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CANTON PUBLIC SCHOOL DISTRICT

Audited Financial Statements
For the Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

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P.O. Box 41
Madison, MS 39110
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INDEPENDENT AUDITOR'S REPORT

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, 2018, 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, 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, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 6-13, 48-50, 51, 52, 53 and 54, respectively, 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 basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 February 27, 2019, 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 solely 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 the effectiveness of the Canton Public School District's 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.

JD CPA, PLLC

Madison, Mississippi
February 27, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Canton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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, 2018. 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 2018 decreased \$4,297,337, including a prior period adjustment of (\$2,794,347) due to the recording of the net OPEB liability and the related deferred inflows and outflows, which represents a 55% decrease from fiscal year 2017. Total net position for 2017 increased \$123,448, including a prior period adjustment of (\$88,188), which represents a 2% increase from fiscal year 2016.
- General revenues amounted to \$31,372,900 and \$31,045,309, or 81% and 82% of all revenues for fiscal years 2018 and 2017, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,320,144, or 19% of total revenues for 2018, and \$7,035,438, or 18% of total revenues for 2017.
- The District had \$40,196,034 and \$37,869,111 in expenses for fiscal years 2018 and 2017; only \$7,320,144 for 2018 and \$7,035,438 for 2017 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$31,372,900 for 2018 were not adequate to provide for these programs. General revenues of \$31,045,309 for 2017 were adequate to provide for these programs.
- Among major funds, the General Fund had \$27,765,784 in revenues and \$24,335,762 in expenditures for 2018, and \$27,669,860 in revenues and \$23,606,623 in expenditures in 2017. The General Fund's fund balance increased by \$1,147,471 from 2017 to 2018, and increased by \$1,787,963 from 2016 to 2017, including a prior period adjustment of (\$2,440).
- Capital assets, net of accumulated depreciation, increased by \$8,305,288 for 2018 and increased by \$14,741,005 for 2017. The increase for 2018 was due primarily to completed and ongoing construction of school facilities and the purchase of various items of mobile equipment and furniture and equipment.
- Long-term debt, excluding compensated absences, decreased by \$390,000 for 2018 and decreased by \$2,175,655 for 2017. The decrease for 2018 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$70,233 for 2018 and decreased by \$10,969 for 2017.

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, 2018

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them 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, OPEB 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.

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:

Canton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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.

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on 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, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards 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 \$12,160,118 as of June 30, 2018.

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.

Canton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 1 presents a summary of the District's net position at June 30, 2018 and June 30, 2017.

Table 1
Condensed Statement of Net Position

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
Current assets	\$ 16,424,179	\$ 15,397,311	6.67 %
Restricted assets	5,244,581	15,045,696	(65.14) %
Capital assets, net	71,804,979	63,499,691	13.08 %
Total assets	93,473,739	93,942,698	(0.50) %
 Deferred outflows of resources	 5,775,378	 10,990,139	 (47.45) %
Current liabilities	2,860,465	4,805,493	(40.48) %
Long-term debt outstanding	61,784,344	62,243,937	(0.74) %
Net OPEB liability	2,886,565	-	N/A %
Net pension liability	42,791,941	45,440,049	(5.83) %
Total liabilities	110,323,315	112,489,479	(1.93) %
 Deferred inflows of resources	 1,085,920	 306,139	 254.71 %
 Net position:			
Net investment in capital assets	15,236,969	15,449,153	(1.37) %
Restricted	5,534,172	4,760,156	16.26 %
Unrestricted	(32,931,259)	(28,072,090)	(17.31) %
Total net position	\$ (12,160,118)	\$ (7,862,781)	(54.65) %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (32,931,259)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	<u>41,125,882</u>
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	<u>\$ 8,194,623</u>

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

- Increase in net capital assets in the amount of \$8,305,288.
- The issuance of certificates of participation in the amount of \$2,000,000.
- The principal retirement of \$2,390,000 of long-term debt.
- Recognition of the net pension liability in the amount of \$42,791,941.
- Implementation of GASB 75 which resulted in the recognition of a net OPEB liability in the amount of \$2,886,565.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2018 and June 30, 2017 were \$38,693,044 and \$38,080,747, respectively. The total cost of all programs and services was \$40,196,034 for 2018 and \$37,869,111 for 2017.

Canton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2018 and June 30, 2017.

Table 2
Changes in Net Position

	<u>Year Ended</u> <u>June 30, 2018</u>	<u>Year Ended</u> <u>June 30, 2017</u>	<u>Percentage</u> <u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 437,382	\$ 451,909	(3.21) %
Operating grants and contributions	6,882,762	6,583,529	4.55 %
General revenues:			
Property taxes	15,328,930	14,588,660	5.07 %
Grants and contributions not restricted	15,604,952	15,777,424	(1.09) %
Investment earnings	34,624	71,843	(51.81) %
Sixteenth section sources	186,924	377,789	(50.52) %
Other	217,470	229,593	(5.28) %
Total revenues	<u>38,693,044</u>	<u>38,080,747</u>	1.61 %
Expenses:			
Instruction	16,071,410	15,437,286	4.11 %
Support services	12,789,482	11,224,352	13.94 %
Non-instructional	2,492,077	2,390,472	4.25 %
Sixteenth section	40,324	81,371	(50.44) %
Pension expense	5,939,352	6,103,475	(2.69) %
OPEB expense	157,591	-	N/A %
Interest on long-term liabilities	2,705,798	2,632,155	2.80 %
Total expenses	<u>40,196,034</u>	<u>37,869,111</u>	6.14 %
Increase (Decrease) in net position	<u>(1,502,990)</u>	<u>211,636</u>	(810.18) %
Net Position, July 1, as previously reported	<u>(7,862,781)</u>	<u>(7,986,229)</u>	1.55 %
Prior Period Adjustment	<u>(2,794,347)</u>	<u>(88,188)</u>	(3,068.62) %
Net Position, July 1, as restated	<u>(10,657,128)</u>	<u>(8,074,417)</u>	(31.99) %
Net Position, June 30	<u><u>\$ (12,160,118)</u></u>	<u><u>\$ (7,862,781)</u></u>	(54.65) %

Governmental activities

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

Canton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2018	2017	
Instruction	\$ 16,071,410	\$ 15,437,286	4.11 %
Support services	12,789,482	11,224,352	13.94 %
Non-instructional	2,492,077	2,390,472	4.25 %
Sixteenth section	40,324	81,371	(50.44) %
Pension Expense	5,939,352	6,103,475	(2.69) %
OPEB Expense	157,591	-	N/A %
Interest on long-term liabilities	2,705,798	2,632,155	2.80 %
Total expenses	\$ 40,196,034	\$ 37,869,111	6.14 %

	Net (Expense) Revenue		Percentage Change
	2018	2017	
Instruction	\$ (13,547,968)	\$ (13,283,030)	(1.99) %
Support services	(10,850,121)	(9,211,738)	(17.79) %
Non-instructional	365,264	455,781	19.86 %
Sixteenth section	(40,324)	(59,056)	31.72 %
Pension Expense	(5,939,352)	(6,103,475)	2.69 %
OPEB Expense	(157,591)	-	N/A %
Interest on long-term liabilities	(2,705,798)	(2,632,155)	(2.80) %
Total net (expense) revenue	\$ (32,875,890)	\$ (30,833,673)	(6.62) %

- Net cost of governmental activities (\$32,875,890 for 2018 and \$30,833,673 for 2017) was financed by general revenue, which is primarily made up of property taxes (\$15,328,930 for 2018 and \$14,588,660 for 2017) and state and federal revenues (\$15,604,952 for 2018 and \$15,777,424 for 2017). In addition, there was \$186,924 and \$377,789 in Sixteenth Section sources for 2018 and 2017, respectively.
- Investment earnings amounted to \$34,624 for 2018 and \$71,843 for 2017.

