | 17,637 | 232,637 |
| 2020 - 2022 | | 665,000 | 28,625 | 693,625 |
| Total | \$ | <u>1,685,000</u> | <u>151,462</u> | <u>1,836,462</u> |

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

5. General obligation refunding bonds issued on May 30, 2013:

| Year Ending June 30 | | Principal | Interest | Total |
|------------------------|----|------------------|---------------|------------------|
| 2015 | \$ | 460,000 | 28,400 | 488,400 |
| 2016 | | 475,000 | 19,200 | 494,200 |
| 2017 | | 485,000 | 9,700 | 494,700 |
| Total | \$ | <u>1,420,000</u> | <u>57,300</u> | <u>1,477,300</u> |

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

Canton Public School District

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

Total general obligation bond payments for all issues:

| Year Ending June 30 | | Principal | Interest | Total |
|------------------------|----|------------------|----------------|------------------|
| 2015 | \$ | 1,325,000 | 175,091 | 1,500,091 |
| 2016 | | 1,355,000 | 148,825 | 1,503,825 |
| 2017 | | 1,400,000 | 119,842 | 1,519,842 |
| 2018 | | 815,000 | 92,113 | 907,113 |
| 2019 | | 830,000 | 76,864 | 906,864 |
| 2020-2022 | | 2,605,000 | 124,800 | 2,729,800 |
| Total | \$ | <u>8,330,000</u> | <u>737,535</u> | <u>9,067,535</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, 2014, the amount of outstanding bonded indebtedness was equal to 3% of property assessments as of October 1, 2013.

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:

| <u>Description</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Amount Issued</u> | <u>Amount Outstanding</u> |
|---|--------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|
| 1. Certificates of participation, Series 2002B | 4.625-6.0% | 04-01-02 | 04-01-14 | \$ 2,750,000 | 0 |
| 2. Certificates of participation, Series 2010 | 2.0-4.75% | 09-15-10 | 09-01-30 | <u>15,000,000</u> | <u>14,825,000</u> |
| Total | | | | <u>\$ 17,750,000</u> | <u>14,825,000</u> |

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

1. Certificates of participation issued on April 1, 2002 were paid off and retired from the Bond Retirement Fund - COPs.

Canton Public School District

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

2. Certificates of participation issued on September 15, 2010:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|----------------------|------------------|-------------------|
| 2015 | \$ 180,000 | 630,230 | 810,230 |
| 2016 | 190,000 | 625,605 | 815,605 |
| 2017 | 480,000 | 616,390 | 1,096,390 |
| 2018 | 495,000 | 601,816 | 1,096,816 |
| 2019 | 510,000 | 585,475 | 1,095,475 |
| 2020-2024 | 3,790,000 | 2,574,915 | 6,364,915 |
| 2025-2029 | 6,250,000 | 1,283,275 | 7,533,275 |
| 2030-2031 | 2,930,000 | 276,876 | 3,206,876 |
| Total | \$ 14,825,000 | 7,194,582 | 22,019,582 |

This debt will be retired from the Bond Retirement Fund - COPs.

C. Three mill notes payable

Debt currently outstanding is as follows:

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|---|------------------|---------------|------------------|---------------------|-----------------------|
| Limited Tax Refunding Notes, Series 2011 | 2.0-3.125% | 11-15-11 | 04-01-22 | \$ <u>1,660,000</u> | <u>1,365,000</u> |

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

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|---------------------|----------------|------------------|
| 2015 | \$ 155,000 | 36,388 | 191,388 |
| 2016 | 160,000 | 33,287 | 193,287 |
| 2017 | 160,000 | 30,088 | 190,088 |
| 2018 | 170,000 | 26,087 | 196,087 |
| 2019 | 175,000 | 21,837 | 196,837 |
| 2020-2022 | 545,000 | 33,861 | 578,861 |
| Total | \$ 1,365,000 | 181,548 | 1,546,548 |

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

D. Shortfall notes payable

Debt currently outstanding is as follows:

Canton Public School District

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

| Description | Interest Rate | Issue Date | Maturity Date | Amount Issued | Amount Outstanding |
|--------------------------------|---------------|------------|---------------|-------------------|--------------------|
| 1. Shortfall Note, Series 2013 | 3.0% | 06-28-13 | 06-30-16 | \$ 190,375 | 128,807 |
| 2. Shortfall Note, Series 2014 | 3.0% | 06-30-14 | 06-30-17 | 395,049 | 395,049 |
| Total | | | | \$ <u>585,424</u> | <u>523,856</u> |

1. Shortfall note payable issued on June 28, 2013:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|--------------|----------------|
| 2015 | \$ 63,441 | 3,918 | 67,359 |
| 2016 | 65,366 | 1,993 | 67,359 |
| Total | \$ <u>128,807</u> | <u>5,911</u> | <u>134,718</u> |

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

2. Shortfall note payable issued on June 30, 2014:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|---------------|----------------|
| 2015 | \$ 127,765 | 12,016 | 139,781 |
| 2016 | 131,629 | 8,152 | 139,781 |
| 2017 | 135,655 | 4,126 | 139,781 |
| Total | \$ <u>395,049</u> | <u>24,294</u> | <u>419,343</u> |

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

Total shortfall notes payable payments for all issues:

| Year Ending June 30 | Principal | Interest | Total |
|------------------------|-------------------|---------------|----------------|
| 2015 | \$ 191,206 | 15,934 | 207,140 |
| 2016 | 196,995 | 10,145 | 207,140 |
| 2017 | 135,655 | 4,126 | 139,781 |
| Total | \$ <u>523,856</u> | <u>30,205</u> | <u>554,061</u> |

E. Qualified school construction bonds payable

As more fully explained in Note 15 debt has been issued by the school district that qualifies as Qualified School Construction bonds. Debt currently outstanding is as follows:

Canton Public School District

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

| <u>Description</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> | <u>Amount Issued</u> | <u>Amount Outstanding</u> |
|--|--------------------------|-----------------------|--------------------------|--------------------------|-------------------------------|
| 1. Qualified School Construction Bonds, Series 2010 | 6.09% | 01-06-11 | 01-07-26 | \$ 3,000,000 | 3,000,000 |
| 2. Qualified School Construction Bonds, Series 2011 | 6.09% | 11-08-11 | 11-08-26 | 4,000,000 | 4,000,000 |
| | | | | <u>\$ 7,000,000</u> | <u>7,000,000</u> |

F. Compensated absences payable

As more fully explained in Note 1(E)(8), 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 Defeseance of Debt

In prior years, the Canton Public School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2014, \$0 of bonds outstanding are defeased.

Note 8 - Other Commitments

Operating leases:

The school district has several operating leases for the following:

1. 3530C Copier - Federal Programs
2. Postage Meter - Central Office

Lease expenditures for the year ended June 30, 2014, amounted to \$6,868.

Future lease payments for these leases are as follows:

| <u>Year Ending June 30</u> | <u>Amount</u> |
|--------------------------------|-----------------|
| 2015 | \$ 2,700 |
| 2016 | 480 |
| Total | <u>\$ 3,180</u> |

Canton Public School District

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

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, 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 as of June 30, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$2,258,350, \$2,100,586, and \$1,824,864, 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.

Canton Public School District

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

| Year Ending June 30 | Amount |
|------------------------|--------------------------|
| 2015 | 102,030 |
| 2016 | 102,030 |
| 2017 | 30,644 |
| 2018 | 14,494 |
| 2019 | 14,494 |
| 2020 - 2024 | 49,204 |
| 2025 - 2029 | 33,694 |
| 2030 - 2034 | 28,244 |
| 2035 - 2039 | 23,219 |
| 2040 and after | 48,273 |
| Total | \$ <u><u>446,326</u></u> |

Note 11 - Prior Period Adjustments

A summary of significant Net Position / Fund Balance adjustments is a follows:

Exhibit B - Statement of Activities

| Explanation | Amount |
|---|--------------------------|
| 1. See explanation below. | \$ (104,966) |
| 2. To correctly present capital assets. | <u>524,756</u> |
| Total | \$ <u><u>419,790</u></u> |

