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**Canton Public School District**

Audited Financial Statements  
For the Year Ended June 30, 2021

**Fortenberry & Ballard, PC**  
Certified Public Accountants

**Canton Public School District  
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## FINANCIAL AUDIT REPORT



FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Canton Public School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Public School District as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Canton Public School District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

1048 GLUCKSTADT ROAD, SUITE B  
MADISON, MISSISSIPPI 39110  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **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, 2021, 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 8 - 15 and 52 - 61, 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 January 24, 2022, 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
January 24, 2022

Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**CANTON PUBLIC SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2021**

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, 2021. 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 2021 increased \$1,881,391, including a prior period adjustment of (\$27,231), which represents an 18% increase from fiscal year 2020. Total net position for 2020 increased \$3,084,194, including a fund reclassification of \$1,034 and a prior period adjustment of (\$22,071), which represents a 23% increase from fiscal year 2019.
- General revenues amounted to \$32,831,037 and \$32,496,515, or 81% and 83% of all revenues for fiscal years 2021 and 2020, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,931,309, or 19% of total revenues for 2021, and \$6,869,723, or 17% of total revenues for 2020.
- The District had \$38,853,724 and \$36,261,007 in expenses for fiscal years 2021 and 2020; only \$7,931,309 for 2021 and \$6,869,723 for 2020 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$32,831,037 for 2021 and \$32,496,515 for 2020 were adequate to provide for these programs.
- Among major funds, the General Fund had \$29,281,508 in revenues and \$25,163,130 in expenditures for 2021, and \$29,414,505 in revenues and \$24,134,815 in expenditures in 2020. The General Fund's fund balance increased by \$2,505,072 from 2020 to 2021, including a prior period adjustment of (\$15,473), and increased by \$2,385,914 from 2019 to 2020, including a fund reclassification of \$1,034.
- Capital assets, net of accumulated depreciation, increased by \$514,781 for 2021 and decreased by \$1,296,465 for 2020. The increase for 2021 was due primarily to the completion of building improvements and improvements other than buildings and the increase in leased property due to the purchase of buses during the fiscal year.
- Long-term debt, excluding compensated absences, decreased by \$401,868 for 2021 and decreased by \$2,650,000 for 2020. The decrease for 2021 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$10,829 for 2021 and increased by \$11,062 for 2020.

**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, 2021**

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 are currently reported as governmental funds.

**Governmental funds** – All 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.

### **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, 2021**

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 \$8,332,349 as of

**CANTON PUBLIC SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

June 30, 2021.

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

Table 1 presents a summary of the District's net position at June 30, 2021 and June 30, 2020.

**Table 1**  
**Condensed Statement of Net Position**

|   | June 30, 2021         | June 30, 2020          | Percentage<br>Change |
|---|-----------------------|------------------------|----------------------|
| Current assets                            | \$ 23,042,774         | \$ 20,680,442          | 11.42 %              |
| Restricted assets                         | 5,092,697             | 4,778,668              | 6.57 %               |
| Capital assets, net                       | 67,678,641            | 67,163,860             | 0.77 %               |
| <b>Total assets</b>                       | <b>95,814,112</b>     | <b>92,622,970</b>      | <b>3.45 %</b>        |
| <br><b>Deferred outflows of resources</b> | <br><b>9,539,179</b>  | <br><b>4,162,061</b>   | <br><b>129.19 %</b>  |
| <br>Current liabilities                   | <br>1,885,542         | <br>2,104,073          | <br>(10.39) %        |
| Long-term debt outstanding                | 55,750,380            | 56,302,903             | (0.98) %             |
| Net OPEB liability                        | 2,848,579             | 3,072,545              | (7.29) %             |
| Net pension liability                     | 51,544,068            | 43,087,316             | 19.63 %              |
| <b>Total liabilities</b>                  | <b>112,028,569</b>    | <b>104,566,837</b>     | <b>7.14 %</b>        |
| <br><b>Deferred inflows of resources</b>  | <br><b>1,657,071</b>  | <br><b>2,431,934</b>   | <br><b>(31.86) %</b> |
| <br><b>Net position:</b>                  |                       |                        |                      |
| Net investment in capital assets          | 15,820,797            | 14,845,479             | 6.57 %               |
| Restricted                                | 7,964,102             | 7,351,392              | 8.33 %               |
| Unrestricted                              | (32,117,248)          | (32,410,611)           | 0.91 %               |
| <b>Total net position</b>                 | <b>\$ (8,332,349)</b> | <b>\$ (10,213,740)</b> | <b>18.42 %</b>       |

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)   | \$ (32,117,248)      |
| 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 | 46,669,592           |
| Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect   | <u>\$ 14,552,344</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 \$514,781.
- Issuance of general obligation refunding bonds in the amount of \$12,395,000 and obligations under capital leases in the amount of \$2,057,211.



**CANTON PUBLIC SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

- The principal retirement of \$2,954,079 of long-term debt.
- The refunding of certificates of participation in the amount of \$11,900,000.

**Changes in net position**

The District's total revenues for the fiscal years ended June 30, 2021 and June 30, 2020 were \$40,762,346 and \$39,366,238, respectively. The total cost of all programs and services was \$38,853,724 for 2021 and \$36,261,007 for 2020.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