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 \$19,193,118, a decrease of \$6,802,424, which includes an increase in inventory of \$1,696. \$7,200,047, or 38% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The remaining fund balance of \$11,993,071, or 62% is either non-spendable, restricted, committed or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

Canton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

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 \$1,147,471. The fund balance of Other Governmental Funds showed an increase in the amount of \$355,855, which includes an increase in inventory of \$1,696. 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	\$ (8,750,706)
Three Mill Notes Retirement Fund	\$ 444,956

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, 2018, the District's total capital assets were \$89,972,230, 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 \$9,866,550 from 2017, due primarily to completed and ongoing construction of school facilities and the purchase of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2018, was \$18,167,251, and total depreciation expense for the year was \$1,593,674, resulting in total net capital assets of \$71,804,979.

Table 4
Capital Assets, Net of Accumulated Depreciation

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage</u> <u>Change</u>
Land	\$ 68,710	\$ 68,710	0.00 %
Construction in Progress	25,169,526	20,735,823	21.38 %
Buildings	42,160,637	38,490,238	9.54 %
Building improvements	581,160	638,106	(8.92) %
Improvements other than buildings	2,401,370	2,564,966	(6.38) %
Mobile equipment	466,338	514,461	(9.35) %
Furniture and equipment	957,238	487,387	96.40 %
Total	<u>\$ 71,804,979</u>	<u>\$ 63,499,691</u>	13.08 %

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

Debt Administration. At June 30, 2018, the District had \$59,407,301 in outstanding long-term debt, of which \$2,569,115 is due within one year. During the fiscal year, the District received proceeds from the issuance of certificates of participation in the amount of \$2,000,000. The District made principal payments totaling \$2,390,000 on outstanding long-term debt. The liability for compensated absences increased \$70,233 from the prior year.

Canton Public School District
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Table 5
Outstanding Long-Term Debt

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 36,025,000	\$ 37,750,000	(4.57) %
Certificates of participation payable	15,480,000	13,975,000	10.77 %
Three mill notes payable	720,000	890,000	(19.10) %
Qualified school construction bonds payable	7,000,000	7,000,000	0.00 %
Compensated absences payable	182,301	112,068	62.67 %
Total	<u>\$ 59,407,301</u>	<u>\$ 59,727,068</u>	(0.54) %

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.

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FINANCIAL STATEMENTS

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CANTON PUBLIC SCHOOL DISTRICT

**Statement of Net Position
June 30, 2018**

Exhibit A

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 15,116,350
Due from other governments	1,272,377
Other receivables, net	4,589
Inventories	30,863
Restricted assets	5,244,581
Capital assets, non-depreciable:	
Land	68,710
Construction in progress	25,169,526
Capital assets, net of accumulated depreciation:	
Buildings	42,160,637
Building improvements	581,160
Improvements other than buildings	2,401,370
Mobile equipment	466,338
Furniture and equipment	957,238
Total Assets	<u>93,473,739</u>
 Deferred Outflows of Resources	
Deferred outflows - advance refunding of debt	136,834
Deferred outflows - pensions	5,433,875
Deferred outflows - OPEB	204,669
Total Deferred Outflows of Resources	<u>5,775,378</u>
 Liabilities	
Accounts payable and accrued liabilities	2,475,342
Unearned revenue	300
Interest payable on long-term liabilities	384,823
Long-term liabilities, due within one year:	
Capital related liabilities	2,447,800
Non-capital related liabilities	121,315
Net OPEB liability	117,190
Long-term liabilities, due beyond one year:	
Capital related liabilities	52,866,400
Capital related bond premiums	2,377,043
Non-capital related liabilities	3,971,786
Net pension liability	42,791,941
Net OPEB liability	2,769,375
Total Liabilities	<u>110,323,315</u>
 Deferred Inflows of Resources	
Deferred inflows - pensions	938,937
Deferred inflows - OPEB	146,983
Total Deferred Inflows of Resources	<u>1,085,920</u>
 Net Position	
Net investment in capital assets	15,236,969
Restricted for:	
Expendable:	
School-based activities	2,358,947
Debt service	2,694,759
Forestry improvements	69,941
Unemployment benefits	52,025
Non-expendable:	
Sixteenth section	358,500
Unrestricted	(32,931,259)
Total Net Position (deficit)	<u><u>\$ (12,160,118)</u></u>

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

CANTON PUBLIC SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
					Governmental Activities
Governmental Activities:					
Instruction	\$ 16,071,410	\$ 209,834	\$ 2,313,608	\$ -	\$ (13,547,968)
Support services	12,789,482	-	1,939,361	-	(10,850,121)
Non-instructional	2,492,077	227,548	2,629,793	-	365,264
Sixteenth section	40,324	-	-	-	(40,324)
Pension expense	5,939,352	-	-	-	(5,939,352)
OPEB expense	157,591	-	-	-	(157,591)
Interest on long-term liabilities	2,705,798	-	-	-	(2,705,798)
Total Governmental Activities	<u>\$ 40,196,034</u>	<u>\$ 437,382</u>	<u>\$ 6,882,762</u>	<u>\$ -</u>	<u>\$ (32,875,890)</u>

General Revenues:

Taxes:

General purpose levies 12,133,125

Debt purpose levies 3,195,805

Unrestricted grants and contributions:

State 15,077,829

Federal 176,219

Unrestricted investment earnings 34,624

Sixteenth section sources 186,924

Other 568,374

Total General Revenues 31,372,900

Change in Net Position (1,502,990)

Net Position - Beginning, as previously reported (7,862,781)

Prior Period Adjustments (2,794,347)

Net Position - Beginning, as restated (10,657,128)

Net Position (deficit) - Ending \$ (12,160,118)

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

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2018

	Major Funds					Total Governmental Funds
	General Fund	Title I-A Basic Fund	Building Projects Fund	Three Mill Notes Retirement Fund	Other Governmental Funds	
Assets						
Cash and cash equivalents	\$ 12,586,623	\$ -	\$ 4	\$ -	\$ 2,888,995	\$ 15,475,622
Cash with fiscal agents	-	-	1,847,511	3,037,798	-	4,885,309
Due from other governments	533,864	324,708	-	12,193	401,612	1,272,377
Other receivables, net	4,589	-	-	-	-	4,589
Due from other funds	412,217	-	-	-	-	412,217
Inventories	-	-	-	-	30,863	30,863
Total assets	<u>\$ 13,537,293</u>	<u>\$ 324,708</u>	<u>\$ 1,847,515</u>	<u>\$ 3,049,991</u>	<u>\$ 3,321,470</u>	<u>\$ 22,080,977</u>
Liabilities and Fund Balances						
Liabilities:						
Accounts payable and accrued liabilities	\$ 1,249,569	\$ 122,887	\$ 852,116	\$ -	\$ 250,770	\$ 2,475,342
Due to other funds	-	201,821	9,000	11,238	190,158	412,217
Unavailable revenue	-	-	-	-	300	300
Total Liabilities	<u>1,249,569</u>	<u>324,708</u>	<u>861,116</u>	<u>11,238</u>	<u>441,228</u>	<u>2,887,859</u>
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	30,863	30,863
Permanent fund principal	-	-	-	-	358,500	358,500
Restricted:						
Debt service	-	-	-	3,038,753	40,829	3,079,582
Capital projects	-	-	986,399	-	-	986,399
Forestry improvement purposes	-	-	-	-	69,941	69,941
Grant activities	-	-	-	-	446,517	446,517
Unemployment benefits	-	-	-	-	52,025	52,025
Food service	-	-	-	-	1,880,795	1,880,795
Sixteenth section	-	-	-	-	772	772
Assigned:						
District initiatives/special projects	5,009,378	-	-	-	-	5,009,378
Activity funds	78,299	-	-	-	-	78,299
Unassigned	<u>7,200,047</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,200,047</u>
Total Fund Balances	<u>12,287,724</u>	<u>-</u>	<u>986,399</u>	<u>3,038,753</u>	<u>2,880,242</u>	<u>19,193,118</u>
Total Liabilities and Fund Balances	<u>\$ 13,537,293</u>	<u>\$ 324,708</u>	<u>\$ 1,847,515</u>	<u>\$ 3,049,991</u>	<u>\$ 3,321,470</u>	<u>\$ 22,080,977</u>

