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Canton Public School District

Audited Financial Statements
For the Year Ended June 30, 2015

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, 2015, 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.

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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, 2015, 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the school district adopted Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result, net position as of July 1, 2014, has been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and the Schedules of the District’s Proportionate Share of the Net Pension Liability and of the District Contributions on pages 8 to 15 and 54 to 57 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

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 March 23, 2016, 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
March 23, 2016

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015. 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 2015 decreased \$29,348,283, including a prior period adjustment of (\$31,137,478) due primarily to the recording of the net pension liability, which represents a 117% decrease from fiscal year 2014. 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.
- General revenues amounted to \$25,810,042 and \$22,872,152, or 79% and 77% of all revenues for fiscal years 2015 and 2014, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,728,359, or 21% of total revenues for 2015, and \$6,705,782, or 23% of total revenues for 2014.
- The District had \$30,749,206 and \$29,423,740 in expenses for fiscal years 2015 and 2014; only \$6,728,359 for 2015 and \$6,705,782 for 2014 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$25,810,042 for 2015 and \$22,872,152 for 2014 were adequate to provide for these programs.
- Among major funds, the General Fund had \$23,931,885 in revenues and \$22,417,236 in expenditures for 2015, and \$20,920,023 in revenues and \$20,190,725 in expenditures in 2014. The General Fund's fund balance increased by \$5,968,133, including the fund reclass of Sixteenth Section Interest Funds from Special Revenue Fund to General Fund in the amount of \$1,393,010 and a prior period adjustment of (\$1,041), from 2014 to 2015, and increased by \$50,690, including a prior period adjustment of \$51,020, from 2013 to 2014.
- Capital assets, net of accumulated depreciation, decreased by \$893,397 for 2015 and decreased by \$670,626 for 2014. The decrease for 2015 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt increased by \$31,648,794 for 2015 and decreased by \$1,291,519 for 2014. The increase for 2015 was due primarily to the issuance of general obligation bonds during the fiscal year. The liability for compensated absences decreased by \$62 for 2015 and increased by \$22,475 for 2014.

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, 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.

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference 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, pension expense 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-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.

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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 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. Additionally, the Schedule of the District's Proportionate Share of the Net Pension Liability and the Schedule of District's Contributions are presented in this section.

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. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4,231,755 as of June 30, 2015.

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 1
Condensed Statement of Net Position

	June 30, 2015	June 30, 2014	Percentage Change
Current assets	\$ 10,799,792	\$ 9,947,572	8.57 %
Restricted assets	37,474,185	1,497,813	2,401.93 %
Capital assets, net	46,642,983	47,536,380	(1.88) %
Total assets	94,916,960	58,981,765	60.93 %
Deferred outflows of resources	3,082,096	307,563	902.10 %
Current liabilities	2,340,383	1,992,763	17.44 %
Long-term debt outstanding	66,618,338	32,180,037	107.02 %
Net pension liability	28,482,578	-	N/A %
Total liabilities	97,441,299	34,172,800	185.14 %
Deferred inflows of resources	4,789,512	-	N/A %
Net position:			
Net investment in capital assets	16,007,670	16,303,089	(1.81) %
Restricted	3,457,880	4,061,655	(14.87) %
Unrestricted	(23,697,305)	4,751,784	(598.70) %
Total net position (deficit)	\$ (4,231,755)	\$ 25,116,528	(116.85) %

Additional information on unrestricted net position:

In connection with the implementation of new standards on accounting and financial reporting for pensions, management presents the following additional information:

Total unrestricted net position (deficit)	\$ (23,697,305)
Less unrestricted deficit in net position resulting from implementation of GASB Statements No.68 and 71	30,454,272
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 6,756,967</u>

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 \$893,397.
- Implementation of GASB Statements No. 68 and 71 which required the recording of a liability for the proportionate share of the school district as well as the recording of deferred outflows/inflows of resources on the Statement of Net Position.
- The issuance of long-term debt in the amount of \$33,500,000.
- The principal retirement of \$1,851,206 of long-term debt.
- The net pension liability in the amount of \$28,482,578.

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2015 and June 30, 2014 were \$32,538,401 and \$29,577,934, respectively. The total cost of all programs and services was \$30,749,206 for 2015 and \$29,423,740 for 2014.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

GASB 68 was implemented in fiscal year 2015. Prior year amounts were not restated to reflect the implementation of GASB 68.

Table 2
Changes in Net Position

	Year Ended June 30, 2015	Year Ended June 30, 2014	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 449,869	\$ 441,128	1.98 %
Operating grants and contributions	6,278,490	6,264,654	0.22 %
General revenues:			
Property taxes	11,567,146	9,107,477	27.01 %
Grants and contributions not restricted	13,803,766	13,279,859	3.95 %
Investment earnings	66,628	63,783	4.46 %
Sixteenth section sources	179,073	213,634	(16.18) %
Other	193,429	207,399	(6.74) %
Total revenues	32,538,401	29,577,934	10.01 %
Expenses:			
Instruction	14,300,569	15,001,368	(4.67) %
Support services	10,524,628	11,001,620	(4.34) %
Non-instructional	2,375,746	2,371,753	0.17 %
Sixteenth section	35,642	41,234	(13.56) %
Pension expense	1,691,333	-	N/A %
Interest on long-term liabilities	1,821,288	1,007,765	80.73 %
Total expenses	30,749,206	29,423,740	4.50 %
Increase (Decrease) in net position	1,789,195	154,194	1,060.35 %
Net Position, July 1, as previously reported	25,116,528	24,542,544	2.34 %
Prior Period Adjustment	(31,137,478)	419,790	(7,517.39) %
Net Position (deficit), July 1, as restated	(6,020,950)	24,962,334	(124.12) %
Net Position (deficit), June 30	\$ (4,231,755)	\$ 25,116,528	(116.85) %

Governmental activities

The following table presents the cost of six major District functional activities: instruction, support services, non-instructional, sixteenth section, pension expense, 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.