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

| <u>Major Funds</u> | <u>Explanation(s)</u> | Amount |
|---------------------------------|--|----------------------------|
| General Fund | To correct error in regarding a prior year asset or liability and to correct overstatement of prior year expenditures in governmental funds. | \$ 51,020 |
| Sixteenth Section Interest Fund | To correct error in regarding a prior year asset or liability and to correct overstatement of prior year expenditures in governmental funds. | (110,611) |
| Other Governmental Funds | To correct error in regarding a prior year asset or liability and to correct overstatement of prior year expenditures in governmental funds. | <u>(45,375)</u> |
| Total | | \$ <u><u>(104,966)</u></u> |

Canton Public School District

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

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 - Contingencies

Federal Grants - The school district has received federal grants for specific purposes that are subject to audit by the grantor agencies. Entitlements to these resources are generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of resources for allowable purposes. Any disallowances resulting from the grantor audit may become a liability of the school district.

Litigation - The school district is party to legal proceedings, many of which occur in the normal course of governmental operations. It is not possible at the present time to estimate the outcome or liability, if any, of the school district with respect to the various proceedings. However, the school district's legal counsel believes that ultimately liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 14 - Trust Certificates

A trust agreement dated April 1, 2002, was executed by and between the school district and Trustmark National Bank of Jackson, Mississippi, as 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 September 15, 2010, was executed by and between the school district and Duncan-Williams, Inc., Memphis, Tennessee, as trustee.

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 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 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 37-7-51, *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 trustees in an amount equal to the debt service requirements for

Canton Public School District

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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 15 - 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. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. The United States Treasury reimburses the District for the amount of interest paid on the principal amount.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at 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, 2014 was \$1,133,839. 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.

Canton Public School District

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

| Year Ending June 30 | Amount | Interest | Total |
|------------------------|--------------|-----------|------------|
| 2015 | \$ 466,667 | 426,300 | 892,967 |
| 2016 | 466,667 | 426,300 | 892,967 |
| 2017 | 466,667 | 426,300 | 892,967 |
| 2018 | 466,667 | 426,300 | 892,967 |
| 2019 | 466,667 | 426,300 | 892,967 |
| 2020 - 2024 | 2,333,335 | 2,131,500 | 4,464,835 |
| 2025 - 2027 | 1,199,996 | 1,035,300 | 2,235,296 |
| Total | \$ 5,866,666 | 5,298,300 | 11,164,966 |

Note 16 - Insurance Loss Recoveries

The Canton Public School District received \$61,573 in insurance loss recoveries related to gym floor damage during the 2013-2014 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as general revenues.

Note 17 - Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$16,303,089 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$307,563 balance of the deferred outflow of resources at June 30, 2014 will be recognized as an expense and decrease the net investment in capital assets net position over the next 9 years.

Note 18 - Subsequent Events

Events that occur after the Statement of Net Position date but before the financial statements are available to be issued must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the Statement of Net Position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the Statement of Net Position date require disclosure in the accompanying notes. Management of the Canton Public School District evaluated the activity of the district through the date the financial statements were available to be issued, and determined that no subsequent events have occurred requiring disclosure in the notes to the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CANTON PUBLIC SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2014