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

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018**

Exhibit C-1

Total fund balances for governmental funds \$ 19,193,118

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	25,169,526	
Buildings	54,370,762	
Building improvements	1,423,651	
Improvements other than buildings	4,089,901	
Mobile equipment	1,171,876	
Furniture and equipment	3,677,804	
Accumulated depreciation	<u>(18,167,251)</u>	71,804,979

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	(42,791,941)	
-----------------------	--------------	--

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	5,433,875	
Deferred inflows of resources related to pensions	<u>(938,937)</u>	(38,297,003)

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

Net OPEB liability	(2,886,565)	
--------------------	-------------	--

Deferred outflows and inflows of resources related to OPEB are applicable to future periods and, therefore, are not reported in the funds:

Deferred outflows of resources related to OPEB	204,669	
Deferred inflows of resources related to OPEB	<u>(146,983)</u>	(2,828,879)

4. 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	(36,025,000)	
Other bonds payable	(7,000,000)	
Notes payable	(720,000)	
Certificates of participation	(15,480,000)	
Compensated absences	(182,301)	
Unamortized charges	136,834	
Unamortized premiums	(2,377,043)	
Accrued interest payable	<u>(384,823)</u>	<u>(62,032,333)</u>

Net Position of governmental activities \$ (12,160,118)

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

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2018**

Exhibit D

	Major Funds					Total
	General Fund	Title I-A Basic Fund	Building Projects Fund	Three Mill Notes Retirement Fund	Other Governmental Funds	Governmental Funds
Revenues:						
Local sources	\$ 12,581,196	\$ -	\$ 29,611	\$ 722,470	\$ 2,911,824	\$ 16,245,101
State sources	14,764,573	-	-	-	1,271,272	16,035,845
Federal sources	228,444	1,786,355	-	350,904	3,853,898	6,219,601
Sixteenth section sources	191,571	-	-	-	926	192,497
Total Revenues	27,765,784	1,786,355	29,611	1,073,374	8,037,920	38,693,044
Expenditures:						
Instruction	14,036,935	986,096	-	-	1,681,816	16,704,847
Support services	10,190,371	544,505	819,797	-	1,660,094	13,214,767
Noninstructional services	70,022	16,489	610,284	-	2,423,803	3,120,598
Sixteenth section	38,434	-	-	-	1,890	40,324
Facilities acquisition and construction	-	-	9,250,776	-	-	9,250,776
Debt service:						
Principal	-	-	-	170,000	2,220,000	2,390,000
Interest	-	-	-	450,788	2,212,078	2,662,866
Other	-	-	99,460	7,630	8,000	115,090
Total Expenditures	24,335,762	1,547,090	10,780,317	628,418	10,207,681	47,499,268
Excess (Deficiency) of Revenues over (under) Expenditures	3,430,022	239,265	(10,750,706)	444,956	(2,169,761)	(8,806,224)
Other Financing Sources (Uses):						
Bonds and notes issued	-	-	2,000,000	-	-	2,000,000
Payments held by escrow agent	-	-	-	466,463	-	466,463
Payment to QSCB debt escrow agent	-	-	-	(466,463)	-	(466,463)
Sale of other property	-	-	-	-	2,104	2,104
Operating transfers in	298,219	-	-	-	2,837,654	3,135,873
Operating transfers out	(2,580,770)	(239,265)	-	-	(315,838)	(3,135,873)
Total Other Financing Sources (Uses)	(2,282,551)	(239,265)	2,000,000	-	2,523,920	2,002,104
Net Change in Fund Balances	1,147,471	-	(8,750,706)	444,956	354,159	(6,804,120)
Fund Balances:						
July 1, 2017	11,140,253	-	9,737,105	2,593,797	2,524,387	25,995,542
Increase (Decrease) in inventory	-	-	-	-	1,696	1,696
June 30, 2018	\$ 12,287,724	\$ -	\$ 986,399	\$ 3,038,753	\$ 2,880,242	\$ 19,193,118

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

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, 2018**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (6,804,120)

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	\$ 9,992,865	
Depreciation expense	<u>(1,593,674)</u>	8,399,191

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.

(93,903)

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	(2,000,000)	
Payments of debt principal	2,390,000	
Accrued interest payable	<u>(26,795)</u>	363,205

4. Some items relating to pensions and 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 the governmental funds. The activities include:

Pension expense	(5,939,352)	
Contributions subsequent to the measurement date	<u>2,576,105</u>	(3,363,247)

5. Some items relating to OPEB and 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 the governmental funds. The activities include:

OPEB expense	(157,591)	
Contributions subsequent to the measurement date	<u>123,059</u>	(34,532)

6. 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	(70,233)	
Change in inventory	1,696	
Amortization of deferred charges, premiums and discounts	<u>98,953</u>	<u>30,416</u>

Change in Net Position of governmental activities \$ (1,502,990)

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

CANTON PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2018

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 94,518
Total Assets	<u>\$ 94,518</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 70,725
Due to student clubs	23,793
Total Liabilities	<u>\$ 94,518</u>

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

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CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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.

Blended component unit

The Canton Public School District Leasing Authority ("the Authority") as explained in the following paragraph is considered to be a blended component unit as determined by Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* and is included in the district's reporting entity.

The Authority is governed by a five member board which is appointed by the school district's governing board. Although it is legally separate from the school district, it is reported as if it is part of the primary government because its sole purpose is to provide financing for the renovation, improvement, construction, and equipping of certain school facilities. Therefore, all of the Authority's assets, liabilities, fund balances, revenues, expenditures and other financing sources and uses have been included in the government-wide financial statements of the school district (see Note 14).

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, liabilities, and deferred inflows 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 Year Ended June 30, 2018

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 is used to account for federal sources received and expenditures incurred related to the District's Title I Program.

Building Projects Fund - This is a capital projects fund that is used to account for the proceeds of general obligation bonds and other long-term debt proceeds and the expenditures associated with the acquisition and construction of school facilities.

Three Mill Notes Retirement Fund - This is a debt service fund that is used to account for local sources received and expenditures incurred for the repayment of the District's limited tax refunding notes payable. This fund is also used to account for federal sources received for interest reimbursement and expenditures incurred for the sinking fund payment and interest payment on the Qualified School Construction Bonds.

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 school district also reports fiduciary funds (agency funds) which focus on assets and liabilities only. The District's fiduciary funds include the following:

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

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

Accounts Payable Clearing Fund - This fund is used as a clearing fund for accounts payable type transactions.

Additionally, the school district reports the following fund types:

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

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

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, 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 Section 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, as well as for its component units, are reported at fair market value.

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

2. Receivables and payables

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

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

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, e.g. Qualified School Construction Bond sinking funds. 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. Unspent proceeds from the issuance of long-term debt at fiscal year end are also included in restricted assets on the Statement of Net Position.

6. Capital Assets

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

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

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

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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 period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred deferred outflows which are presented as deferred outflows from advance refunding of debt, deferred outflows related to pensions, and deferred outflows related to OPEB.

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 an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred deferred inflows which are presented as deferred inflows related to pensions and deferred inflows related to OPEB.

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 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.

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System (PERS) and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, the benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. Fiduciary net position was zero as of the measurement date of June 30, 2017. For this purpose, the OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

12. Fund Balances

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

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

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

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

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

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

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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/expense 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/expenses 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 20% of general fund revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit 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.

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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 \$15,475,622 and \$94,518, 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. 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. 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, 2018, none of the district's bank balance of \$17,011,642 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 \$4,885,309.