**Table 2**  
**Changes in Net Position**

|   | <u>Year Ended</u><br><u>June 30, 2021</u> | <u>Year Ended</u><br><u>June 30, 2020</u> | <u>Percentage</u><br><u>Change</u> |
|---|---|---|------------------------------------|
| <b>Revenues:</b>                                    |   |   |                                    |
| Program revenues:                                   |   |   |                                    |
| Charges for services                                | \$ 139,625                                | \$ 392,706                                | (64.45) %                          |
| Operating grants and contributions                  | 7,791,684                                 | 6,477,017                                 | 20.30 %                            |
| General revenues:                                   |   |   |                                    |
| Property taxes                                      | 16,449,260                                | 16,084,930                                | 2.27 %                             |
| Grants and contributions not restricted             | 15,336,054                                | 15,497,776                                | (1.04) %                           |
| Investment earnings                                 | 383,654                                   | 493,371                                   | (22.24) %                          |
| Sixteenth section sources                           | 118,438                                   | 271,628                                   | (56.40) %                          |
| Other   | 543,631                                   | 148,810                                   | 265.32 %                           |
| <b>Total revenues</b>                               | <b><u>40,762,346</u></b>                  | <b><u>39,366,238</u></b>                  | <b>3.55 %</b>                      |
| <b>Expenses:</b>                                    |   |   |                                    |
| Instruction   | 18,126,566                                | 16,695,149                                | 8.57 %                             |
| Support services                                    | 11,152,490                                | 11,023,995                                | 1.17 %                             |
| Non-instructional                                   | 1,537,140                                 | 1,821,518                                 | (15.61) %                          |
| Sixteenth section                                   | 43,398                                    | 80,008                                    | (45.76) %                          |
| Pension expense                                     | 5,366,043                                 | 3,999,299                                 | 34.17 %                            |
| OPEB expense  | 69,496                                    | 177,267                                   | (60.80) %                          |
| Interest on long-term liabilities                   | 2,558,591                                 | 2,463,771                                 | 3.85 %                             |
| <b>Total expenses</b>                               | <b><u>38,853,724</u></b>                  | <b><u>36,261,007</u></b>                  | <b>7.15 %</b>                      |
| <b>Increase (Decrease) in net position</b>          | <b><u>1,908,622</u></b>                   | <b><u>3,105,231</u></b>                   | <b>(38.54) %</b>                   |
| <b>Net Position, July 1, as previously reported</b> | <b><u>(10,213,740)</u></b>                | <b><u>(13,297,934)</u></b>                | <b>23.19 %</b>                     |
| <b>Fund Reclassification</b>                        | <b>-</b>                                  | <b>1,034</b>                              | <b>(100.00) %</b>                  |
| <b>Prior Period Adjustment</b>                      | <b><u>(27,231)</u></b>                    | <b><u>(22,071)</u></b>                    | <b>(23.38) %</b>                   |
| <b>Net Position, July 1, as restated</b>            | <b><u>(10,240,971)</u></b>                | <b><u>(13,318,971)</u></b>                | <b>23.11 %</b>                     |
| <b>Net Position, June 30</b>                        | <b><u>\$ (8,332,349)</u></b>              | <b><u>\$ (10,213,740)</u></b>             | <b>18.42 %</b>                     |

**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, 2021**

**Table 3**  
**Net Cost of Governmental Activities**

|                                   | <b>Total Expenses</b> |                      | <b>Percentage Change</b> |
|-----------------------------------|-----------------------|----------------------|--------------------------|
|                                   | <b>2021</b>           | <b>2020</b>          |                          |
| Instruction                       | \$ 18,126,566         | \$ 16,695,149        | 8.57 %                   |
| Support services                  | 11,152,490            | 11,023,995           | 1.17 %                   |
| Non-instructional                 | 1,537,140             | 1,821,518            | (15.61) %                |
| Sixteenth section                 | 43,398                | 80,008               | (45.76) %                |
| Pension Expense                   | 5,366,043             | 3,999,299            | 34.17 %                  |
| OPEB Expense                      | 69,496                | 177,267              | (60.80) %                |
| Interest on long-term liabilities | 2,558,591             | 2,463,771            | 3.85 %                   |
| <b>Total expenses</b>             | <b>\$ 38,853,724</b>  | <b>\$ 36,261,007</b> | <b>7.15 %</b>            |

  

|                                    | <b>Net (Expense) Revenue</b> |                        | <b>Percentage Change</b> |
|------------------------------------|------------------------------|------------------------|--------------------------|
|                                    | <b>2021</b>                  | <b>2020</b>            |                          |
| Instruction                        | \$ (13,723,157)              | \$ (13,736,896)        | 0.10 %                   |
| Support services                   | (8,767,747)                  | (9,046,837)            | 3.08 %                   |
| Non-instructional                  | (393,983)                    | 112,794                | (449.29) %               |
| Sixteenth section                  | (43,398)                     | (80,008)               | 45.76 %                  |
| Pension Expense                    | (5,366,043)                  | (3,999,299)            | (34.17) %                |
| OPEB Expense                       | (69,496)                     | (177,267)              | 60.80 %                  |
| Interest on long-term liabilities  | (2,558,591)                  | (2,463,771)            | (3.85) %                 |
| <b>Total net (expense) revenue</b> | <b>\$ (30,922,415)</b>       | <b>\$ (29,391,284)</b> | <b>(5.21) %</b>          |

- Net cost of governmental activities (\$30,922,415 for 2021 and \$29,391,284 for 2020) was financed by general revenue, which is primarily made up of property taxes (\$16,449,260 for 2021 and \$16,084,930 for 2020) and state and federal revenues (\$15,336,054 for 2021 and \$15,497,776 for 2020). In addition, there was \$118,438 and \$271,628 in Sixteenth Section sources for 2021 and 2020, respectively.
- Investment earnings amounted to \$383,654 for 2021 and \$493,371 for 2020.

## **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 \$26,421,062, an increase of \$2,714,649, which includes a prior period adjustment of (\$27,231) and a decrease in inventory of \$18,346. \$13,358,073, or 51% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund

**CANTON PUBLIC SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

balance of \$13,062,989, or 49% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted, committed or assigned.

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,505,072, which includes a prior period adjustment of (\$15,473). The fund balance of Other Governmental Funds showed a decrease in the amount of \$274,043, which includes a prior period adjustment of (\$12,491) and a decrease in inventory of \$18,346. 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    |
| Three Mill Notes Retirement Fund | \$ 483,620                 |

## **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 each major special revenue fund is provided in this report as required supplementary information.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets.** As of June 30, 2021, the District's total capital assets were \$90,356,639, including land, school buildings, building improvements and other improvements, buses, other school vehicles, furniture and equipment, and leased property under capital leases. This amount represents an increase of \$2,534,387 from 2020, due primarily to the completion of building improvements and other improvements during the fiscal year, as well as the addition of leased property under capital leases related to the lease of school buses. Total accumulated depreciation as of June 30, 2021, was \$22,677,998, and total depreciation expense for the year was \$2,206,839, resulting in total net capital assets of \$67,678,641.

**Table 4**  
**Capital Assets, Net of Accumulated Depreciation**

|                                      | <u>June 30, 2021</u> | <u>June 30, 2020</u> | <u>Percentage<br/>Change</u> |
|--------------------------------------|----------------------|----------------------|------------------------------|
| Land                                 | \$ 68,710            | \$ 68,710            | 0.00 %                       |
| Construction in Progress             | -                    | 637,503              | (100.00) %                   |
| Buildings                            | 61,398,020           | 62,886,159           | (2.37) %                     |
| Building improvements                | 816,441              | 467,268              | 74.73 %                      |
| Improvements other than buildings    | 2,695,338            | 2,074,178            | 29.95 %                      |
| Mobile equipment                     | 349,421              | 399,371              | (12.51) %                    |
| Furniture and equipment              | 476,328              | 630,671              | (24.47) %                    |
| Leased property under capital leases | 1,874,383            | -                    | N/A %                        |
| <b>Total</b>                         | <b>\$ 67,678,641</b> | <b>\$ 67,163,860</b> | <b>0.77 %</b>                |

**CANTON PUBLIC SCHOOL DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE YEAR ENDED JUNE 30, 2021**

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

**Debt Administration.** At June 30, 2021, the District had \$55,750,380 in outstanding long-term debt, including bond premiums, of which \$3,436,494 is due within one year. During the fiscal year, the District issued \$12,395,000 in general obligation refunding bonds to refund \$11,900,000 of outstanding certificates of participation. The District also entered into a capital lease in the amount of \$2,057,211 for the lease of school buses. The District made principal payments totaling \$2,954,079 on outstanding long-term debt. The liability for compensated absences decreased \$10,829 from the prior year.