GASB 68 was implemented in fiscal year 2015. Prior year amounts do not reflect the implementation of GASB 68.

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage
	2015	2014	Change
Instruction	\$ 14,300,569	\$ 15,001,368	(4.67) %
Support services	10,524,628	11,001,620	(4.34) %
Non-instructional	2,375,746	2,371,753	0.17 %
Sixteenth section	35,642	41,234	(13.56) %
Pension Expense	1,691,333	-	N/A %
Interest on long-term liabilities	1,821,288	1,007,765	80.73 %
Total expenses	\$ 30,749,206	\$ 29,423,740	4.50 %

	Net (Expense) Revenue		Percentage
	2015	2014	Change
Instruction	\$ (12,279,798)	\$ (12,844,305)	(4.39) %
Support services	(8,650,628)	(9,016,147)	(4.05) %
Non-instructional	450,674	183,020	146.24 %
Sixteenth section	(28,474)	(32,761)	(13.09) %
Pension Expense	(1,691,333)	-	N/A %
Interest on long-term liabilities	(1,821,288)	(1,007,765)	80.73 %
Total net (expense) revenue	\$ (24,020,847)	\$ (22,717,958)	5.74 %

- Net cost of governmental activities (\$24,020,847 for 2015 and \$22,717,958 for 2014) was financed by general revenue, which is primarily made up of property taxes (\$11,567,146 for 2015 and \$9,107,477 for 2014) and state and federal revenues (\$13,803,766 for 2015 and \$13,279,859 for 2014). In addition, there was \$179,073 and \$213,634 in Sixteenth Section sources for 2015 and 2014, respectively.
- Investment earnings amounted to \$66,628 for 2015 and \$63,783 for 2014.

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 \$46,235,287, an increase of \$36,519,088, which includes a prior period adjustment of (\$1,041) and an increase in inventory of \$7,919. \$7,079,436, or 15% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$39,155,851, or 85% 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.

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

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 \$5,968,133, which includes a fund reclassification for the Sixteenth Section Interest Fund in the amount of \$1,393,010 and a prior period adjustment of (\$1,041). The fund balance of Other Governmental Funds showed a decrease in the amount of \$420,753, which includes a fund reclassification for the Sixteenth Section Interest Fund in the amount of (\$1,393,010) and an increase in inventory of \$7,919. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I - A Basic Fund	no increase or decrease
Building Projects Fund	\$ 30,971,708

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 were 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, 2015, the District's total capital assets were \$61,804,167, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$460,644 from 2014. Total accumulated depreciation as of June 30, 2015, was \$15,161,184, and total depreciation expense for the year was \$1,508,544, resulting in total net capital assets of \$46,642,983.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
Land	\$ 68,710	\$ 68,710	0.00 %
Construction in Progress	388,982	-	N/A %
Buildings	40,958,537	41,934,799	(2.33) %
Building improvements	1,355,729	1,450,408	(6.53) %
Improvements other than buildings	2,892,158	3,055,754	(5.35) %
Mobile equipment	224,215	274,623	(18.36) %
Furniture and equipment	754,652	752,086	0.34 %
Total	\$ 46,642,983	\$ 47,536,380	(1.88) %

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

Debt Administration. At June 30, 2015, the District had \$63,807,915 in outstanding long-term debt, of which \$1,907,758 is due within one year. During the fiscal year, the District received proceeds from the issuance of general obligation bonds in the amount of \$33,500,000. The District made principal payments totaling \$1,851,206 on outstanding long-term debt. The liability for compensated absences decreased \$62 from the prior year.

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2015

The District maintains an A1 bond rating from Moody's and an S&P bond rating of AA.

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 40,505,000	\$ 8,330,000	386.25 %
Certificates of participation payable	14,645,000	14,825,000	(1.21) %
Three mill notes payable	1,210,000	1,365,000	(11.36) %
Shortfall notes payable	332,650	523,856	(36.50) %
Qualified school construction bonds payable	7,000,000	7,000,000	0.00 %
Compensated absences payable	115,265	115,327	(0.05) %
Total	<u>\$ 63,807,915</u>	<u>\$ 32,159,183</u>	98.41 %

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 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, 2015**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 9,793,238
Due from other governments	967,669
Inventories	38,885
Restricted assets	37,474,185
Capital assets, non-depreciable:	
Land	68,710
Construction in progress	388,982
Capital assets, net of accumulated depreciation:	
Buildings	40,958,537
Building improvements	1,355,729
Improvements other than buildings	2,892,158
Mobile equipment	224,215
Furniture and equipment	754,652
Total Assets	<u>94,916,960</u>
 Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt	264,278
Deferred outflow related to pensions	<u>2,817,818</u>
Total Deferred Outflows of Resources	<u>3,082,096</u>
 Liabilities	
Accounts payable and accrued liabilities	2,038,690
Interest payable on long-term liabilities	301,693
Long-term liabilities, due within one year:	
Capital related liabilities	1,705,000
Non-capital related liabilities	202,758
Long-term liabilities, due beyond one year:	
Capital related liabilities	57,488,481
Capital related bond premium	2,810,423
Non-capital related liabilities	4,411,676
Net pension liability	<u>28,482,578</u>
Total Liabilities	<u>97,441,299</u>
 Deferred Inflows of Resources	
Deferred inflow related to pensions	<u>4,789,512</u>
Total Deferred Inflows of Resources	<u>4,789,512</u>
 Net Position	
Net investment in capital assets	16,007,670
Restricted for:	
Expendable:	
School-based activities	1,001,731
Debt service	1,967,947
Forestry improvements	57,507
Unemployment benefits	72,195
Non-expendable:	
Sixteenth section	358,500
Unrestricted	<u>(23,697,305)</u>
Total Net Position (deficit)	<u>\$ (4,231,755)</u>