Note 3 – Inter-fund Receivables, Payables and Transfers

The following is a summary of inter-fund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Title I-A Basic Fund	\$ 201,821
	Building Projects Fund	9,000
	Three Mill Notes Retirement Fund	11,238
	Other governmental funds	190,158
Total		<u>\$ 412,217</u>

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

B. Inter-fund Transfers

Transfers Out	Transfers In	Amount
General Fund	Other governmental funds	\$ 2,580,770
Title I-A Basic Fund	General Fund	61,718
	Other governmental funds	177,547
Other governmental funds	General Fund	236,501
	Other governmental funds	79,337
Total		<u>\$ 3,135,873</u>

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

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$359,272 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 with fiscal agent balance totaling \$3,037,798 of the Three Mill Notes Retirement Fund (which includes the QSCB Sinking Fund balances). The restricted assets also represent the cash with fiscal agent balance totaling \$1,847,511 of the Building Project Fund resulting from the unspent proceeds of long-term debt.

Note 5 – Capital Assets

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

	Balance 7/1/2017	Increases	Decreases	Completed Construction	Balance 6/30/2018
Governmental Activities:					
<u>Non-depreciable capital assets:</u>					
Land	\$ 68,710	\$	\$	\$	68,710
Construction-in-progress	20,735,823	9,250,776		(4,817,073)	25,169,526
Total non-depreciable capital assets	20,804,533	9,250,776	-	(4,817,073)	25,238,236
<u>Depreciable capital assets:</u>					
Buildings	49,658,564		104,875	4,817,073	54,370,762
Building improvements	1,423,651				1,423,651
Improvements other than buildings	4,089,901				4,089,901
Mobile equipment	1,157,087	14,789			1,171,876
Furniture and equipment	2,971,944	727,300	21,440		3,677,804
Total depreciable capital assets	59,301,147	742,089	126,315	4,817,073	64,733,994
<u>Less accumulated depreciation for:</u>					
Buildings	11,168,326	1,052,986	11,187		12,210,125
Building improvements	785,545	56,946			842,491
Improvements other than buildings	1,524,935	163,596			1,688,531
Mobile equipment	642,626	62,912			705,538
Furniture and equipment	2,484,557	257,234	21,225		2,720,566
Total accumulated depreciation	16,605,989	1,593,674	32,412	-	18,167,251
Total depreciable capital assets, net	42,695,158	(851,585)	93,903	4,817,073	46,566,743
Governmental activities capital assets, net	\$ 63,499,691	\$ 8,399,191	\$ 93,903	\$ -	\$ 71,804,979

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,234,050
Support services	190,193
Non-instructional	169,431
Total depreciation expense	<u>\$ 1,593,674</u>

The details of construction-in-progress are as follows:

	Spent to June 30, 2018	Remaining Commitment
Governmental Activities:		
Canton Elementary	\$ 12,953,769	\$ 88,500
McNeil Elementary	12,215,757	200,000
Total construction in progress	<u>25,169,526</u>	<u>288,500</u>

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
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Construction projects included in governmental activities are funded with the proceeds of general obligation bonds and other proceeds of long-term debt.

Note 6 – Long-term Liabilities

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

	Balance 7/1/2017	Additions	Reductions	Balance 6/30/2018	Amounts due within one year
A. General obligation bonds payable	\$ 4,250,000	\$	\$ 815,000	\$ 3,435,000	\$ 830,000
General obligation bonds payable - FY15 issue	33,500,000		910,000	32,590,000	935,000
Total general obligation bonds	37,750,000	-	1,725,000	36,025,000	1,765,000
				-	
B. Certificates of participation payable	13,975,000	2,000,000	495,000	15,480,000	620,000
C. Three mill notes payable	890,000		170,000	720,000	175,000
D. Qualified school construction bonds payable	7,000,000			7,000,000	-
E. Compensated absences payable	112,068	70,233		182,301	9,115
Total	\$ 59,727,068	\$ 2,070,233	\$ 2,390,000	\$ 59,407,301	\$ 2,569,115
Add: Bond premium	2,516,869		139,826	2,377,043	-
Total	\$ 62,243,937	\$ 2,070,233	\$ 2,529,826	\$ 61,784,344	\$ 2,569,115

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 2012	2.0-2.5%	5/1/2012	4/1/2022	\$ 5,185,000	\$ 2,555,000
2. General obligation refunding bonds, Series 2012B	1.0-2.25%	8/30/2012	4/1/2022	1,765,000	880,000
3. General obligation bonds, Series 2015	4.0-5.0%	6/9/2015	6/30/2035	33,500,000	32,590,000
Total				<u>\$ 40,450,000</u>	<u>\$ 36,025,000</u>

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

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 615,000	\$ 59,225	\$ 674,225
2020	630,000	46,925	676,925
2021	650,000	32,750	682,750
2022	660,000	16,500	676,500
Total	<u>\$ 2,555,000</u>	<u>\$ 155,400</u>	<u>\$ 2,710,400</u>

This debt will be retired from the Bond Retirement Fund.

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 215,000	\$ 17,637	\$ 232,637
2020	215,000	13,875	228,875
2021	220,000	9,575	229,575
2022	230,000	5,175	235,175
Total	<u>\$ 880,000</u>	<u>\$ 46,262</u>	<u>\$ 926,262</u>

This debt will be retired from the Bond Retirement Fund.

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 935,000	\$ 1,481,250	\$ 2,416,250
2020	995,000	1,437,675	2,432,675
2021	1,045,000	1,386,675	2,431,675
2022	1,095,000	1,333,175	2,428,175
2023	1,350,000	1,272,050	2,622,050
2024 – 2028	8,440,000	5,437,656	13,877,656
2029 – 2033	12,700,000	3,129,781	15,829,781
2034 – 2035	6,030,000	305,250	6,335,250
Total	<u>\$ 32,590,000</u>	<u>\$ 15,783,512</u>	<u>\$ 48,373,512</u>

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

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2019	\$ 1,765,000	\$ 1,558,112	\$ 3,323,112
2020	1,840,000	1,498,475	3,338,475
2021	1,915,000	1,429,000	3,344,000
2022	1,985,000	1,354,850	3,339,850
2023	1,350,000	1,272,050	2,622,050
2024 – 2028	8,440,000	5,437,656	13,877,656
2029 – 2033	12,700,000	3,129,781	15,829,781
2034 – 2035	6,030,000	305,250	6,335,250
Total	<u>\$ 36,025,000</u>	<u>\$ 15,985,174</u>	<u>\$ 52,010,174</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, 2018, the amount of outstanding bonded indebtedness was equal to 14% of property assessments as of October 1, 2017.

B. Certificates of participation payable

As more fully explained in Note 14, 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
1. Certificates of Participation, Series 2010	2.0-4.75%	9/15/2010	9/1/2030	\$ 15,000,000	\$ 13,480,000
2. Certificates of Participation, Series 2017	3.125%	10/31/2017	11/1/2032	2,000,000	2,000,000
Total				<u>\$ 17,000,000</u>	<u>\$ 15,480,000</u>

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 510,000	\$ 585,475	\$ 1,095,475
2020	525,000	567,353	1,092,353
2021	545,000	546,938	1,091,938
2022	565,000	524,737	1,089,737
2023	1,055,000	492,338	1,547,338
2024 – 2028	5,985,000	1,731,825	7,716,825
2029 – 2031	4,295,000	312,431	4,607,431
Total	\$ 13,480,000	\$ 4,761,097	\$ 18,241,097

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

2. Certificates of participation issued on October 31, 2017:

Year Ending June 30	Principal	Interest	Total
2019	\$ 110,000	\$ 60,243	\$ 170,243
2020	110,000	59,063	169,063
2021	115,000	55,625	170,625
2022	115,000	52,031	167,031
2023	120,000	48,437	168,437
2024 – 2028	655,000	183,750	838,750
2029 – 2033	775,000	74,219	849,219
Total	\$ 2,000,000	\$ 533,368	\$ 2,533,368

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

Total certificates of participation payments for all issues:

Year Ending June 30	Principal	Interest	Total
2019	\$ 620,000	\$ 645,718	\$ 1,265,718
2020	635,000	626,416	1,261,416
2021	660,000	602,563	1,262,563
2022	680,000	576,768	1,256,768
2023	1,175,000	540,775	1,715,775
2024 – 2028	6,640,000	1,915,575	8,555,575
2029 – 2033	5,070,000	386,650	5,456,650
Total	\$ 15,480,000	\$ 5,294,465	\$ 20,774,465