**Table 5**  
**Outstanding Long-Term Debt**

|   | <u>June 30, 2021</u>        | <u>June 30, 2020</u>        | <u>Percentage</u><br><u>Change</u> |
|---|-----------------------------|-----------------------------|------------------------------------|
| General obligation bonds payable            | \$ 42,900,000               | \$ 32,420,000               | 32.33 %                            |
| Certificates of participation payable       | 1,665,000                   | 14,225,000                  | (88.30) %                          |
| Three mill notes payable                    | 190,000                     | 370,000                     | (48.65) %                          |
| Obligations under capital leases            | 1,858,132                   | -                           | N/A %                              |
| Qualified school construction bonds payable | 7,000,000                   | 7,000,000                   | 0.00 %                             |
| Compensated absences payable                | 179,683                     | 190,512                     | (5.68) %                           |
| Bond premiums                               | 1,957,565                   | 2,097,391                   | (6.67) %                           |
| <b>Total</b>                                | <b><u>\$ 55,750,380</u></b> | <b><u>\$ 56,302,903</u></b> | <b><u>(0.98) %</u></b>             |

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

## **CURRENT ISSUES**

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

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

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

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## FINANCIAL STATEMENTS

**CANTON PUBLIC SCHOOL DISTRICT**

**Statement of Net Position**  
**June 30, 2021**

**Exhibit A**

|  | Governmental<br>Activities |
|--|----------------------------|
| <b>Assets</b>                                    |                            |
| Cash and cash equivalents                        | \$ 21,277,005              |
| Due from other governments                       | 1,541,267                  |
| Inventories                                      | 61,334                     |
| Prepaid items                                    | 163,168                    |
| Restricted assets                                | 5,092,697                  |
| Capital assets, non-depreciable:                 |                            |
| Land   | 68,710                     |
| Capital assets, net of accumulated depreciation: |                            |
| Buildings  | 61,398,020                 |
| Building improvements                            | 816,441                    |
| Improvements other than buildings                | 2,695,338                  |
| Mobile equipment                                 | 349,421                    |
| Furniture and equipment                          | 476,328                    |
| Leased property under capital leases             | 1,874,383                  |
| Total Assets                                     | <u>95,814,112</u>          |
| <br><b>Deferred Outflows of Resources</b>        |                            |
| Deferred outflows - advance refunding of debt    | 159,053                    |
| Deferred outflows - pensions                     | 8,676,024                  |
| Deferred outflows - OPEB                         | 704,102                    |
| Total Deferred Outflows of Resources             | <u>9,539,179</u>           |
| <br><b>Liabilities</b>                           |                            |
| Accounts payable and accrued liabilities         | 1,714,409                  |
| Interest payable on long-term liabilities        | 171,133                    |
| Long-term liabilities, due within one year:      |                            |
| Capital related liabilities                      | 3,296,110                  |
| Non-capital related liabilities                  | 140,384                    |
| Net OPEB liability                               | 111,545                    |
| Long-term liabilities, due beyond one year:      |                            |
| Capital related liabilities                      | 46,763,222                 |
| Capital related bond premiums                    | 1,957,565                  |
| Non-capital related liabilities                  | 3,593,099                  |
| Net pension liability                            | 51,544,068                 |
| Net OPEB liability                               | 2,737,034                  |
| Total Liabilities                                | <u>112,028,569</u>         |
| <br><b>Deferred Inflows of Resources</b>         |                            |
| Deferred inflows - pensions                      | 943,180                    |
| Deferred inflows - OPEB                          | 713,891                    |
| Total Deferred Inflows of Resources              | <u>1,657,071</u>           |
| <br><b>Net Position</b>                          |                            |
| Net investment in capital assets                 | 15,820,797                 |
| Restricted for:                                  |                            |
| Expendable:                                      |                            |
| School-based activities                          | 2,620,954                  |
| Debt service                                     | 4,835,970                  |
| Forestry improvements                            | 81,480                     |
| Unemployment benefits                            | 59,501                     |
| Non-expendable:                                  |                            |
| Sixteenth section                                | 366,197                    |
| Unrestricted                                     | (32,117,248)               |
| Total Net Position (Deficit)                     | <u>\$ (8,332,349)</u>      |

**CANTON PUBLIC SCHOOL DISTRICT**

**Statement of Activities  
For the Year Ended June 30, 2021**

**Exhibit B**

| Functions/Programs                   | Expenses             | Program Revenues        |  | Net (Expense)<br>Revenue and<br>Changes in Net<br>Position |
|--------------------------------------|----------------------|-------------------------|--|--|
|                                      |                      | Charges for<br>Services | Operating<br>Grants and<br>Contributions |  |
| <b>Governmental Activities:</b>      |                      |                         |  |  |
| Instruction                          | \$ 18,126,566        | \$ 137,789              | \$ 4,265,620                             | \$ (13,723,157)  |
| Support services                     | 11,152,490           | -                       | 2,384,743                                | (8,767,747)  |
| Non-instructional                    | 1,537,140            | 1,836                   | 1,141,321                                | (393,983)  |
| Sixteenth section                    | 43,398               | -                       | -  | (43,398)   |
| Pension expense                      | 5,366,043            | -                       | -  | (5,366,043)  |
| OPEB expense                         | 69,496               | -                       | -  | (69,496)   |
| Interest on long-term liabilities    | 2,558,591            | -                       | -  | (2,558,591)  |
| <b>Total Governmental Activities</b> | <b>\$ 38,853,724</b> | <b>\$ 139,625</b>       | <b>\$ 7,791,684</b>                      | <b>\$ (30,922,415)</b>                                     |

**General Revenues:**

**Taxes:**

|                        |            |
|------------------------|------------|
| General purpose levies | 13,090,941 |
| Debt purpose levies    | 3,358,319  |