CANTON PUBLIC SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 14,300,569	\$ 188,637	\$ 1,832,134	\$ (12,279,798)
Support services	10,524,628	9,462	1,864,538	(8,650,628)
Non-instructional	2,375,746	244,602	2,581,818	450,674
Sixteenth section	35,642	7,168	-	(28,474)
Pension expense	1,691,333	-	-	(1,691,333)
Interest on long-term liabilities	1,821,288	-	-	(1,821,288)
Total Governmental Activities	\$ 30,749,206	\$ 449,869	\$ 6,278,490	\$ (24,020,847)

General Revenues:

Taxes:

General purpose levies

9,962,534

Debt purpose levies

1,604,612

Unrestricted grants and contributions:

State

13,478,601

Federal

325,165

Unrestricted investment earnings

66,628

Sixteenth section sources

179,073

Other

193,429

Total General Revenues

25,810,042

Change in Net Position

1,789,195

Net Position - Beginning, as previously reported

25,116,528

Prior Period Adjustments

(31,137,478)

Net Position (deficit) - Beginning, as restated

(6,020,950)

Net Position (deficit) - Ending

\$ (4,231,755)

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2015

	Major Funds			Other	Total
	General	Title I-A Basic	Building	Governmental	Governmental
	Fund	Fund	Projects	Funds	Funds
			Fund		
Assets					
Cash and cash equivalents	\$ 12,010,921	\$ 364	\$ 31,322,702	\$ 2,314,047	\$ 45,648,034
Cash with fiscal agents	-	-	-	1,619,389	1,619,389
Due from other governments	472,339	256,281	5,272	233,777	967,669
Due from other funds	307,158	-	-	2,343	309,501
Inventories	-	-	-	38,885	38,885
Total assets	\$ 12,790,418	\$ 256,645	\$ 31,327,974	\$ 4,208,441	\$ 48,583,478
Liabilities and Fund Balances					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,416,674	\$ 147,545	\$ 223,661	\$ 250,810	\$ 2,038,690
Due to other funds	2,343	109,100	-	198,058	309,501
Total Liabilities	1,419,017	256,645	223,661	448,868	2,348,191
Fund Balances:					
Nonspendable:					
Inventory	-	-	-	38,885	38,885
Permanent fund principal	-	-	-	358,500	358,500
Restricted:					
Debt service	-	-	-	2,269,640	2,269,640
Capital improvements	-	-	31,104,313	-	31,104,313
Forestry improvement purposes	-	-	-	57,507	57,507
Grant activities	-	-	-	65,811	65,811
Unemployment benefits	-	-	-	72,195	72,195
Food service	-	-	-	889,960	889,960
Technology Initiative	4,166,519	-	-	-	4,166,519
Sixteenth section	-	-	-	7,075	7,075
Assigned:					
Activity funds	125,446	-	-	-	125,446
Unassigned	7,079,436	-	-	-	7,079,436
Total Fund Balances	11,371,401	-	31,104,313	3,759,573	46,235,287
Total Liabilities and Fund Balances	\$ 12,790,418	\$ 256,645	\$ 31,327,974	\$ 4,208,441	\$ 48,583,478

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2015**

Exhibit C-1

Total fund balances for governmental funds \$ 46,235,287

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	
Construction in progress	388,982	
Buildings	50,639,288	
Building improvements	2,366,978	
Improvements other than buildings	4,089,901	
Mobile equipment	1,213,192	
Furniture and equipment	3,037,116	
Accumulated depreciation	<u>(15,161,184)</u>	46,642,983

2. Some liabilities, including net pension obligations, are not due and payable in the current period and, therefore, are not reported in the funds:

Net pension liability		(28,482,578)
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Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to pensions	2,817,818	
Deferred inflows of resources related to pensions	<u>(4,789,512)</u>	(1,971,694)

3. 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	(40,505,000)	
Other bonds payable	(7,000,000)	
Notes payable	(1,542,650)	
Certificates of participation	(14,645,000)	
Compensated absences	(115,265)	
Unamortized charges	264,278	
Unamortized premiums	(2,810,423)	
Accrued interest payable	<u>(301,693)</u>	(66,655,753)

Net Position of governmental activities		<u><u>\$ (4,231,755)</u></u>
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CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2015**

Exhibit D

	Major Funds				
	General Fund	Title I-A Basic Fund	Building Projects Fund	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local sources	\$ 10,383,108	\$ -	\$ 5,322	\$ 1,864,021	\$ 12,252,451
State sources	13,153,317	-	-	875,987	14,029,304
Federal sources	210,117	1,752,195	-	4,090,640	6,052,952
Sixteenth section sources	185,343	-	-	8,889	194,232
Total Revenues	23,931,885	1,752,195	5,322	6,839,537	32,528,939
Expenditures:					
Instruction	12,467,754	806,635	-	1,360,685	14,635,074
Support services	9,126,221	650,054	-	1,450,623	11,226,898
Noninstructional services	10,750	23,293	-	2,404,028	2,438,071
Sixteenth section	30,707	-	-	4,935	35,642
Facilities acquisition and construction	-	-	388,982	-	388,982
Debt service:					
Principal	-	-	-	1,851,206	1,851,206
Interest	-	-	-	1,090,631	1,090,631
Other	781,804	-	-	14,230	796,034
Total Expenditures	22,417,236	1,479,982	388,982	8,176,338	32,462,538
Excess (Deficiency) of Revenues over (under) Expenditures	1,514,649	272,213	(383,660)	(1,336,801)	66,401
Other Financing Sources (Uses):					
Bonds and notes issued	4,166,519	-	29,333,481	-	33,500,000
Insurance recovery	9,462	-	-	-	9,462
Payments held by escrow agent	-	-	-	466,667	466,667
Premiums on bonds issued	781,804	-	2,154,543	-	2,936,347
Payment to QSCB debt escrow agent	-	-	-	(466,667)	(466,667)
Operating transfers in	325,917	-	-	2,511,727	2,837,644
Operating transfers out	(2,222,187)	(272,213)	(132,656)	(210,588)	(2,837,644)
Total Other Financing Sources (Uses)	3,061,515	(272,213)	31,355,368	2,301,139	36,445,809
Net Change in Fund Balances	4,576,164	-	30,971,708	964,338	36,512,210
Fund Balances:					
July 1, 2014, as previously reported	5,403,268	-	132,605	4,180,326	9,716,199
Fund reclassification	1,393,010	-	-	(1,393,010)	-
Prior period adjustments	(1,041)	-	-	-	(1,041)
July 1, 2014, as restated	6,795,237	-	132,605	2,787,316	9,715,158
Increase (Decrease) in inventory	-	-	-	7,919	7,919
June 30, 2015	\$ 11,371,401	\$ -	\$ 31,104,313	\$ 3,759,573	\$ 46,235,287