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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%	11/15/2011	4/1/2022	\$ 1,660,000	\$ 720,000
Total				<u>\$ 1,660,000</u>	<u>\$ 720,000</u>

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

Year Ending June 30	Principal	Interest	Total
2019	\$ 175,000	\$ 21,837	\$ 196,837
2020	175,000	16,588	191,588
2021	180,000	11,337	191,337
2022	190,000	5,938	195,938
Total	<u>\$ 720,000</u>	<u>\$ 55,700</u>	<u>\$ 775,700</u>

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

D. Qualified school construction bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Qualified School Construction					
Bonds, Series 2010	6.09%	1/7/2011	1/7/2026	\$ 3,000,000	\$ 3,000,000
2. Qualified School Construction					
Bonds, Series 2011	6.09%	11/8/2011	11/8/2026	4,000,000	4,000,000
Total				<u>\$ 7,000,000</u>	<u>\$ 7,000,000</u>

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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

1. Qualified School Construction Bonds, Series 2010 issued on January 7, 2011:

Year Ending June 30	Principal	Interest	Total
2019	\$ -	\$ 182,700	\$ 182,700
2020	-	182,700	182,700
2021	-	182,700	182,700
2022	-	182,700	182,700
2023	-	182,700	182,700
2024 – 2026	3,000,000	548,100	3,548,100
Total	\$ 3,000,000	\$ 1,461,600	\$ 4,461,600

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

2. Qualified School Construction Bonds, Series 2011 issued on November 8, 2011:

Year Ending June 30	Principal	Interest	Total
2019	\$ -	\$ 243,600	\$ 243,600
2020	-	243,600	243,600
2021	-	243,600	243,600
2022	-	243,600	243,600
2023	-	243,600	243,600
2024 – 2027	4,000,000	974,400	4,974,400
Total	\$ 4,000,000	\$ 2,192,400	\$ 6,192,400

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

Total qualified school construction bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2019	\$ -	\$ 426,300	\$ 426,300
2020	-	426,300	426,300
2021	-	426,300	426,300
2022	-	426,300	426,300
2023	-	426,300	426,300
2024 – 2027	7,000,000	1,522,500	8,522,500
Total	\$ 7,000,000	\$ 3,654,000	\$ 10,654,000

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

E. 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. Five (5) Ricoh Copiers
2. Postage Meter - Central Office

Lease expenditures for the year ended June 30, 2018, amounted to \$17,497.

Future lease payments for these leases are as follows:

Year Ending June 30	Amount
2019	\$ 16,652
2020	11,327
2021	1,167
Total	<u>\$ 29,146</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

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

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 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.

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, 2018 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2018, 2017 and 2016 were \$2,576,105, \$2,600,903 and \$2,563,124, 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, 2018, the school district reported a liability of \$42,791,941 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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. The school district's proportionate share used to calculate the June 30, 2018 net pension liability was 0.257420 percent, which was based on a measurement date of June 30, 2017. This was an increase of 0.003032 percent from its proportionate share used to calculate the June 30, 2017 net pension liability, which was based on a measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$5,939,352. At June 30, 2018 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	\$ 599,248	\$ 312,241
Net difference between projected and actual earnings on pension plan investments		554,636
Changes of assumptions	893,986	72,060
Changes in proportion and differences between District contributions and proportionate share of contributions	1,364,536	
District contributions subsequent to the measurement date	2,576,105	
Total	\$ <u>5,433,875</u>	\$ <u>938,937</u>

\$2,576,105 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Year Ending June 30:	
2019	\$ 1,604,242
2020	1,055,004
2021	86,170
2022	(826,583)

Actuarial assumptions. The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
U.S. Broad	27.00	%	4.60	%
International Equity	18.00		4.50	
Emerging Markets Equity	4.00		4.75	
Global	12.00		4.75	
Fixed Income	18.00		0.75	
Real Estate	10.00		3.50	
Private Equity	8.00		5.10	
Emerging Debt	2.00		2.25	
Cash	1.00		0.00	
Total	<u>100</u>	<u>%</u>		

Discount rate. The discount rate used to measure the total pension liability was 7.75 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 the current employer contribution 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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75%, 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 (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
District's proportionate share of the net pension liability	\$ 56,124,487	\$ 42,791,941	\$ 31,723,030

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 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. A trust was created June 28, 2018 for the OPEB Plan and, while no trust was in place for the June 30, 2017 plan year-end, for purposes of comparability for future periods, terminology used herein is based on the plan being a cost-sharing multiple-employer defined benefit OPEB plan. The plan does not issue a stand-alone financial report.

Benefits provided.

The Plan was formed by the State Legislature to provide group health and life benefits to full-time active and retired employees of the State, agencies, universities, community/junior colleges, public school districts and public libraries. In addition, the spouse and/or children of covered employees and retirees, as well as surviving spouses and COBRA participants, may be eligible for health insurance coverage under the Plan. Benefits of the OPEB Plan consist of an implicit rate subsidy, which is essentially the difference between the average cost of providing health care benefits to retirees under age 65 and the average cost of providing health care benefits to all participants when premiums paid by retirees are not age adjusted. Employees' premiums are funded primarily by their employers. Retirees must pay their own premiums, as do active employees for spouse and dependent medical coverage. The Board has the sole authority for setting life and health insurance premiums for the Plan. Per Section 12-15-15 (10) Mississippi Code Ann. (1972), a retired employee electing to purchase retiree life and health insurance must pay the full cost of such insurance premium. If the Board determined actuarially that the premium paid by the participating retirees adversely affects the overall cost of the Plan to the State, then the Board may impose a premium surcharge, not to exceed 15%, upon such participating retired employees who are under the age for Medicare eligibility and who are initially employed before January 1, 2006. For participating retired employees who are under the age for Medicare eligibility and who are initially employed on or after January 1, 2006, the Board may impose a premium surcharge in an amount the Board determined actuarially to cover the full cost of insurance. The Plan offers a Base option and a Select option for health benefits for non-Medicare participants. The Plan includes a separate coverage level for Medicare eligible retirees, Medicare Eligible surviving spouses, and Medicare eligible dependents of retirees and surviving spouses.

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$123,059 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

At June 30, 2018, the District reported a liability of \$2,886,565 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2017, the District's proportion was 0.36789852 percent. This was an increase of 0.01174875 percent from the proportionate share as of the measurement date of June 30, 2016.

For the year ended June 30, 2018, the District recognized OPEB expense of \$157,591. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions		146,983
Net difference between projected and actual earnings on OPEB plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions	81,610	
District contributions subsequent to the measurement date	123,059	
Total	\$ <u>204,669</u>	\$ <u>146,983</u>

\$123,059 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:

2019	\$ (11,469)
2020	(11,469)
2021	(11,469)
2022	(11,469)
2023	(11,469)
Thereafter	(8,028)

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Actuarial assumptions. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.00 percent
Salary increases	3.25-18.50 percent, including wage inflation
Long-term Investment Rate of Return, net of OPEB plan investment expense, including inflation	N/A
Municipal Bond Index Rate	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Year FNP is projected to be depleted	
Measurement Date	2017
Prior Measurement Date	2016
Single Equivalent Interest Rate, net of OPEB plan investment expense, including inflation	
Measurement Date	3.56 percent
Prior Measurement Date	3.01 percent
Health Care Cost Trends	
Medicare Supplement Claims	7.75 percent for 2017 decreasing to an
Pre-Medicare	ultimate rate of 5.00 percent by 2023

Both pre-retirement and post-retirement mortality rates were based on the RP 2014 Healthy Annuitant Blue Collar Table projected with Scale BB to 2022, male rates set forward 1 year and adjusted by 106% for males at all ages, and females adjusted to 90% for ages less than 76, 95% for age 76, 105% for age 78 and 110% for ages 79 and greater. Post-disability mortality rates were based on the RP 2014 Disabled Retiree Mortality Table set forward 4 years for males and 3 years for females.