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances Positive (Negative) | |
|--|------------------|--------------|------------------------|----------------------------------|--------------------|
| | Original | Final | | Original to Final | Final to Actual |
| | | | | | |
| Revenues: | | | | | |
| Local sources | \$ 8,356,659 | \$ 7,896,855 | \$ 7,896,855 | \$ (459,804) | \$ - |
| State sources | 12,750,174 | 12,767,686 | 12,767,686 | 17,512 | - |
| Federal sources | 220,271 | 255,482 | 255,482 | 35,211 | - |
| Total Revenues | 21,327,104 | 20,920,023 | 20,920,023 | (407,081) | - |
| Expenditures: | | | | | |
| Instruction | 12,236,508 | 11,558,093 | 11,549,093 | 678,415 | 9,000 |
| Support services | 8,678,106 | 8,641,882 | 8,640,882 | 36,224 | 1,000 |
| Noninstructional services | 10,604 | 750 | 750 | 9,854 | - |
| Debt service: | | | | | |
| Principal | 4,751 | - | - | 4,751 | - |
| Interest | 7,249 | - | - | 7,249 | - |
| Total Expenditures | 20,937,218 | 20,200,725 | 20,190,725 | 736,493 | 10,000 |
| Excess (Deficiency) of Revenues over (under) Expenditures | 389,886 | 719,298 | 729,298 | 329,412 | 10,000 |
| Other Financing Sources (Uses): | | | | | |
| Bonds and notes issued | - | 395,049 | 395,049 | 395,049 | - |
| Insurance recovery | - | 61,573 | 61,573 | 61,573 | - |
| Operating transfers in | 933,388 | 920,062 | 698,863 | (13,326) | (221,199) |
| Operating transfers out | (2,034,871) | (2,106,312) | (1,885,113) | (71,441) | 221,199 |
| Total Other Financing Sources (Uses) | (1,101,483) | (729,628) | (729,628) | 371,855 | - |
| Net Change in Fund Balances | (711,597) | (10,330) | (330) | 701,267 | 10,000 |
| Fund Balances: | | | | | |
| July 1, 2013, as previously reported | 3,826,651 | 5,304,505 | 5,352,578 | 1,477,854 | 48,073 |
| Prior period adjustments | - | 99,093 | 51,020 | 99,093 | (48,073) |
| July 1, 2013, as restated | 3,826,651 | 5,403,598 | 5,403,598 | 1,576,947 | - |
| June 30, 2014 | \$ 3,115,054 | \$ 5,393,268 | \$ 5,403,268 | \$ 2,278,214 | \$ 10,000 |

CANTON PUBLIC SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2014**

| | Budgeted Amounts | | Actual (GAAP Basis) | Variances Positive (Negative) | |
|--|------------------|--------------|------------------------|----------------------------------|--------------------|
| | Original | Final | | Original to Final | Final to Actual |
| | | | | | |
| Revenues: | | | | | |
| Local sources | \$ - | \$ (698) | \$ - | \$ (698) | \$ 698 |
| Sixteenth section sources | 130,975 | 221,999 | 221,301 | 91,024 | (698) |
| Total Revenues | 130,975 | 221,301 | 221,301 | 90,326 | - |
| Expenditures: | | | | | |
| Sixteenth section | 64,628 | 34,304 | 34,304 | 30,324 | - |
| Total Expenditures | 64,628 | 34,304 | 34,304 | 30,324 | - |
| Excess (Deficiency) of Revenues over (under) Expenditures | 66,347 | 186,997 | 186,997 | 120,650 | - |
| Other Financing Sources (Uses): | | | | | |
| Operating transfers in | 1,300 | - | - | (1,300) | - |
| Operating transfers out | (500,000) | (500,000) | (500,000) | - | - |
| Total Other Financing Sources (Uses) | (498,700) | (500,000) | (500,000) | (1,300) | - |
| Net Change in Fund Balances | (432,353) | (313,003) | (313,003) | 119,350 | - |
| Fund Balances: | | | | | |
| July 1, 2013, as previously reported | 1,790,106 | 1,816,624 | 1,816,624 | 26,518 | - |
| Prior period adjustments | - | - | (110,611) | - | (110,611) |
| July 1, 2013, as restated | 1,790,106 | 1,816,624 | 1,706,013 | 26,518 | (110,611) |
| June 30, 2014 | \$ 1,357,753 | \$ 1,503,621 | \$ 1,393,010 | \$ 145,868 | \$ (110,611) |

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Canton Public School District

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

Budgetary Comparison Schedules

(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.