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, 2015**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 36,512,210

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	\$ 620,751	
Depreciation expense	<u>(1,508,544)</u>	(887,793)

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. (5,604)

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 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	(33,500,000)	
Premiums on bonds and refunding bonds issued	(2,936,347)	
Payments of debt principal	1,851,206	
Accrued interest payable	<u>(38,116)</u>	(34,623,257)

4. Some items reported in the statement of activities relating to the implementation of GASB 68 are not reported in the governmental funds. These activities include:

Recording of pension expense for the current period	(1,691,333)	
Recording of contributions made subsequent to the measurement date	<u>2,373,498</u>	682,165

5. 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	62	
Change in inventory	7,919	
Amortization of deferred charges, premiums and discounts	<u>103,493</u>	111,474

Change in Net Position of governmental activities	\$	<u>1,789,195</u>
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CANTON PUBLIC SCHOOL DISTRICT**Fiduciary Funds****Statement of Fiduciary Assets and Liabilities
June 30, 2015****Exhibit E**

	Agency Funds
Assets	
Cash and cash equivalents	\$ 85,725
Total Assets	<u>\$ 85,725</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 53,191
Due to student clubs	32,534
Total Liabilities	<u>\$ 85,725</u>

Canton Public School District

Notes to the Financial Statements
June 30, 2015

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, 2015

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.

Title I - A Basic Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred under the Title I grants to local educational agencies program.

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

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.

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

Permanent 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

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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 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

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2003, issued by the U.S. Department of Education.

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

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

they are not available for appropriation and are not expendable available financial resources.

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

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

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

in the governmental activities column in the government-wide financial statements.

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

The following schedule details the capitalization thresholds:

	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 outflows from advance refunding debt and pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an inflow of resources revenue until then. The district has a deferred inflow from pension.

See Note 16 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 leave and/or vacation

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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.

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.

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

Assigned fund balance includes amounts that are constrained by the District's intent to be used for a specific purpose, but are neither restricted nor committed. For governmental funds, other than the general fund, this is the residual amount within the fund that is not restricted or committed. Assignments of fund balance are created by the Superintendent and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

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

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

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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 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 \$45,648,034 and \$85,725, 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, 2015, 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 \$1,619,389.

Note 3 - Interfund Receivables, Payables, and Transfers

The following is a summary of interfund transactions and balances:

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I - A Basic Fund	\$ 109,100
	Other Governmental Funds	198,058
Other Governmental Funds	General Fund	2,343
Total		<u>\$ 309,501</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.

B. Interfund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Building Projects Fund	\$ 132,656
	Other Governmental Funds	193,261
Other Governmental Funds	General Fund	2,222,187
	Title I - A Basic Fund	272,213
	Other Governmental Funds	17,327
Total		<u>\$ 2,837,644</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 \$365,575 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 cash balance totaling \$31,322,702 of the Building Project Fund.

In addition, the restricted assets represent the cash with fiscal agents, totaling \$1,619,389 of the Three Mill Notes Retirement Fund (which includes the QSCB Sinking Fund) and Bond Retirement Fund - Certificate of Participation.

In addition, the restricted assets represent the cash balance totaling \$4,166,519 of the Technology Innovative Fund.

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

Note 5 - Capital Assets

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

	Balance 7-1-2014	Increases	Decreases	Balance 6-30-2015
<u>Non-depreciable capital assets:</u>				
Land	\$ 68,710			68,710
Construction in progress	0	388,982		388,982
Total non-depreciable capital assets	68,710	388,982	0	457,692
<u>Depreciable capital assets:</u>				
Buildings	50,639,288			50,639,288
Building improvements	2,366,978			2,366,978
Improvements other than buildings	4,089,901			4,089,901
Mobile equipment	1,242,676	14,995	44,479	1,213,192
Furniture and equipment	2,935,970	216,774	115,628	3,037,116
Total depreciable capital assets	61,274,813	231,769	160,107	61,346,475
<u>Less accumulated depreciation for:</u>				
Buildings	8,704,489	976,262		9,680,751
Building improvements	916,570	94,679		1,011,249
Improvements other than buildings	1,034,147	163,596		1,197,743
Mobile equipment	968,053	60,955	40,031	988,977
Furniture and equipment	2,183,884	213,052	114,472	2,282,464
Total accumulated depreciation	13,807,143	1,508,544	154,503	15,161,184
Total depreciable capital assets, net	47,467,670	(1,276,775)	5,604	46,185,291
Governmental activities capital assets, net	\$ 47,536,380	(887,793)	5,604	46,642,983

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 1,216,995
Support services	186,134
Non-instructional	105,415
Total depreciation expense	\$ 1,508,544

Construction projects have not begun as of 6-30-2015. The \$388,982 presented in construction in progress are for architect fees.