**Unrestricted grants and contributions:**

|                                  |                   |
|----------------------------------|-------------------|
| State                            | 15,230,662        |
| Federal                          | 105,392           |
| Unrestricted investment earnings | 383,654           |
| Sixteenth section sources        | 118,438           |
| Other                            | 543,631           |
| <b>Total General Revenues</b>    | <b>32,831,037</b> |

|                        |           |
|------------------------|-----------|
| Change in Net Position | 1,908,622 |
|------------------------|-----------|

|  |              |
|--|--------------|
| Net Position (Deficit) - Beginning, as previously reported | (10,213,740) |
| Prior Period Adjustments                                   | (27,231)     |

|   |              |
|---|--------------|
| Net Position (Deficit) - Beginning, as restated | (10,240,971) |
|---|--------------|

|                                 |                       |
|---------------------------------|-----------------------|
| Net Position (Deficit) - Ending | <b>\$ (8,332,349)</b> |
|---------------------------------|-----------------------|

**CANTON PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Balance Sheet**

**Exhibit C**

**June 30, 2021**

|  | Major Funds     |                           |  |                                |                                |  |
|--|-----------------|---------------------------|--|--------------------------------|--------------------------------|--|
|  | General<br>Fund | Title I - A Basic<br>Fund | Three Mill Notes<br>Retirement<br>Fund | Other<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |  |
| <b>Assets</b>                            |                 |                           |  |                                |                                |  |
| Cash and cash equivalents                | \$ 17,903,539   | \$ -                      | \$ 359,445                             | \$ 3,380,218                   | \$ 21,643,202                  |  |
| Cash with fiscal agents                  | -               | -                         | 4,717,622                              | 8,878                          | 4,726,500                      |  |
| Due from other governments               | 426,875         | 502,965                   | 13,001                                 | 598,426                        | 1,541,267                      |  |
| Due from other funds                     | 1,616,092       | -                         | -                                      | 5,500                          | 1,621,592                      |  |
| Inventories                              | -               | -                         | -                                      | 61,334                         | 61,334                         |  |
| Prepaid items                            | 163,168         | -                         | -                                      | -                              | 163,168                        |  |
| Total assets                             | \$ 20,109,674   | \$ 502,965                | \$ 5,090,068                           | \$ 4,054,356                   | \$ 29,757,063                  |  |
| <b>Liabilities and Fund Balances</b>     |                 |                           |  |                                |                                |  |
| <b>Liabilities:</b>                      |                 |                           |  |                                |                                |  |
| Accounts payable and accrued liabilities | \$ 1,655,179    | \$ 5,400                  | \$ -                                   | \$ 53,830                      | \$ 1,714,409                   |  |
| Due to other funds                       | 5,500           | 497,565                   | 334,171                                | 784,356                        | 1,621,592                      |  |
| Total Liabilities                        | 1,660,679       | 502,965                   | 334,171                                | 838,186                        | 3,336,001                      |  |
| <b>Fund Balances:</b>                    |                 |                           |  |                                |                                |  |
| <b>Nonspendable:</b>                     |                 |                           |  |                                |                                |  |
| Inventory                                | -               | -                         | -                                      | 61,334                         | 61,334                         |  |
| Permanent fund principal                 | -               | -                         | -                                      | 366,197                        | 366,197                        |  |
| Prepaid items                            | 163,168         | -                         | -                                      | -                              | 163,168                        |  |
| <b>Restricted:</b>                       |                 |                           |  |                                |                                |  |
| Debt service                             | -               | -                         | 4,755,897                              | 251,206                        | 5,007,103                      |  |
| Forestry improvement purposes            | -               | -                         | -                                      | 81,480                         | 81,480                         |  |
| Grant activities                         | -               | -                         | -                                      | 2,396,452                      | 2,396,452                      |  |
| Unemployment benefits                    | -               | -                         | -                                      | 59,501                         | 59,501                         |  |
| <b>Assigned:</b>                         |                 |                           |  |                                |                                |  |
| District initiatives/special projects    | 4,783,737       | -                         | -                                      | -                              | 4,783,737                      |  |
| Activity funds                           | 144,017         | -                         | -                                      | -                              | 144,017                        |  |
| <b>Unassigned</b>                        | 13,358,073      | -                         | -                                      | -                              | 13,358,073                     |  |
| Total Fund Balances                      | 18,448,995      | -                         | 4,755,897                              | 3,216,170                      | 26,421,062                     |  |
| Total Liabilities and Fund Balances      | \$ 20,109,674   | \$ 502,965                | \$ 5,090,068                           | \$ 4,054,356                   | \$ 29,757,063                  |  |



**CANTON PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
June 30, 2021**

**Exhibit C-1**

**Total fund balances for governmental funds** \$ 26,421,062

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

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

|                                      |                     |            |
|--------------------------------------|---------------------|------------|
| Land                                 | \$ 68,710           |            |
| Buildings                            | 76,924,238          |            |
| Building improvements                | 1,846,692           |            |
| Improvements other than buildings    | 4,907,355           |            |
| Mobile equipment                     | 971,171             |            |
| Furniture and equipment              | 3,578,712           |            |
| Leased property under capital leases | 2,059,761           |            |
| Accumulated depreciation             | <u>(22,677,998)</u> | 67,678,641 |

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 (51,544,068)

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 | 8,676,024        |              |
| Deferred inflows of resources related to pensions  | <u>(943,180)</u> | (43,811,224) |

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 (2,848,579)

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 | 704,102          |             |
| Deferred inflows of resources related to OPEB  | <u>(713,891)</u> | (2,858,368) |

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            | (42,900,000)     |              |
| Qualified school construction bonds | (7,000,000)      |              |
| Notes payable                       | (190,000)        |              |
| Certificates of participation       | (1,665,000)      |              |
| Capital lease obligations           | (1,858,132)      |              |
| Compensated absences                | (179,683)        |              |
| Unamortized charges                 | 159,053          |              |
| Unamortized premiums                | (1,957,565)      |              |
| Accrued interest payable            | <u>(171,133)</u> | (55,762,460) |