SUPPLEMENTARY INFORMATION

Canton Public School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

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 | \$ 614,008 |
| National School Lunch Program | 10.555 | 1,756,805 |
| Summer Food Service Program for Children | 10.559 | 42,408 |
| Total Child Nutrition Cluster | | <u>2,413,221</u> |
| Fresh Fruits and Vegetables Program | 10.582 | 128,341 |
| Total passed-through the Mississippi Department of Education | | <u>2,541,562</u> |
| TOTAL U. S. DEPARTMENT OF AGRICULTURE | | <u>2,541,562</u> |
| <u>U.S. DEPARTMENT OF DEFENSE</u> | | |
| Direct Program: | | |
| Reserve Officers' Training Corps | 12.xxx | 26,726 |
| TOTAL U. S. DEPARTMENT OF DEFENSE | | <u>26,726</u> |
| <u>FEDERAL COMMUNICATIONS COMMISSION</u> | | |
| Administered through the Universal Service Administrative Company: | | |
| The Schools and Libraries Program of the Universal Service Fund | 32.xxx | 230,075 |
| TOTAL FEDERAL COMMUNICATIONS COMMISSION | | <u>230,075</u> |
| <u>U. S. DEPARTMENT OF EDUCATION</u> | | |
| Passed-through the Mississippi Department of Education: | | |
| Title I Grants to Local Educational Agencies | 84.010 | 1,979,428 |
| Career and Technical Education - Basic Grants to States | 84.048 | 65,244 |
| English Language Acquisition Grants | 84.365 | 17,957 |
| Improving Teacher Quality - State Grants | 84.367 | 330,262 |
| Subtotal | | <u>2,392,891</u> |
| Special Education Cluster: | | |
| Special Education - Grants to States | 84.027 | 771,186 |
| Special Education - Preschool Grants | 84.173 | 27,810 |
| Total Special Education Cluster | | <u>798,996</u> |
| Total passed-through the Mississippi Department of Education | | <u>3,191,887</u> |
| TOTAL U. S. DEPARTMENT OF EDUCATION | | <u>3,191,887</u> |
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u> | | |
| Passed-through the Mississippi Department of Education: | | |
| Medical Assistance Program | 93.778 | 800 |
| Total passed-through the Mississippi Department of Education | | <u>800</u> |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | <u>800</u> |
| TOTAL FOR ALL FEDERAL AWARDS | | <u>\$ 5,991,050</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 2**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2014

| Expenditures | Total | Instruction and Other Student Instructional Expenditures | General Administration | School Administration | Other |
|------------------------------|----------------------|---|-----------------------------------|----------------------------------|-------------------|
| Salaries and fringe benefits | \$ 19,628,769 | 14,956,117 | 1,018,997 | 1,399,760 | 2,253,895 |
| Other | 10,232,445 | 1,871,662 | 370,817 | 16,349 | 7,973,617 |
| Total | \$ <u>29,861,214</u> | <u>16,827,779</u> | <u>1,389,814</u> | <u>1,416,109</u> | <u>10,227,512</u> |
| Total number of students * | <u>3,367</u> | | | | |
| Cost per student | \$ <u>8,869</u> | <u>4,998</u> | <u>413</u> | <u>421</u> | <u>3,038</u> |

For purpose 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.

General Administration - includes expenditures for the following functions: Support Services - General Administration and Support Services Business.

School Administration - includes expenditures for the following functions: Support Services - School Administration.

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

OTHER INFORMATION

CANTON PUBLIC SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
 General Fund
 Last Four Years

"UNAUDITED"