The demographic actuarial assumptions used in the June 30, 2017 valuation were based on the results of an actuarial experience study dated April 18, 2017.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2017 valuation were based on a review of recent plan experience done concurrently with the June 30, 2017 valuation.

The plan had no assets as of the measurement date of 2017.

Discount rate. The discount rate used to measure the total OPEB liability at June 30, 2017 was 3.56 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.01% to 3.56%.

Since no trust was set up as of June 30, 2017, there was no projection of cash flows for the Plan and the Plan was projected to be depleted in 2017.

The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of June published at the end of each week by the Bond Buyer.

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.56 percent) or 1-percentage-point higher (4.56 percent) than the current discount rate:

	1% Decrease (2.56%)	Discount Rate (3.56%)	1% Increase (4.56%)
Net OPEB liability	\$ 2,962,797	\$ 2,886,565	\$ 2,829,794

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Healthcare Cost Trend Rates Current	1% Increase
Net OPEB liability	\$ 2,665,936	\$ 2,886,565	\$ 3,138,436

OPEB plan fiduciary net position. The fiduciary net position for the OPEB plan was zero as of June 30, 2017, the measurement date. Therefore, no separately issued financials were prepared. Detailed information about the OPEB plan's fiduciary net position for June 30, 2018 and going forward will be available in separately issued financial reports available on the Mississippi Department of Finance and Administration's website.

Note 10 – Sixteenth Section Lands

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

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

Year Ending June 30	Amount
2019	\$ 168,422
2020	167,283
2021	89,686
2022	8,187
2023	7,044
2024 – 2028	20,769
2029 – 2033	23,819
2034 – 2038	21,569
2039 – 2043	14,297
Total	<u>\$ 521,076</u>

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
To restate fund balance for the effect of recording the net OPEB liability, deferred outflows and inflows related to OPEB, and OPEB expense	\$ (2,794,347)
Total	<u>\$ (2,794,347)</u>

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 ultimate liability resulting from these lawsuits will not have a material adverse effect on the financial condition of the school district.

Note 13 – 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 14 – 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 to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project").

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

A trust agreement dated October 31, 2017, was executed by and between the school district and Trustmark National Bank, Jackson, Mississippi, as trustee. The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,000,000 to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project").

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

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

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

Note 15 – Qualified School Construction Bonds

Section 1521 of the American Recovery and Reinvestment Act (ARRA) of 2009 provides for a source of capital at no or at nominal interest rates for costs incurred by certain public schools in connection with the construction, rehabilitation or repair of a public school facility or for the acquisition of land where a school will be built. Investors receive Federal income tax credits at prescribed tax credit rates in lieu of interest, which essentially allows state and local governments to borrow without incurring interest costs. While Qualified School Construction Bonds (QSCBs) are intended to be interest free to a borrower, the ARRA legislation allows a lender to charge supplemental interest, and such supplemental interest is the responsibility of the school district.

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2018, the subsidy payments amounted to \$350,904.

The school district makes equal annual payments into a sinking fund which is used to pay off 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, 2018 was \$3,037,798. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to 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 Year Ended June 30, 2018

Qualified school construction bonds issued on January 7, 2011:

Year Ending June 30	Amount
2019	\$ 200,000
2020	200,000
2021	200,000
2022	200,000
2023	200,000
2024 – 2026	600,000
Total	<u>\$ 1,600,000</u>

Qualified school construction bonds issued on November 8, 2011:

Year Ending June 30	Amount
2019	\$ 266,667
2020	266,667
2021	266,667
2022	266,667
2023	266,667
2024 – 2027	1,066,663
Total	<u>\$ 2,399,998</u>

Total qualified school construction bonds sinking fund payments for all issues:

Year Ending June 30	Amount
2019	\$ 466,667
2020	466,667
2021	466,667
2022	466,667
2023	466,667
2024 – 2027	1,666,663
Total	<u>\$ 3,999,998</u>

Note 16 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$15,236,969 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt and capital related bond premiums related to school district debt. The \$136,834 balance of deferred outflow of resources at June 30, 2018 will be recognized as an expense and will decrease the net investment in capital assets net position over the next 4 years.

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Financial Statements
For Year Ended June 30, 2018

The unrestricted net position (deficit) amount of (\$32,931,259) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$2,576,105 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. The \$2,857,770 balance of the deferred outflow of resources related to pensions at June 30, 2018 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 3 years. The \$938,937 balance of the deferred inflow of resources related to pensions at June 30, 2018 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 4 years.

The unrestricted net position (deficit) amount of (\$32,931,259) includes the effect of deferred inflows/outflows of resources related to OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$123,059 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources totaling \$81,610 and deferred inflows of resources totaling \$146,983 related to OPEB at June 30, 2018, will be recognized in OPEB expense over the next 6 years.

Note 17 - Subsequent Events

Events that occur after the Statement of Net Position/Balance Sheet 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/Balance Sheet date require disclosure in the accompanying notes. Management of the School District evaluated the activity of the School District through February 27, 2019 and determined that the following event requires disclosure.

In fiscal year 2018, a claim was asserted against the School District in connection with a lawsuit. This was tried in 2019, and the ruling has been issued by the court in favor of the plaintiff in the amount of \$10,000. Accordingly, as of the date of this report, no estimated loss provision has been made in the accompanying financial statements due to the fact that the amount is immaterial to the financial statements.

During our interview with management, it came to our attention that there was a subordinate whom was related to their superior that received a salary increase. However, this transaction was not material to the financial statements at June 30, 2018.

The district appointed Gary P. Hannah to the position of Superintendent of School during the December 20, 2018 board meeting, and his expected start date was January of 2019.

REQUIRED SUPPLEMENTARY INFORMATION

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CANTON PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 12,513,520	\$ 12,581,496	\$ 12,581,196	\$ 67,976	\$ (300)
State sources	14,774,515	14,764,573	14,764,573	(9,942)	-
Federal sources	236,789	228,444	228,444	(8,345)	-
Sixteenth section sources	319,000	191,571	191,571	(127,429)	-
Total Revenues	27,843,824	27,766,084	27,765,784	(77,740)	(300)
Expenditures:					
Instruction	15,160,730	14,036,935	14,036,935	1,123,795	-
Support services	10,566,458	10,190,371	10,190,371	376,087	-
Noninstructional services	-	70,022	70,022	(70,022)	-
Sixteenth section	68,128	38,434	38,434	29,694	-
Total Expenditures	25,795,316	24,335,762	24,335,762	1,459,554	-
Excess (Deficiency) of Revenues over (under) Expenditures	2,048,508	3,430,322	3,430,022	1,381,814	(300)
Other Financing Sources (Uses):					
Operating transfers in	3,330,361	2,921,730	298,219	(408,631)	(2,623,511)
Operating transfers out	(5,620,128)	(5,204,321)	(2,580,770)	415,807	2,623,551
Total Other Financing Sources (Uses)	(2,289,767)	(2,282,591)	(2,282,551)	7,176	40
Net Change in Fund Balances	(241,259)	1,147,731	1,147,471	1,388,990	(260)
Fund Balances:					
July 1, 2017	10,688,440	11,140,253	11,140,253	451,813	-
June 30, 2018	\$ 10,447,181	\$ 12,287,984	\$ 12,287,724	\$ 1,840,803	\$ (260)

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

CANTON PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I-A Basic Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual (GAAP Basis)	Variances	
				Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 2,164,308	\$ 2,164,313	\$ 1,786,355	\$ 5	\$ (377,958)
Total Revenues	2,164,308	2,164,313	1,786,355	5	(377,958)
Expenditures:					
Instruction	912,834	1,261,289	986,096	(348,455)	275,193
Support services	929,556	548,493	544,505	381,063	3,988
Noninstructional services	27,185	37,657	16,489	(10,472)	21,168
Total Expenditures	1,869,575	1,847,439	1,547,090	22,136	300,349
Excess (Deficiency) of Revenues over (under) Expenditures	294,733	316,874	239,265	22,141	(77,609)
Other Financing Sources (Uses):					
Operating transfers out	(294,733)	(316,874)	(239,265)	(22,141)	77,609
Total Other Financing Sources (Uses)	(294,733)	(316,874)	(239,265)	(22,141)	77,609
Net Change in Fund Balances	-	-	-	-	-
Fund Balances:					
July 1, 2017	-	-	-	-	-
June 30, 2018	\$ -	\$ -	\$ -	\$ -	\$ -