**Net Position of governmental activities** \$ (8,332,349)

**CANTON PUBLIC SCHOOL DISTRICT**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2021**

**Exhibit D**

|   | Major Funds   |                      |                                  |                          |                          |
|---|---------------|----------------------|----------------------------------|--------------------------|--------------------------|
|   | General Fund  | Title I-A Basic Fund | Three Mill Notes Retirement Fund | Other Governmental Funds | Total Governmental Funds |
| <b>Revenues:</b>  |               |                      |                                  |                          |                          |
| Local sources   | \$ 13,686,430 | \$ -                 | \$ 750,818                       | \$ 2,654,578             | \$ 17,091,826            |
| State sources   | 15,294,616    | -                    | -                                | 1,000,709                | 16,295,325               |
| Federal sources   | 127,009       | 1,845,333            | 354,729                          | 4,865,071                | 7,192,142                |
| Sixteenth section sources                                 | 173,453       | -                    | -                                | 9,600                    | 183,053                  |
| Total Revenues  | 29,281,508    | 1,845,333            | 1,105,547                        | 8,529,958                | 40,762,346               |
| <b>Expenditures:</b>                                      |               |                      |                                  |                          |                          |
| Instruction   | 14,025,246    | 1,327,513            | -                                | 3,385,910                | 18,738,669               |
| Support services  | 10,886,314    | 329,215              | -                                | 2,447,387                | 13,662,916               |
| Noninstructional services                                 | -             | 13,700               | -                                | 1,555,952                | 1,569,652                |
| Sixteenth section   | 38,177        | -                    | -                                | 5,221                    | 43,398                   |
| Facilities acquisition and construction                   | -             | -                    | -                                | 602,992                  | 602,992                  |
| Debt service:   |               |                      |                                  |                          |                          |
| Principal   | 199,079       | -                    | 180,000                          | 2,575,000                | 2,954,079                |
| Interest  | 14,314        | -                    | 436,037                          | 2,029,762                | 2,480,113                |
| Debt issuance costs                                       | -             | -                    | -                                | 326,800                  | 326,800                  |
| Other   | -             | -                    | 5,890                            | 10,500                   | 16,390                   |
| Total Expenditures  | 25,163,130    | 1,670,428            | 621,927                          | 12,939,524               | 40,395,009               |
| Excess (Deficiency) of Revenues over (under) Expenditures | 4,118,378     | 174,905              | 483,620                          | (4,409,566)              | 367,337                  |
| <b>Other Financing Sources (Uses):</b>                    |               |                      |                                  |                          |                          |
| Inception of capital leases                               | 2,057,211     | -                    | -                                | -                        | 2,057,211                |
| Refunding bonds issued                                    | -             | -                    | -                                | 12,395,000               | 12,395,000               |
| Payments held by escrow agent                             | -             | -                    | 466,229                          | -                        | 466,229                  |
| Payment to refunded bond escrow agent                     | -             | -                    | -                                | (12,059,322)             | (12,059,322)             |
| Payment to QSCB debt escrow agent                         | -             | -                    | (466,229)                        | -                        | (466,229)                |
| Operating transfers in                                    | 7,809         | -                    | -                                | 3,925,644                | 3,933,453                |
| Operating transfers out                                   | (3,662,853)   | (175,638)            | -                                | (94,962)                 | (3,933,453)              |
| Total Other Financing Sources (Uses)                      | (1,597,833)   | (175,638)            | -                                | 4,166,360                | 2,392,889                |
| Net Change in Fund Balances                               | 2,520,545     | (733)                | 483,620                          | (243,206)                | 2,760,226                |
| <b>Fund Balances:</b>                                     |               |                      |                                  |                          |                          |
| July 1, 2020, as previously reported                      | 15,943,923    | -                    | 4,272,277                        | 3,490,213                | 23,706,413               |
| Prior period adjustments                                  | (15,473)      | 733                  | -                                | (12,491)                 | (27,231)                 |
| July 1, 2020, as restated                                 | 15,928,450    | 733                  | 4,272,277                        | 3,477,722                | 23,679,182               |
| Increase (Decrease) in inventory                          | -             | -                    | -                                | (18,346)                 | (18,346)                 |
| June 30, 2021   | \$ 18,448,995 | \$ -                 | \$ 4,755,897                     | \$ 3,216,170             | \$ 26,421,062            |

**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, 2021**

**Exhibit D-1**

**Net change in fund balances - total governmental funds** \$ 2,760,226

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       | \$ 2,726,908       |         |
| Depreciation expense | <u>(2,206,839)</u> | 520,069 |

2. In the statement of activities, only the gain/loss on the sale of assets is reported, while in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in Net Position differs from the change in fund balance by the cost of the assets sold.

(5,288)

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:

|  |                |         |
|--|----------------|---------|
| Refunding bonds issued                 | (12,395,000)   |         |
| Inception of capital leases            | (2,057,211)    |         |
| Payments of debt principal             | 2,954,079      |         |
| Payments to refunded bond escrow agent | 12,059,322     |         |
| Accrued interest payable               | <u>180,243</u> | 741,433 |

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                                  | (5,366,043)      |             |
| Contributions subsequent to the measurement date | <u>3,152,892</u> | (2,213,151) |

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                                     | (69,496)      |        |
| Contributions subsequent to the measurement date | <u>97,877</u> | 28,381 |

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                           | 10,829        |        |
| Change in inventory                                      | (18,346)      |        |
| Amortization of deferred charges, premiums and discounts | <u>84,469</u> | 76,952 |

|  |  |                            |
|--|--|----------------------------|
| <b>Change in Net Position of governmental activities</b> |  | <u><u>\$ 1,908,622</u></u> |
|--|--|----------------------------|

**Canton Public School District**

Notes to the Financial Statements  
For the Year Ended June 30, 2021

## **CANTON PUBLIC SCHOOL DISTRICT**

### **Notes to the Financial Statements For Year Ended June 30, 2021**

#### **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:

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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.
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 funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

Title I-A Basic Fund - This is a special revenue fund that accounts for federal sources received and expenditures incurred related to the District's Title I program.

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 reports the following fund types:

#### GOVERNMENTAL FUNDS

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

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

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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.

#### **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. 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.

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.

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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 are reported at fair market value.

##### **2. Receivables and payables**

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

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



## CANTON PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

#### 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and governmental fund financial statements.

#### 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 16<sup>th</sup> Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

#### 6. Capital Assets

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

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

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

The following schedule details the capitalization thresholds:

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

|                                      | Capitalization<br>Policy | Estimated<br>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

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

respective bonds using a method that approximates the effective interest method.

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

#### 10. 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. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

#### 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

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

and the Business Manager pursuant to authorization established by the District's approved fund balance policy.

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

When an expenditure/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 or expenditures.

#### 13. Accounting Standards Update

The Governmental Accounting Standards Board issued GASB 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* in May 2020. The objective of this Statement was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing effective dates of certain Statements and Implementation Guides. The effective dates of GASB 83-84, GASB 88-93, and Implementation Guides No. 2017-3, 2018-1, 2019-1, and 2019-2 were postponed one year. The effective dates of GASB 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, were postponed eighteen months.

GASB 84, *Fiduciary Activities*, was implemented during fiscal year 2020. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds.

## 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 are imposed by statutes as follows:

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

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

#### Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds was \$21,643,202. The carrying amount of deposits in the government-wide financial statements was reported as cash and cash equivalents in the amount of \$21,277,005 and a portion of restricted assets in the amount of \$366,197 (see Note 4).

**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, 2021, none of the district's bank balance of \$22,200,063 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 \$4,726,500.