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

Note 6 - Long-Term Liabilities

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

		Balance 7-1-2014	Additions	Reductions	Balance 6-30-2015	Amounts due in one year
A.	General obligation bonds payable	\$ 8,330,000	33,500,000	1,325,000	40,505,000	1,355,000
B.	Certificates of participation payable	14,825,000		180,000	14,645,000	190,000
C.	Three mill notes payable	1,365,000		155,000	1,210,000	160,000
D.	Shortfall notes payable	523,856		191,206	332,650	196,995
E.	Qualified school construction bonds	7,000,000			7,000,000	
F.	Compensated absences payable	115,327		62	115,265	5,763
	Total	\$ <u>32,159,183</u>	<u>33,500,000</u>	<u>1,851,268</u>	<u>63,807,915</u>	<u>1,907,758</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	230,000
2. General obligation refunding bonds, Series 2012	2.0-2.5%	05-01-12	04-01-22	5,185,000	4,325,000
3. General obligation refunding bonds, Series 2012B	1.0-2.25%	08-30-12	04-01-22	1,765,000	1,490,000
4. General obligation refunding bonds, Series 2013	2.0%	05-30-13	04-01-17	1,880,000	960,000
5. General obligation bonds, Series 2015	4.0-5.0%	06-09-15	06-30-35	<u>33,500,000</u>	<u>33,500,000</u>
Total				\$ <u>43,045,000</u>	<u>40,505,000</u>

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

Year Ending June 30	Principal	Interest	Total
2016	\$ 110,000	6,212	116,212
2017	<u>120,000</u>	<u>2,130</u>	<u>122,130</u>
Total	\$ <u>230,000</u>	<u>8,342</u>	<u>238,342</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, 2015

2. General obligation refunding bonds issued on May 1, 2012:

Year Ending June 30		Principal	Interest	Total
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		630,000	46,925	676,925
2021 - 2022		1,310,000	49,250	1,359,250
Total	\$	<u>4,325,000</u>	<u>404,477</u>	<u>4,729,477</u>

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

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

Year Ending June 30		Principal	Interest	Total
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		215,000	13,875	228,875
2021 - 2022		450,000	14,750	464,750
Total	\$	<u>1,490,000</u>	<u>120,725</u>	<u>1,610,725</u>

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

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

Year Ending June 30		Principal	Interest	Total
2016	\$	475,000	19,200	494,200
2017		485,000	9,700	494,700
Total	\$	<u>960,000</u>	<u>28,900</u>	<u>988,900</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, 2015

5. General obligation bonds issued on June 9, 2015:

Year Ending June 30		Principal	Interest	Total
2016	\$		1,459,532	1,459,532
2017			1,536,350	1,536,350
2018		910,000	1,518,150	2,428,150
2019		935,000	1,481,250	2,416,250
2020		995,000	1,437,675	2,432,675
2021 - 2025		6,385,000	6,339,875	12,724,875
2026 - 2030		10,260,000	4,702,838	14,962,838
2031 - 2035		14,015,000	1,821,875	15,836,875
Total	\$	<u>33,500,000</u>	<u>20,297,545</u>	<u>53,797,545</u>

This debt will be retired from the 2015 Bond Issue Retirement Fund

Total general obligation bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2016	\$	1,355,000	1,608,357	2,963,357
2017		1,400,000	1,656,192	3,056,192
2018		1,725,000	1,610,263	3,335,263
2019		1,765,000	1,558,114	3,323,114
2020		1,840,000	1,498,475	3,338,475
2021 - 2025		8,145,000	6,403,875	14,548,875
2026 - 2030		10,260,000	4,702,838	14,962,838
2031 - 2035		14,015,000	1,821,875	15,836,875
Total	\$	<u>40,505,000</u>	<u>20,859,989</u>	<u>61,364,989</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, 2015, the amount of outstanding bonded indebtedness was equal to 14% of property assessments as of October 1, 2014.

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

B. Certificates of participation payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of participation, Series 2010	2.0-4.75%	09-15-10	09-01-30	\$ <u>15,000,000</u>	<u>14,645,000</u>

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

Year Ending June 30	Principal	Interest	Total
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	525,000	567,353	1,092,353
2021-2025	4,410,000	2,414,094	6,824,094
2026-2030	6,535,000	1,158,550	7,693,550
2031	<u>1,500,000</u>	<u>35,625</u>	<u>1,535,625</u>
Total	\$ <u>14,645,000</u>	<u>6,604,908</u>	<u>21,249,908</u>

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>1,210,000</u>

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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		175,000	16,587	191,587
2021-2022		370,000	17,274	387,274
Total	\$	<u>1,210,000</u>	<u>145,160</u>	<u>1,355,160</u>

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

D. Shortfall notes payable

Debt currently outstanding is 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. Shortfall Note, Series 2013	3.0%	06-28-13	06-30-16	\$ 190,375	65,366
2. Shortfall Note, Series 2014	3.0%	06-30-14	06-30-17	395,049	267,284
Total				<u>\$ 585,424</u>	<u>332,650</u>

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

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$	<u>65,366</u>	<u>1,993</u>	<u>67,359</u>

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

2. Shortfall note payable issued on June 30, 2015:

<u>Year Ending June 30</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$	131,629	8,152	139,781
2017		135,655	4,126	139,781
Total	\$	<u>267,284</u>	<u>12,278</u>	<u>279,562</u>

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

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

Total shortfall notes payable payments for all issues:

Year Ending June 30		Principal	Interest	Total
2016	\$	196,995	10,145	207,140
2017		135,655	4,126	139,781
Total	\$	<u>332,650</u>	<u>14,271</u>	<u>346,921</u>

E. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
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 - Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for the following:

1. Ricoh MP50002SP Copier
2. Postage Meter - Central Office

Lease expenditures for the year ended June 30, 2015, amounted to \$1,440.

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

Future lease payments for these leases are as follows:

Year Ending June 30		Amount
2016	\$	2,508
2017		2,028
2018		2,028
2019		1,183
Total	\$	<u>7,747</u>

Note 8 - Defined Benefit Pension Plan

General Information about the 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. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the 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.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. 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, 2015 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, 2015, 2014, and 2013 were \$2,373,498, \$2,258,311, and \$2,100,586, respectively, which equaled the required contributions for each year.