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

CANTON PUBLIC SCHOOL DISTRICT
Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERS

Last 10 Fiscal Years*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability	0.257420%	0.254388%	0.241217%	0.234653%
District's proportionate share of the net pension liability	\$ 42,791,941	45,440,049	37,287,391	28,482,578
District's covered payroll	16,513,670	16,273,803	15,069,829	14,338,483
District's proportionate share of the net pension liability as a percentage of its covered payroll	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	61.49%	57.47%	61.70%	67.21%

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 Statement No. 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
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS

PERS

Last 10 Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,576,105	2,600,903	2,563,124	2,373,498
Contributions in relation to the contractually required contribution	2,576,105	2,600,903	2,563,124	2,373,498
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
District's covered payroll	16,356,222	16,513,670	16,273,803	15,069,829
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%	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 Statement No. 68 was implemented in FYE 6/30/2015, 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
Required Supplementary Information

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
OPEB

Last 10 Fiscal Years*

	<u>2018</u>
District's proportion of the net OPEB liability	% 0.36789852
District's proportionate share of the net OPEB liability	\$ 2,886,565
District's covered-employee payroll	16,528,669
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	17.46%
Plan fiduciary net position as a percentage of the total OPEB liability	-

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, 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
Required Supplementary Information

SCHEDULE OF DISTRICT CONTRIBUTIONS
OPEB

Last 10 Fiscal Years

	2018
Contractually required contribution	\$ 123,059
Contributions in relation to the contractually required contribution	\$ 123,059
Contribution deficiency (excess)	\$ -
District's covered-employee payroll	16,356,222
Contributions as a percentage of covered-employee payroll	0.75%

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 Statement No.75 was implemented in FYE 6/30/2018, 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
Notes to the Required Supplementary Information
For Year Ended June 30, 2018

Budgetary Comparison Schedule

(1) Basis of Presentation

The Budgetary Comparison Schedule presents 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 assumptions*

2015:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Table projected to 2016 using Scale BB rather than the RP-2000 Mortality Table, which was used prior to 2015.

The expectation of disabled mortality was changed to the RP-2014 Disabled Retiree Table, rather than the RP-2000 Disabled Mortality Table, which was used prior to 2015.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

Assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

The price inflation and investment rate of return assumptions were changed from 3.50% to 3.00% and 8.00% to 7.75%, respectively.

2016:

The assumed rate of interest credited to employee contributions was changed from 3.50% to 2.00%.

2017:

The expectation of retired life mortality was changed to the RP-2014 Healthy Annuitant Blue Collar Mortality Table projected with Scale BB to 2022. Small adjustments were also made to the Mortality Table for disabled lives.

The wage inflation assumption was reduced from 3.75% to 3.25%.

Withdrawal rates, pre-retirement mortality rates, disability rates and service retirement rates were also adjusted to more closely reflect actual experience.

The percentage of active member disabilities assumed to be in the line of duty was increased from 6% to 7%.

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For Year Ended June 30, 2018

(2) *Changes in benefit provisions*

2016:

Effective July 1, 2016, the interest rate on employee contributions shall be calculated based on the money market rate as published by the Wall Street Journal on December 31 of each preceding year with a minimum rate of one percent and a maximum rate of five percent.

(3) *Method and assumptions used in calculations of actuarially determined contributions.*

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2015 valuation for the June 30, 2017 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	33.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.75 percent to 19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

OPEB Schedules

(1) *Changes of assumptions*

2017: The discount rate was changed from 3.01% for the prior Measurement Date to 3.56% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2016 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2017:

Actuarial cost method	Entry age
Amortization method	Level dollar
Amortization period	30 years, open
Asset valuation method	Market Value of Assets
Price inflation	3 percent
Salary increases, including wage inflation	3.25 percent to 18.50 percent

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Required Supplementary Information
For Year Ended June 30, 2018

Initial health care cost trend rates	
Medicare Supplement Claims	7.75 percent
Pre-Medicare	
Ultimate health care cost trend rates	
Medicare Supplement Claims	5.00 percent
Pre-Medicare	
Year of ultimate trend rates	
Medicare Supplement Claims	2022
Pre-Medicare	
Long-term investment rate of return, net of pension plan investment expense, including price inflation	3.56 percent

SUPPLEMENTARY INFORMATION

CANTON PUBLIC SCHOOL DISTRICT

Supplementary Information

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018**

Federal Grantor/ Pass-through Grantor/ Program Title	Catalog of Federal Domestic Assistance No.	Pass-through Entity Identifying Number	Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-through Mississippi Department of Education:			
Child nutrition cluster:			
School breakfast program	10.553	185MS326N1099	\$ 660,168
National school lunch program	10.555	185MS326N1099	1,997,466
Summer Food Service Program for Children	10.559	185MS326N1099	39,154
Total Child Nutrition Cluster			<u>2,696,788</u>
School Fruits & Vegetables	10.582	185MS326L1603	122,759
Total passed-through Mississippi Department of Education			<u>2,819,547</u>
Total U.S. Department of Agriculture			<u>2,819,547</u>
<u>U.S. Department of Defense</u>			
Direct Program:			
Reserve Officers' Training Corps	12.xxx	N/A	52,224
Total U.S. Department of Defense			<u>52,224</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	N/A	124,110
Total Federal Communications Commission			<u>124,110</u>
<u>U.S. Department of Education</u>			
Passed-through Mississippi Department of Education:			
Title I Grants to Local Educational Agencies	84.010	ES010A170024	2,138,499
Career and Technical Education - Basic Grants to States	84.048	V048A170024	48,452
Rehabilitation Service	84.126	H126A180034	20,820
English Language acquisition grants	85.365	ES365A170024	73,451
Supporting Effective Instruction State Grants	84.367	ES367A170023	182,725
Subtotal			<u>2,463,947</u>
Special education cluster:			
Special education - grants to states	84.027	H027A170108	716,171
Special education - preschool grants	84.173	H173A170113	16,740
Total special education cluster			<u>732,911</u>
Total passed-through Mississippi Department of Education			<u>3,196,858</u>
Total U.S. Department of Education			<u>3,196,858</u>
<u>U.S. Department of Health and Human Services</u>			
Passed-through Mississippi Department of Education:			
Medical assistance program	93.778	1805MS5ADM	26,862
Total passed-through Mississippi Department of Education			<u>26,862</u>
Total U.S. Department of Health and Human Services			<u>26,862</u>
 Total for All Federal Awards			 <u>\$ 6,219,601</u>

The accompanying notes are an integral part of this schedule.

CANTON PUBLIC SCHOOL DISTRICT
Notes to the Supplementary Information
For Year Ended June 30, 2018

Schedule of Expenditures of Federal Awards

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Canton Public School District under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Canton Public School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Canton Public School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

(3) Indirect Cost Rate

The Canton Public School District has not elected to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

CANTON PUBLIC SCHOOL DISTRICT

Supplementary Information

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds

For the Year Ended June 30, 2018

<u>Expenditures</u>	<u>Total</u>	<u>Instruction and Other Student Instructional Expenditures</u>	<u>General Administration</u>	<u>School Administration</u>	<u>Other</u>
Salaries and fringe benefits	\$ 22,280,202	17,150,957	1,258,070	1,738,580	2,132,595
Other	25,219,066	3,226,388	378,735	30,086	21,583,857
Total	<u>\$ 47,499,268</u>	<u>20,377,345</u>	<u>1,636,805</u>	<u>1,768,666</u>	<u>23,716,452</u>
Total number of students *	<u>3,067</u>				
Cost per student	<u>\$ 15,487</u>	<u>6,644</u>	<u>534</u>	<u>577</u>	<u>7,733</u>

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type.