### 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             | \$ 497,565          |
|                          | Three Mill Notes Retirement Fund | 334,171             |
|                          | Other governmental funds         | 784,356             |
| Other governmental funds | General Fund                     | 5,500               |
| Total                    |                                  | <u>\$ 1,621,592</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 | \$ 3,662,853        |
| Title I-A Basic Fund     | Other governmental funds | 175,638             |
| Other governmental funds | General Fund             | 7,809               |
|                          | Other governmental funds | 87,153              |
| Total                    |                          | <u>\$ 3,933,453</u> |

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

# CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2021

## Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$366,197 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 \$4,717,622 of the Three Mill Notes Retirement Fund (which includes the QSCB Sinking Fund balances) and \$8,878 of the Bond Retirement Fund - COPs Fund.

## Note 5 – Capital Assets

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

|   | Balance<br>7/1/2020 | Increases  | Decreases | Completed<br>Construction | Balance<br>6/30/2021 |
|---|---------------------|------------|-----------|---------------------------|----------------------|
| <b>Governmental Activities:</b>             |                     |            |           |                           |                      |
| <u>Non-depreciable capital assets:</u>      |                     |            |           |                           |                      |
| Land  | \$ 68,710           | \$         | \$        | \$                        | \$ 68,710            |
| Construction-in-progress                    | 637,503             | 602,992    |           | (1,240,495)               | -                    |
| Total non-depreciable capital assets        | 706,213             | 602,992    | -         | (1,240,495)               | 68,710               |
| <u>Depreciable capital assets:</u>          |                     |            |           |                           |                      |
| Buildings                                   | 76,924,238          |            |           |                           | 76,924,238           |
| Building improvements                       | 1,423,651           |            |           | 423,041                   | 1,846,692            |
| Improvements other than buildings           | 4,089,901           |            |           | 817,454                   | 4,907,355            |
| Mobile equipment                            | 968,090             | 11,546     | 8,465     |                           | 971,171              |
| Furniture and equipment                     | 3,710,159           | 52,609     | 184,056   |                           | 3,578,712            |
| Leased property under capital leases        |                     | 2,059,761  |           |                           | 2,059,761            |
| Total depreciable capital assets            | 87,116,039          | 2,123,916  | 192,521   | 1,240,495                 | 90,287,929           |
| <u>Less accumulated depreciation for:</u>   |                     |            |           |                           |                      |
| Buildings                                   | 14,038,079          | 1,488,139  |           |                           | 15,526,218           |
| Building improvements                       | 956,383             | 73,868     |           |                           | 1,030,251            |
| Improvements other than buildings           | 2,015,723           | 196,294    |           |                           | 2,212,017            |
| Mobile equipment                            | 568,719             | 60,650     | 7,619     |                           | 621,750              |
| Furniture and equipment                     | 3,079,488           | 202,510    | 179,614   |                           | 3,102,384            |
| Leased property under capital leases        |                     | 185,378    |           |                           | 185,378              |
| Total accumulated depreciation              | 20,658,392          | 2,206,839  | 187,233   | -                         | 22,677,998           |
| Total depreciable capital assets, net       | 66,457,647          | (82,923)   | 5,288     | 1,240,495                 | 67,609,931           |
| Governmental activities capital assets, net | \$ 67,163,860       | \$ 520,069 | \$ 5,288  | \$ -                      | \$ 67,678,641        |

Depreciation expense was charged to the following governmental functions:

|                                 | Amount              |
|---------------------------------|---------------------|
| <b>Governmental activities:</b> |                     |
| Instruction                     | \$ 1,705,057        |
| Support services                | 376,242             |
| Non-instructional               | 125,540             |
| Total depreciation expense      | <u>\$ 2,206,839</u> |

# CANTON PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

### Note 6 – Long-term Liabilities

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

|  | Balance<br>7/1/2020 | Additions     | Reductions   | Refunding       | Balance<br>6/30/2021 | Amounts due<br>within one<br>year |
|--|---------------------|---------------|--------------|-----------------|----------------------|-----------------------------------|
| A. General obligation bonds payable            | \$ 1,760,000        | \$            | \$ 870,000   | \$              | \$ 890,000           | \$ 890,000                        |
| General obligation bonds payable - FY15 issue  | 30,660,000          |               | 1,045,000    |                 | 29,615,000           | 1,095,000                         |
| General obligation refunding bonds payable     |                     | 12,395,000    |              |                 | 12,395,000           | 735,000                           |
| Total general obligation bonds                 | 32,420,000          | 12,395,000    | 1,915,000    | -               | 42,900,000           | 2,720,000                         |
| B. Certificates of participation payable       | 14,225,000          |               | 660,000      | (11,900,000)    | 1,665,000            | 115,000                           |
| C. Three mill notes payable                    | 370,000             |               | 180,000      |                 | 190,000              | 190,000                           |
| D. Obligations under capital leases            |                     | 2,057,211     | 199,079      |                 | 1,858,132            | 402,510                           |
| E. Qualified school construction bonds payable | 7,000,000           |               |              |                 | 7,000,000            |                                   |
| F. Compensated absences payable                | 190,512             |               | 10,829       |                 | 179,683              | 8,984                             |
| Total  | \$ 54,205,512       | \$ 14,452,211 | \$ 2,964,908 | \$ (11,900,000) | \$ 53,792,815        | \$ 3,436,494                      |
| Add: Bond premium                              | 2,097,391           |               | 139,826      |                 | 1,957,565            |                                   |
| Total  | \$ 56,302,903       | \$ 14,452,211 | \$ 3,104,734 | \$ (11,900,000) | \$ 55,750,380        |                                   |

#### 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<br>Rate | Issue<br>Date | Maturity<br>Date | Amount Issued | Amount<br>Outstanding |
|---|------------------|---------------|------------------|---------------|-----------------------|
| 1. General obligation refunding bonds, Series 2012  | 2.0-2.5%         | 5/1/2012      | 4/1/2022         | \$ 5,185,000  | \$ 660,000            |
| 2. General obligation refunding bonds, Series 2012B | 1.0-2.25%        | 8/30/2012     | 4/1/2022         | 1,765,000     | 230,000               |
| 3. General obligation bonds, Series 2015            | 4.0-5.0%         | 6/19/2015     | 6/30/2035        | 33,500,000    | 29,615,000            |
| 4. General obligation refunding bonds, Series 2021  | 1.69%            | 5/25/2021     | 9/1/2030         | 12,395,000    | 12,395,000            |
| Total   |                  |               |                  | \$ 52,845,000 | \$ 42,900,000         |

# CANTON PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

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

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

| Year Ending<br>June 30 | Principal  | Interest  | Total      |
|------------------------|------------|-----------|------------|
| 2022                   | \$ 660,000 | \$ 16,500 | \$ 676,500 |
| Total                  | \$ 660,000 | \$ 16,500 | \$ 676,500 |

This debt will be retired from the Bond Retirement Fund.