| | 2014 | 2013* | 2012* | 2011* |
|--|---------------------|--------------------|---------------------|---------------------|
| Revenues: | | | | |
| Local sources | \$ 7,896,855 | 7,628,296 | 7,615,095 | 7,372,929 |
| Intermediate sources | - | - | - | 42,880 |
| State sources | 12,767,686 | 12,615,828 | 12,507,681 | 11,730,510 |
| Federal sources | 255,482 | 538,927 | 180,157 | 185,632 |
| Total Revenues | <u>20,920,023</u> | <u>20,783,051</u> | <u>20,302,933</u> | <u>19,331,951</u> |
| Expenditures: | | | | |
| Instruction | 11,549,093 | 11,754,867 | 10,691,476 | 9,659,976 |
| Support services | 8,640,882 | 8,638,028 | 7,795,227 | 7,539,799 |
| Noninstructional | 750 | 8,400 | 18,000 | 18,000 |
| Debt Service: | | | | |
| Principal | - | 3,295 | 4,468 | 5,471 |
| Interest | - | 1,716 | 800 | 1,437 |
| Total Expenditures | <u>20,190,725</u> | <u>20,406,306</u> | <u>18,509,971</u> | <u>17,224,683</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>729,298</u> | <u>376,745</u> | <u>1,792,962</u> | <u>2,107,268</u> |
| Other Financing Sources (Uses): | | | | |
| Bonds and notes issued | 395,049 | 190,375 | - | - |
| Insurance recovery | 61,573 | 4,184 | - | 6,605 |
| Sale of transportation equipment | - | - | 6,288 | - |
| Operating transfers in | 698,863 | 179,255 | 738,780 | 201,189 |
| Operating transfers out | (1,885,113) | (1,623,696) | (1,811,095) | (4,101,311) |
| Other financing uses | - | - | (3,122) | - |
| Total Other Financing Sources (Uses) | <u>(729,628)</u> | <u>(1,249,882)</u> | <u>(1,069,149)</u> | <u>(3,893,517)</u> |
| Net Change in Fund Balances | <u>(330)</u> | <u>(873,137)</u> | <u>723,813</u> | <u>(1,786,249)</u> |
| Fund Balances: | | | | |
| July 1, as previously reported | 5,352,578 | 6,227,577 | 5,525,902 | 7,320,708 |
| Prior period adjustments | 51,020 | (1,862) | (22,138) | (8,557) |
| July 1, as restated | <u>5,403,598</u> | <u>6,225,715</u> | <u>5,503,764</u> | <u>7,312,151</u> |
| June 30, | <u>\$ 5,403,268</u> | <u>5,352,578</u> | <u>\$ 6,227,577</u> | <u>\$ 5,525,902</u> |

*SOURCE - PRIOR YEAR AUDIT REPORTS

CANTON PUBLIC SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
 All Governmental Funds
 Last Four Years

"UNAUDITED"

| | 2014 | 2013* | 2012* | 2011* |
|--|---------------------|---------------------|---------------------|--------------------|
| Revenues: | | | | |
| Local sources | \$ 9,740,243 | 9,475,557 | 9,879,595 | 9,389,654 |
| Intermediate sources | - | - | - | 42,880 |
| State sources | 13,528,856 | 13,422,814 | 13,361,459 | 12,833,375 |
| Federal sources | 6,015,658 | 6,337,303 | 8,182,689 | 8,073,313 |
| Sixteenth section sources | 231,604 | 142,686 | 326,545 | 246,874 |
| Total Revenues | <u>29,516,361</u> | <u>29,378,360</u> | <u>31,750,288</u> | <u>30,586,096</u> |
| Expenditures: | | | | |
| Instruction | 13,808,642 | 14,243,725 | 14,947,627 | 14,128,424 |
| Support services | 10,862,345 | 11,613,118 | 10,557,419 | 10,783,783 |
| Noninstructional services | 2,288,813 | 2,341,582 | 2,394,900 | 2,349,652 |
| Sixteenth section | 41,234 | 42,820 | 182,914 | 43,179 |
| Facilities acquisition and construction | 200,000 | 8,719,010 | 13,766,344 | 755,373 |
| Debt service: | | | | |
| Principal | 1,686,568 | 1,398,295 | 1,729,211 | 2,138,447 |
| Interest | 950,160 | 991,131 | 1,202,719 | 902,471 |
| Other | 23,452 | 119,284 | 177,627 | 514,301 |
| Total Expenditures | <u>29,861,214</u> | <u>39,468,965</u> | <u>44,958,761</u> | <u>31,615,630</u> |
| Excess (Deficiency) of Revenues over Expenditures | <u>(344,853)</u> | <u>(10,090,605)</u> | <u>(13,208,473)</u> | <u>(1,029,534)</u> |
| Other Financing Sources (Uses): | | | | |
| Bonds and notes issued | 395,049 | 190,375 | - | - |
| Proceeds of loans | - | - | 4,000,000 | 18,000,000 |
| Insurance recovery | 61,573 | 4,184 | - | 6,605 |
| Refunding bonds issued | - | 3,645,000 | 6,845,000 | - |
| Payments held by escrow agent | 466,667 | 466,667 | 200,000 | - |
| Premiums on refunding bonds issued | - | 34,758 | - | - |
| Payment to refunded bond escrow agent | - | (3,584,256) | (6,726,530) | - |
| Payment to QSCB debt escrow agent | (466,667) | (466,667) | (200,000) | - |
| Sale of transportation equipment | - | - | 6,288 | - |
| Operating transfers in | 2,867,741 | 2,416,353 | 2,794,192 | 4,616,817 |
| Operating transfers out | (2,867,741) | (2,416,353) | (2,794,192) | (4,616,817) |
| Other financing uses | - | - | (12,788) | - |
| Total Other Financing Sources (Uses) | <u>456,622</u> | <u>290,061</u> | <u>4,111,970</u> | <u>18,006,605</u> |
| Net Change in Fund Balances | <u>111,769</u> | <u>(9,800,544)</u> | <u>(9,096,503)</u> | <u>16,977,071</u> |
| Fund Balances: | | | | |
| July 1, as previously reported | 9,706,480 | 19,504,600 | 28,645,284 | 11,669,884 |
| Prior period adjustments | (104,966) | 21,491 | (22,138) | (8,557) |
| July 1, as restated | <u>9,601,514</u> | <u>19,526,091</u> | <u>28,623,146</u> | <u>11,661,327</u> |
| Increase (Decrease) in inventory | 2,916 | (19,067) | (22,043) | 6,886 |
| June 30, | <u>\$ 9,716,199</u> | <u>9,706,480</u> | <u>19,504,600</u> | <u>28,645,284</u> |