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

At June 30, 2015, the school district reported a liability of \$28,482,578 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. At June 30, 2014, the school district's proportion was 0.234653 percent.

For the year ended June 30, 2015, the District recognized pension expense of \$1,691,333. At June 30, 2015 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 444,320	\$
Net difference between projected and actual earnings on pension plan investments		4,128,759
Changes in proportion and differences between District contributions and proportionate share of contributions		660,753
District contributions subsequent to the measurement date	2,373,498	
Total	<u>\$ 2,817,818</u>	<u>\$ 4,789,512</u>

\$2,373,498 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

in pension expense as follows:

Year ended June 30:	
2016	\$ (1,110,043)
2017	(1,110,043)
2018	(1,092,915)
2019	(1,032,191)
Total	\$ <u>(4,345,192)</u>

Actuarial assumptions. The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.5 percent
Salary increases	4.25 – 19.50 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2025, set forward two years for males.

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of an actuarial experience study for the period July 1, 2008 to June 30, 2012. The experience report is dated June 12, 2013.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Broad	34%	5.20%
International Equity	19	5.00
Emerging Markets Equity	8	5.45
Fixed Income	20	0.25
Real Assets	10	4.00
Private Equity	8	6.15
Cash	1	(0.50)
Total	<u>100%</u>	

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

Discount rate. The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 8 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
District's proportionate share of the net pension liability	\$ <u>38,830,247</u>	\$ <u>28,482,578</u>	\$ <u>19,851,083</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial report.

Note 9 - 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, 2015

Year Ending June 30		Amount
2016	\$	105,426
2017		23,514
2018		14,764
2019		14,764
2020		14,764
2021 - 2025		48,584
2026 - 2030		33,069
2031 - 2035		27,994
2036 - 2040		22,969
Thereafter		45,123
Total	\$	<u>350,971</u>

Note 10 - Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. Implementation of GASB 68 and 71:	\$
Net pension liability (06-30-14)	(33,394,748)
Deferred outflows - contributions made during fiscal year 2014	<u>2,258,311</u>
Total prior period adjustment related to GASB 68 and 71	(31,136,437)
2. To reverse receivable not collected.	<u>(1,041)</u>
Total	\$ <u><u>(31,137,478)</u></u>

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

Major Funds	Explanation(s)	Amount
General Fund	See explanation above	\$ <u><u>(1,041)</u></u>

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 11 - 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 12 - 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 13 - Trust Certificates

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 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.

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

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

Note 14 - Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. 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. For the year ended June 30, 2015, the subsidy payments amounted to \$156,570.

Pursuant to Section 2.5 and Section 2.6 of the Investment Trust Agreement, the Trustee, which is Trustmark National Bank, applies for and receives the direct payment of 5.63% (equal to the tax credit rate) and invoices the Canton Public School District for the difference between the stated rate (6.09%) and the tax credit rate of 0.46%. According to the terms of the Investment Trust Agreement, these payments are to be made directly to the Trustee thereby reducing the amount of interest actually paid by the Canton Public School District.

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, 2015 was \$1,619,389. 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, 2015

Qualified School Construction Bonds issued January 6, 2011:

Year Ending June 30		Amount	Interest	Total
2016	\$	200,000	182,700	382,700
2017		200,000	182,700	382,700
2018		200,000	182,700	382,700
2019		200,000	182,700	382,700
2020		200,000	182,700	382,700
2021 - 2025		1,000,000	913,500	1,913,500
2026		200,000	182,700	382,700
Total	\$	<u>2,200,000</u>	<u>2,009,700</u>	<u>4,209,700</u>

Qualified School Construction Bonds issued November 8, 2011:

Year Ending June 30		Amount	Interest	Total
2016	\$	266,667	243,600	510,267
2017		266,667	243,600	510,267
2018		266,667	243,600	510,267
2019		266,667	243,600	510,267
2020		266,667	243,600	510,267
2021 - 2025		1,333,335	1,218,000	2,551,335
2026- 2027		533,329	426,300	959,629
Total	\$	<u>3,199,999</u>	<u>2,862,300</u>	<u>6,062,299</u>

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2015

Total Qualified School Construction Bonds sinking payments for all issues:

Year Ending June 30	Amount	Interest	Total
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	466,667	426,300	892,967
2021 - 2025	2,333,335	2,131,500	4,464,835
2026- 2027	733,329	609,000	1,342,329
Total	\$ 5,399,999	4,872,000	10,271,999

Note 15 - Insurance Loss Recoveries

The Canton Public School District received \$9,462 in insurance loss recoveries related to gym floor damage during the 2014 - 2015 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as support services.

Note 16 - Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$16,007,670 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$264,278 balance of the deferred outflow of resources at June 30, 2015 will be recognized as an expense and decrease the net investment in capital assets net position over the next 7 years.

The unrestricted net position amount of (\$23,697,305) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. The \$2,817,818 balance of deferred outflow of resources, at June 30, 2015 will be recognized as an expense and will decrease the unrestricted net position over the next 3 years.

The unrestricted net position amount of (\$23,697,305) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$4,789,512 balance of deferred inflow of resources, at June 30, 2015 will be recognized as a revenue and will increase the unrestricted net position over the next 4 years.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2015

Note 17 - Fund Reclassification

The Sixteenth Section Interest fund beginning fund balance of \$1,393,010 was reclassified from the Special Revenue Fund to the General Fund, effective July 1, 2014. This change was necessary to meet the requirements of GASB 54 and to stay in compliance with the reporting requirements based on Sections 29-3-115 and 29-3-117, Miss. Code of 1972.