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

School Administration - includes expenditures for the following function: 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

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

General Fund

Last Four Years

UNAUDITED

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 12,581,196	\$ 12,076,651	\$ 11,612,024	\$ 10,383,108
Intermediate sources	-	-	9,272	-
State sources	14,764,573	15,026,378	14,640,362	13,153,317
Federal sources	228,444	184,904	221,003	210,117
Sixteenth section sources	191,571	381,927	223,112	185,343
Total Revenues	<u>27,765,784</u>	<u>27,669,860</u>	<u>26,705,773</u>	<u>23,931,885</u>
Expenditures:				
Instruction	14,036,935	13,620,013	16,793,416	12,467,754
Support services	10,190,371	9,916,519	9,881,354	9,126,221
Noninstructional services	70,022	3,240	9,500	10,750
Sixteenth section	38,434	66,851	37,700	30,707
Debt service:				
Other	-	-	-	781,804
Total Expenditures	<u>24,335,762</u>	<u>23,606,623</u>	<u>26,721,970</u>	<u>22,417,236</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>3,430,022</u>	<u>4,063,237</u>	<u>(16,197)</u>	<u>1,514,649</u>
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	-	4,166,519
Insurance loss recovery	-	40,083	1,312	9,462
Premiums on bonds issued	-	-	-	781,804
Operating transfer in	298,219	319,087	237,772	325,917
Operating transfer out	(2,580,770)	(2,632,004)	(2,241,998)	(2,222,187)
Total Other Financing Sources (Uses)	<u>(2,282,551)</u>	<u>(2,272,834)</u>	<u>(2,002,914)</u>	<u>3,061,515</u>
Net Change in Fund Balances	<u>1,147,471</u>	<u>1,790,403</u>	<u>(2,019,111)</u>	<u>4,576,164</u>
Fund Balances:				
Beginning of period as previously reported	11,140,253	9,352,290	11,371,401	5,403,268
Fund reclassification	-	-	-	1,393,010
Prior period adjustments	-	(2,440)	-	(1,041)
Beginning of period, as restated	<u>11,140,253</u>	<u>9,349,850</u>	<u>11,371,401</u>	<u>6,795,237</u>
End of Period	<u>\$ 12,287,724</u>	<u>\$ 11,140,253</u>	<u>\$ 9,352,290</u>	<u>\$ 11,371,401</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

CANTON PUBLIC SCHOOL DISTRICT

Other Information

Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

UNAUDITED

	2018	2017*	2016*	2015*
Revenues:				
Local sources	\$ 16,245,101	\$ 15,274,553	\$ 15,043,411	\$ 12,252,451
Intermediate	-	-	9,272	-
State sources	16,035,845	16,026,923	15,639,010	14,029,304
Federal sources	6,219,601	6,334,029	7,021,712	6,052,952
Sixteenth section sources	192,497	405,159	234,070	194,232
Total Revenues	<u>38,693,044</u>	<u>38,040,664</u>	<u>37,947,475</u>	<u>32,528,939</u>
Expenditures:				
Instruction	16,704,847	15,975,357	19,359,757	14,635,074
Support services	13,214,767	12,298,261	13,494,293	11,226,898
Noninstructional services	3,120,598	2,405,697	2,518,801	2,438,071
Sixteenth section	40,324	81,371	41,655	35,642
Facilities acquisition and construction	9,250,776	15,717,245	4,734,471	388,982
Debt service:				
Principal	2,390,000	2,175,655	1,901,995	1,851,206
Interest	2,662,866	2,731,420	2,702,026	1,090,631
Other	115,090	16,505	16,864	796,034
Total Expenditures	<u>47,499,268</u>	<u>51,401,511</u>	<u>44,769,862</u>	<u>32,462,538</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(8,806,224)</u>	<u>(13,360,847)</u>	<u>(6,822,387)</u>	<u>66,401</u>
Other Financing Sources (Uses):				
Bonds and notes issued	2,000,000	-	-	33,500,000
Insurance recovery	-	40,083	1,312	9,462
Payments held by escrow agent	466,463	466,665	466,666	466,667
Premiums on refunding bonds issued	-	-	-	2,936,347
Payment to QSCB debt escrow agent	(466,463)	(466,665)	(466,666)	(466,667)
Sale of other property	2,104	-	-	-
Operating transfers in	3,135,873	3,312,612	3,264,696	2,837,644
Operating transfers out	<u>(3,135,873)</u>	<u>(3,312,612)</u>	<u>(3,264,696)</u>	<u>(2,837,644)</u>
Total Other Financing Sources (Uses)	<u>2,002,104</u>	<u>40,083</u>	<u>1,312</u>	<u>36,445,809</u>
Net Change in Fund Balances	<u>(6,804,120)</u>	<u>(13,320,764)</u>	<u>(6,821,075)</u>	<u>36,512,210</u>
Fund Balances:				
July 1, previously reported	25,995,542	39,412,921	46,235,287	9,716,199
Prior period adjustments	-	(88,188)	-	(1,041)
July 1, restated	<u>25,995,542</u>	<u>39,324,733</u>	<u>46,235,287</u>	<u>9,715,158</u>
Increase (decrease) in inventory	1,696	(8,427)	(1,291)	7,919
June 30,	<u>\$ 19,193,118</u>	<u>\$ 25,995,542</u>	<u>\$ 39,412,921</u>	<u>\$ 46,235,287</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

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P.O. Box 41
Madison, MS 39110
p. 662-582-1825

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

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, 2018, and the related notes to financial statements, which collectively comprise Canton Public School District's basic financial statements, and have issued our report thereon dated February 27, 2019.

Internal Control Over Financial Reporting

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

JD CPA, PLLC

Madison, Mississippi
February 27, 2019



P.O. Box 41
Madison, MS 39110
p. 662-582-1825

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Superintendent and School Board
Canton Public School District

Report on Compliance for Each Major Federal Program

We have audited Canton Public School District compliance with the types of compliance described in the *OMB Compliance Supplement* that could have a direct and material effect on Canton Public School District's major federal programs for the year ended June 30, 2018. Canton Public School District's major federal programs are identified in the summary of independent auditors' results section of the accompanying summary schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations and terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for Canton Public School District's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Canton Public 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 program. However, our audit does not provide a legal determination of Canton Public School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Canton Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of 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 the Uniform Guidance, 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 Canton Public 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 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

JD CPA, PLLC

Madison, Mississippi
February 27, 2019

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

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P.O. Box 41
Madison, MS 39110
p. 662-582-1825

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, 2018, which collectively comprise Canton Public School District's basic financial statements and have issued our report thereon dated February 27, 2019. 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 insure 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.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements 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. However, this report is a matter of public record and its distribution is not limited.

JD CPA, PLLC

Madison, Mississippi
February 27, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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Canton Public School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

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? (Yes/No) | No |
| b. | Significant deficiency(ies) identified? (Yes/None reported) | None reported |
| 3. Noncompliance material to financial statements noted? (Yes/No) | | |
| | | No |

Federal Awards:

- | | | |
|--|---|--|
| 4. | Internal control over major programs: | |
| a. | Material weakness(es) identified? (Yes/No) | No |
| b. | Significant deficiency(ies) identified? (Yes/None reported) | 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 2 CFR 200.516(a)? (Yes/No) | | |
| | | No |
| 7. Identification of major programs: | | |
| | <u>CFDA Numbers</u> | <u>Name of Federal Program or Cluster</u> |
| | 84.027; 84.173 | Special education cluster |
| | 84.010 | Title I grants to local educational agencies |
| 8. Dollar threshold used to distinguish between type A and type B programs: | | |
| | | \$750,000 |
| 9. Auditee qualified as low-risk auditee? (Yes/No) | | |
| | | No |
| 10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2CFR 200.511(b). (Yes/No) | | |
| | | No |

Canton Public School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section II: Financial Statement Findings

The results of our tests did not disclose any findings related to the financial statements that are required to be reported under *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.