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

| Year Ending<br>June 30 | Principal  | Interest | Total      |
|------------------------|------------|----------|------------|
| 2022                   | \$ 230,000 | \$ 5,175 | \$ 235,175 |
| Total                  | \$ 230,000 | \$ 5,175 | \$ 235,175 |

This debt will be retired from the Bond Retirement Fund.

3. General obligation bonds issued on June 19, 2015:

| Year Ending<br>June 30 | Principal     | Interest      | Total         |
|------------------------|---------------|---------------|---------------|
| 2022                   | \$ 1,095,000  | \$ 1,333,175  | \$ 2,428,175  |
| 2023                   | 1,350,000     | 1,272,050     | 2,622,050     |
| 2024                   | 1,420,000     | 1,202,800     | 2,622,800     |
| 2025                   | 1,475,000     | 1,145,175     | 2,620,175     |
| 2026                   | 1,525,000     | 1,098,269     | 2,623,269     |
| 2027 – 2031            | 11,265,000    | 4,242,068     | 15,507,068    |
| 2032 – 2035            | 11,485,000    | 1,184,375     | 12,669,375    |
| Total                  | \$ 29,615,000 | \$ 11,477,912 | \$ 41,092,912 |

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

4. General obligation refunding bonds issued on May 25, 2021:

| Year Ending<br>June 30 | Principal     | Interest     | Total         |
|------------------------|---------------|--------------|---------------|
| 2022                   | \$ 735,000    | \$ 154,387   | \$ 889,387    |
| 2023                   | 1,210,000     | 186,830      | 1,396,830     |
| 2024                   | 1,230,000     | 166,212      | 1,396,212     |
| 2025                   | 1,255,000     | 145,213      | 1,400,213     |
| 2026                   | 1,270,000     | 123,877      | 1,393,877     |
| 2027 – 2031            | 6,695,000     | 286,666      | 6,981,666     |
| Total                  | \$ 12,395,000 | \$ 1,063,185 | \$ 13,458,185 |



# CANTON PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

This debt will be retired from the Bond Retirement Fund.

Total general obligation bond payments for all issues:

| Year Ending<br>June 30 | Principal     | Interest      | Total         |
|------------------------|---------------|---------------|---------------|
| 2022                   | \$ 2,720,000  | \$ 1,509,237  | \$ 4,229,237  |
| 2023                   | 2,560,000     | 1,458,880     | 4,018,880     |
| 2024                   | 2,650,000     | 1,369,012     | 4,019,012     |
| 2025                   | 2,730,000     | 1,290,388     | 4,020,388     |
| 2026                   | 2,795,000     | 1,222,146     | 4,017,146     |
| 2027 – 2031            | 17,960,000    | 4,528,734     | 22,488,734    |
| 2032 – 2035            | 11,485,000    | 1,184,375     | 12,669,375    |
| Total                  | \$ 42,900,000 | \$ 12,562,772 | \$ 55,462,772 |

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, 2021, the amount of outstanding bonded indebtedness was equal to 15% of property assessments as of October 1, 2020.

### Advance Refunding

On May 25, 2021, the district issued \$12,395,000 in general obligation refunding bonds, Series 2021, with an average interest rate of 1.690% to advance refund \$11,900,000 of outstanding certificates of participation, Series 2010, with an average interest rate of 4.45%. The net proceeds of \$12,059,322 after payments of \$326,800 for issuance costs were deposited in an irrevocable trust with an escrow agent to provide for all future debt payment requirements on the certificates of participation, Series 2010.

As a result, the certificates of participation, Series 2010, are considered to be defeased and the liability for those certificates has been removed from long-term liabilities.

The district advance refunded the certificates of participation, Series 2010, to reduce its total debt service payments over the remaining 10 years of the debt by approximately \$1,503,147.

### 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<br>Rate | Issue Date | Maturity<br>Date | Amount<br>Issued | Amount<br>Outstanding |
|---|------------------|------------|------------------|------------------|-----------------------|
| Certificates of Participation,<br>Series 2017 | 3.125%           | 10/31/2017 | 11/1/2032        | \$ 2,000,000     | \$ 1,665,000          |
| Total   |                  |            |                  | \$ 2,000,000     | \$ 1,665,000          |

**CANTON PUBLIC SCHOOL DISTRICT**Notes to the Financial Statements  
For Year Ended June 30, 2021

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

| Year Ending<br>June 30 | Principal           | Interest          | Total               |
|------------------------|---------------------|-------------------|---------------------|
| 2022                   | \$ 115,000          | \$ 52,031         | \$ 167,031          |
| 2023                   | 120,000             | 48,437            | 168,437             |
| 2024                   | 125,000             | 44,688            | 169,688             |
| 2025                   | 125,000             | 40,781            | 165,781             |
| 2026                   | 130,000             | 36,875            | 166,875             |
| 2027 – 2031            | 725,000             | 120,313           | 845,313             |
| 2032 – 2033            | 325,000             | 15,312            | 340,312             |
| Total                  | <u>\$ 1,665,000</u> | <u>\$ 358,437</u> | <u>\$ 2,023,437</u> |

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

**C. Three mill notes payable**

Debt currently outstanding is as follows:

| Description           | Interest Rate | Issue Date | Maturity Date | Amount Issued       | Amount Outstanding |
|-----------------------|---------------|------------|---------------|---------------------|--------------------|
| Limited Tax Refunding |               |            |               |                     |                    |
| Notes, Series 2011    | 2.0-3.125%    | 11/15/2011 | 4/1/2022      | \$ 1,660,000        | \$ 190,000         |
| Total                 |               |            |               | <u>\$ 1,660,000</u> | <u>\$ 190,000</u>  |

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

| Year Ending<br>June 30 | Principal         | Interest        | Total             |
|------------------------|-------------------|-----------------|-------------------|
| 2022                   | \$ 190,000        | \$ 5,938        | \$ 195,938        |
| Total                  | <u>\$ 190,000</u> | <u>\$ 5,938</u> | <u>\$ 195,938</u> |

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

**D. Obligations under capital leases**

The school district has entered into a lease agreement as lessee for financing the acquisition of buses at a cost of \$2,057,211. This lease qualifies as a capital lease for accounting purposes.

| Description   | Interest Rate | Issue Date | Maturity Date | Amount Issued       | Amount Outstanding  |
|---------------|---------------|------------|---------------|---------------------|---------------------|
| Capital lease | 1.45%         | 12/29/2020 | 12/29/2025    | \$ 2,057,211        | \$ 1,858,132        |
| Total         |               |            |               | <u>\$ 2,057,211</u> | <u>\$ 1,858,132</u> |

# CANTON PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

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

| Year Ending<br>June 30 | Principal           | Interest and<br>Maintenance<br>Charges | Total               |
|------------------------|---------------------|--|---------------------|
| 2022                   | \$ 402,510          | \$ 24,275                              | \$ 426,785          |
| 2023                   | 408,386             | 18,400                                 | 426,786             |
| 2024                   | 414,347             | 12,438                                 | 426,785             |
| 2025                   | 420,395             | 6,391                                  | 426,786             |
| 2026                   | 212,494             | 899                                    | 213,393             |
| Total                  | <u>\$ 1,858,132</u> | <u>\$ 62,403</u>                       | <u>\$ 1,920,535</u> |

This debt will be retired from the District Maintenance Fund.