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, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 9,601,564	\$ 10,383,108	\$ 10,383,108	\$ 781,544	\$ -
State sources	13,182,656	13,153,317	13,153,317	(29,339)	-
Federal sources	264,950	210,117	210,117	(54,833)	-
Sixteenth section sources	-	185,343	185,343	185,343	-
Total Revenues	23,049,170	23,931,885	23,931,885	882,715	-
Expenditures:					
Instruction	12,711,750	12,467,754	12,467,754	243,996	-
Support services	9,535,967	9,126,221	9,126,221	409,746	-
Noninstructional services	-	10,750	10,750	(10,750)	-
Sixteenth section	-	30,707	30,707	(30,707)	-
Debt service:					
Principal	4,751	-	-	4,751	-
Interest	5,524	-	-	5,524	-
Other	-	-	781,804	-	(781,804)
Total Expenditures	22,257,992	21,635,432	22,417,236	622,560	(781,804)
Excess (Deficiency) of Revenues over (under) Expenditures	791,178	2,296,453	1,514,649	1,505,275	(781,804)
Other Financing Sources (Uses):					
Bonds issued	-	4,166,519	4,166,519	4,166,519	-
Insurance recovery	-	9,462	9,462	9,462	-
Premiums on bonds issued	-	-	781,804	-	781,804
Operating transfers in	2,034,691	2,195,364	325,917	160,673	(1,869,447)
Operating transfers out	(4,138,489)	(4,091,634)	(2,222,187)	46,855	1,869,447
Total Other Financing Sources (Uses)	(2,103,798)	2,279,711	3,061,515	4,383,509	781,804
Net Change in Fund Balances	(1,312,620)	4,576,164	4,576,164	5,888,784	-
Fund Balances:					
July 1, 2014, as previously reported	5,346,711	6,906,889	5,403,268	1,560,178	(1,503,621)
Fund reclassification	-	-	1,393,010	-	1,393,010
Prior period adjustments	-	(111,652)	(1,041)	(111,652)	110,611
July 1, 2014, as restated	5,346,711	6,795,237	6,795,237	1,448,526	-
June 30, 2015	\$ 4,034,091	\$ 11,371,401	\$ 11,371,401	\$ 7,337,310	\$ -

CANTON PUBLIC SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

Title I - A Basic Fund

For the Year Ended June 30, 2015

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,802,732	\$ 1,899,809	\$ 1,752,195	\$ 97,077	\$ (147,614)
Total Revenues	1,802,732	1,899,809	1,752,195	97,077	(147,614)
Expenditures:					
Instruction	780,503	835,250	806,635	(54,747)	28,615
Support services	708,915	750,137	650,054	(41,222)	100,083
Noninstructional services	32,658	33,590	23,293	(932)	10,297
Total Expenditures	1,522,076	1,618,977	1,479,982	(96,901)	138,995
Excess (Deficiency) of Revenues over (under) Expenditures	280,656	280,832	272,213	176	(8,619)
Other Financing Sources (Uses):					
Operating transfers out	(280,656)	(280,832)	(272,213)	(176)	8,619
Total Other Financing Sources (Uses)	(280,656)	(280,832)	(272,213)	(176)	8,619
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2014	-	-	-	-	-
June 30, 2015	\$ -	\$ -	\$ -	\$ -	\$ -

Canton Public School District

Schedule of the District's Proportionate Share of the Net Pension Liability

PERS

Last 10 Fiscal Years*

District's proportion of the net pension liability (asset)	\$ <u>2015</u> 28,482,578
District's proportionate share of the net pension liability (asset)	0.234653%
District's covered - employee payroll	14,338,483
District's proportionate share of the net pension liability (asset) as a percentage of its covered - employee payroll	198.644296%
Plan fiduciary net position as a percentage of the total pension liability	67.207687%

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

* The amounts presented for each fiscal year were determined as of the measurement date of 6/30 of the year prior to the fiscal year presented.

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

Canton Public School District
Schedule of District Contributions
PERS
Last 10 Fiscal Years

	2015
Contractually required contribution	\$ <u>2,373,498</u>
Contributions in relation to the contractually required contribution	2,373,498
Contribution deficiency (excess)	\$ <u><u>-</u></u>
District's covered - employee payroll	15,069,829
Contributions as a percentage of covered - employee payroll	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Canton Public School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2015

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.

Pension Schedules

(1) Changes of benefit terms

None.

(2) Changes of assumptions

None.

SUPPLEMENTARY INFORMATION

Canton Public School District
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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	\$ 690,581
National School Lunch Program	10.555	1,919,483
Summer Food Service Program for Children	10.559	31,519
Total Child Nutrition Cluster		<u>2,641,583</u>
Fresh Fruits and Vegetables Program	10.582	128,850
Total passed-through the Mississippi Department of Education		<u>2,770,433</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>2,770,433</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	41,522
TOTAL U. S. DEPARTMENT OF DEFENSE		<u>41,522</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	149,512
TOTAL FEDERAL COMMUNICATIONS COMMISSION		<u>149,512</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,753,908
Career and Technical Education - Basic Grants to States	84.048	50,826
English Language Acquisition Grants	84.365	18,016
Improving Teacher Quality - State Grants	84.367	364,238
Subtotal		<u>2,186,988</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	712,970
Special Education - Preschool Grants	84.173	15,874
Total Special Education Cluster		<u>728,844</u>
Total passed-through the Mississippi Department of Education		<u>2,915,832</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>2,915,832</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	6,098
Total passed-through the Mississippi Department of Education		<u>6,098</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>6,098</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 5,883,397</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, 2015

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 20,690,658	15,741,877	1,169,637	1,468,315	2,310,829
Other	11,771,880	1,796,179	394,950	23,856	9,556,895
Total	\$ <u>32,462,538</u>	<u>17,538,056</u>	<u>1,564,587</u>	<u>1,492,171</u>	<u>11,867,724</u>
Total number of students *	<u>3,209</u>				
Cost per student	\$ <u>10,116</u>	<u>5,465</u>	<u>488</u>	<u>465</u>	<u>3,698</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

"UNAUDITED"