*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 FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Superintendent and School Board
Canton Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canton Public School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Canton Public School District's basic financial statements, and have issued our report thereon dated December 1, 2014.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 1, 2014

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Canton Public School District

Report on Compliance for Each Major Federal Program

We have audited 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 Canton Public School District's major federal programs for the year ended June 30, 2014. 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.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Canton Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 on compliance for each major federal programs. However, our audit does not provide a legal determination on the school district's compliance.

Opinion on Each Major Federal Program

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, 2014.

Report on Internal Control Over Compliance

Management of the Canton Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Canton Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 1, 2014

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, 2014, which collectively comprise Canton Public School District's basic financial statements and have issued our report thereon dated December 1, 2014. 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 did not report any 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 immaterial finding and recommendation and your response is as follows:

Finding 1:

Criteria:

Section 29-3-57, Miss. Code Ann. (1972) states, “It is the duty of the Superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section principal funds. Upon a sixty (60) day default in payment of any rental according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were presented....”

Condition:

During our test of sixteenth section leases we identified several leases in which rental payments tested were more than 60 days past due with no documentation that board action was taken as required by Section 29-3-57, Miss. Code Ann. (1972).

Cause:

The cause of the above condition is primarily due to lack of training with state requirements.

Effect:

District’s resources of sixteenth section lease payments were not available for operations.

Recommendation:

We recommend that the District comply with Section 29-3-57, Miss. Code Ann. (1972), that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances are present.

Response:

The District will comply with Section 29-3-57, Miss. Code Ann. (1972), that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances are present.

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, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

FORTENBERRY & BALLARD, PC

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Canton Public School District

Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2014

Section I: Summary of Auditor’s Results

Financial Statements:

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

Federal Awards:

- 4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
- 5. Type of auditor’s report issued on compliance for major programs: Unmodified.
- 6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
- 7. Identification of major programs:

| <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|-------------------------|---|
| 10.553, 10.555 & 10.559 | Child Nutrition Cluster |
| 32.xxx | The Schools and Libraries Program of the Universal Service Fund |
| 84.367 | Improving Teacher Quality - State Grants |
| 84.010 | Title I Grants to Local Educational Agencies Program |

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

Section II: Financial Statements Findings

The results of our tests did not disclose any findings related to the financial statements that is required to be reported by *Government Auditing Standards*.

Section III: Federal Award Findings and Questioned Costs

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

SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS



CANTON PUBLIC SCHOOL DISTRICT

Jennifer Clanton, Director of Business and Finance
Sheila Franklin Buie, CPA, Assistant Director

AUDITEE'S SUMMARY OF PRIOR FEDERAL 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, 2014:

| <u>Finding</u> | <u>Status</u> |
|----------------|---------------|
| 2013-1 | Corrected |
| 2013-2 | Corrected |

"Canton Can"

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