General Fund

Last Four Years

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 10,383,108	7,896,855	7,628,296	7,615,095
State sources	13,153,317	12,767,686	12,615,828	12,507,681
Federal sources	210,117	255,482	538,927	180,157
Sixteenth section sources	185,343	-	-	-
Total Revenues	<u>23,931,885</u>	<u>20,920,023</u>	<u>20,783,051</u>	<u>20,302,933</u>
Expenditures:				
Instruction	12,467,754	11,549,093	11,754,867	10,691,476
Support services	9,126,221	8,640,882	8,638,028	7,795,227
Noninstructional services	10,750	750	8,400	18,000
Sixteenth section	30,707	-	-	-
Debt Service:				
Principal	-	-	3,295	4,468
Interest	-	-	1,716	800
Other	781,804	-	-	-
Total Expenditures	<u>22,417,236</u>	<u>20,190,725</u>	<u>20,406,306</u>	<u>18,509,971</u>
Excess (Deficiency) of Revenues over Expenditures	<u>1,514,649</u>	<u>729,298</u>	<u>376,745</u>	<u>1,792,962</u>
Other Financing Sources (Uses):				
Bonds and notes issued	4,166,519	395,049	190,375	-
Insurance recovery	9,462	61,573	4,184	-
Premiums on bonds issued	781,804	-	-	-
Sale of transportation equipment	-	-	-	6,288
Operating transfers in	325,917	698,863	179,255	738,780
Operating transfers out	(2,222,187)	(1,885,113)	(1,623,696)	(1,811,095)
Other financing uses	-	-	-	(3,122)
Total Other Financing Sources (Uses)	<u>3,061,515</u>	<u>(729,628)</u>	<u>(1,249,882)</u>	<u>(1,069,149)</u>
Net Change in Fund Balances	<u>4,576,164</u>	<u>(330)</u>	<u>(873,137)</u>	<u>723,813</u>
Fund Balances:				
July 1, as previously reported	5,403,268	5,352,578	6,227,577	5,525,902
Fund reclassification	1,393,010	-	-	-
Prior period adjustments	(1,041)	51,020	(1,862)	(22,138)
July 1, as restated	<u>6,795,237</u>	<u>5,403,598</u>	<u>6,225,715</u>	<u>5,503,764</u>
June 30,	<u>\$ 11,371,401</u>	<u>5,403,268</u>	<u>5,352,578</u>	<u>\$ 6,227,577</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

CANTON PUBLIC SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2015	2014*	2013*	2012*
Revenues:				
Local sources	\$ 12,252,451	9,740,243	9,475,557	9,879,595
State sources	14,029,304	13,528,856	13,422,814	13,361,459
Federal sources	6,052,952	6,015,658	6,337,303	8,182,689
Sixteenth section sources	194,232	231,604	142,686	326,545
Total Revenues	<u>32,528,939</u>	<u>29,516,361</u>	<u>29,378,360</u>	<u>31,750,288</u>
Expenditures:				
Instruction	14,635,074	13,808,642	14,243,725	14,947,627
Support services	11,226,898	10,862,345	11,613,118	10,557,419
Noninstructional services	2,438,071	2,288,813	2,341,582	2,394,900
Sixteenth section	35,642	41,234	42,820	182,914
Facilities acquisition and construction	388,982	200,000	8,719,010	13,766,344
Debt service:				
Principal	1,851,206	1,686,568	1,398,295	1,729,211
Interest	1,090,631	950,160	991,131	1,202,719
Other	796,034	23,452	119,284	177,627
Total Expenditures	<u>32,462,538</u>	<u>29,861,214</u>	<u>39,468,965</u>	<u>44,958,761</u>
Excess (Deficiency) of Revenues over Expenditures	<u>66,401</u>	<u>(344,853)</u>	<u>(10,090,605)</u>	<u>(13,208,473)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	33,500,000	395,049	190,375	-
Proceeds of loans	-	-	-	4,000,000
Insurance recovery	9,462	61,573	4,184	-
Refunding bonds issued	-	-	3,645,000	6,845,000
Payments held by escrow agent	466,667	466,667	466,667	200,000
Premiums on refunding bonds issued	2,936,347	-	34,758	-
Payment to refunded bond escrow agent	-	-	(3,584,256)	(6,726,530)
Payment to QSCB debt escrow agent	(466,667)	(466,667)	(466,667)	(200,000)
Sale of transportation equipment	-	-	-	6,288
Operating transfers in	2,837,644	2,867,741	2,416,353	2,794,192
Operating transfers out	(2,837,644)	(2,867,741)	(2,416,353)	(2,794,192)
Other financing uses	-	-	-	(12,788)
Total Other Financing Sources (Uses)	<u>36,445,809</u>	<u>456,622</u>	<u>290,061</u>	<u>4,111,970</u>
Net Change in Fund Balances	<u>36,512,210</u>	<u>111,769</u>	<u>(9,800,544)</u>	<u>(9,096,503)</u>
Fund Balances:				
July 1, as previously reported	9,716,199	9,706,480	19,504,600	28,645,284
Prior period adjustments	(1,041)	(104,966)	21,491	(22,138)
July 1, as restated	<u>9,715,158</u>	<u>9,601,514</u>	<u>19,526,091</u>	<u>28,623,146</u>
Increase (Decrease) in inventory	7,919	2,916	(19,067)	(22,043)
June 30,	<u>\$ 46,235,287</u>	<u>9,716,199</u>	<u>9,706,480</u>	<u>19,504,600</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, 2015, 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 March 23, 2016.

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.

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
March 23, 2016

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, 2015. 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, 2015.

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
March 23, 2016

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, 2015, which collectively comprise Canton Public School District's basic financial statements and have issued our report thereon dated March 23, 2016. 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.

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The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements did not disclose any instances of noncompliance with other state laws and regulations.

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

Fortenberry & Ballard, PC
March 23, 2016

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Canton Public School District

Schedule of Findings and Questioned Costs For the Year Ended June 30, 2015

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
84.010	Title I Grants to Local Educational Agencies

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.