### E. Qualified school construction bonds payable

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

| Description  | Interest<br>Rate | Issue<br>Date | Maturity<br>Date | Amount<br>Issued    | Amount<br>Outstanding |
|--|------------------|---------------|------------------|---------------------|-----------------------|
| 1. Qualified School Construction<br>Bonds, Series 2010 | 6.09%            | 1/7/2011      | 1/7/2026         | \$ 3,000,000        | \$ 3,000,000          |
| 2. Qualified School Construction<br>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>   |

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<br>June 30 | Principal           | Interest          | Total               |
|------------------------|---------------------|-------------------|---------------------|
| 2022                   | \$ -                | \$ 182,700        | \$ 182,700          |
| 2023                   | -                   | 182,700           | 182,700             |
| 2024                   | -                   | 182,700           | 182,700             |
| 2025                   | -                   | 182,700           | 182,700             |
| 2026                   | 3,000,000           | 182,700           | 3,182,700           |
| Total                  | <u>\$ 3,000,000</u> | <u>\$ 913,500</u> | <u>\$ 3,913,500</u> |

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

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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

| Year Ending<br>June 30 | Principal    | Interest     | Total        |
|------------------------|--------------|--------------|--------------|
| 2022                   | \$ -         | \$ 243,600   | \$ 243,600   |
| 2023                   | -            | 243,600      | 243,600      |
| 2024                   | -            | 243,600      | 243,600      |
| 2025                   | -            | 243,600      | 243,600      |
| 2026                   | -            | 243,600      | 243,600      |
| 2027                   | 4,000,000    | 243,600      | 4,243,600    |
| Total                  | \$ 4,000,000 | \$ 1,461,600 | \$ 5,461,600 |

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

Total qualified school construction bond payments for all issues:

| Year Ending<br>June 30 | Principal    | Interest     | Total        |
|------------------------|--------------|--------------|--------------|
| 2022                   | \$ -         | \$ 426,300   | \$ 426,300   |
| 2023                   | -            | 426,300      | 426,300      |
| 2024                   | -            | 426,300      | 426,300      |
| 2025                   | -            | 426,300      | 426,300      |
| 2026                   | 3,000,000    | 426,300      | 3,426,300    |
| 2027                   | 4,000,000    | 243,600      | 4,243,600    |
| Total                  | \$ 7,000,000 | \$ 2,375,100 | \$ 9,375,100 |

#### F. Compensated absences payable

As more fully explained in Note 1(E)(8), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated absences will be paid from the fund from which the employees' salaries were paid.

#### Note 7 – Other Commitments

Operating leases:

The school district has several operating leases for eleven (11) Ricoh copiers. Lease expenditures for the year ended June 30, 2021, amounted to \$42,928.

Future lease payments for these leases are as follows:

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

| Year Ending<br>June 30 | Amount           |
|------------------------|------------------|
| 2022                   | \$ 45,714        |
| 2023                   | 14,747           |
| 2024                   | 5,895            |
| Total                  | <u>\$ 66,356</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 is available at [www.pers.ms.gov](http://www.pers.ms.gov).

*Benefits provided.* Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The 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, 2021 was 17.40% 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, 2021, 2020 and 2019 were \$3,152,892, \$3,084,905 and \$2,512,345, respectively, which equaled the required contributions for each year.

# CANTON PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

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

At June 30, 2021, the school district reported a liability of \$51,544,068 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, 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, 2021 net pension liability was 0.266256 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.02133 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized pension expense of \$5,366,043. At June 30, 2021 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|---|-----------------------------------|----------------------------------|
| Differences between expected and actual experience  | \$ 446,908                        | \$                               |
| Net difference between projected and actual earnings on pension plan investments                              | 2,109,362                         |                                  |
| Changes of assumptions  | 265,238                           |                                  |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 2,701,624                         | 943,180                          |
| District contributions subsequent to the measurement date   | 3,152,892                         |                                  |
| Total   | \$ <u>8,676,024</u>               | \$ <u>943,180</u>                |

\$3,152,892 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                      |                     |
|----------------------|---------------------|
| Year Ending June 30: |                     |
| 2022                 | \$ 642,574          |
| 2023                 | 1,598,100           |
| 2024                 | 1,657,040           |
| 2025                 | <u>682,238</u>      |
| Total                | \$ <u>4,579,952</u> |

*Actuarial assumptions.* The total pension liability as of June 30, 2020 was determined by actuarial valuation prepared as of June 30, 2019. The following actuarial assumptions are applied to all periods included in the measurement:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.75 percent  |
| Salary increases          | 3.00-18.25 percent, including inflation                                   |
| Investment rate of return | 7.75 percent, net of pension plan investment expense, including inflation |

# CANTON PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

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

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the four-year period from July 1, 2014 to June 30, 2018. The experience report is dated April 2, 2019.

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

| <u>Asset Class</u>   | <u>Target Allocation</u> |   | <u>Long-Term Expected Real Rate of Return</u> |   |
|----------------------|--------------------------|---|---|---|
| Domestic Equity      | 27.00                    | % | 4.90  | % |
| International Equity | 22.00                    |   | 4.75  |   |
| Global Equity        | 12.00                    |   | 5.00  |   |
| Fixed Income         | 20.00                    |   | 0.50  |   |
| Real Estate          | 10.00                    |   | 4.00  |   |
| Private Equity       | 8.00                     |   | 6.25  |   |
| Cash                 | 1.00                     |   | 0.00  |   |
| Total                | 100                      | % |   |   |

*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 (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity 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:

|  | <u>1% Decrease<br/>(6.75%)</u> | <u>Current<br/>Discount<br/>Rate (7.75%)</u> | <u>1% Increase<br/>(8.75%)</u> |
|--|--------------------------------|--|--------------------------------|
| District's proportionate share<br>of the net pension liability | \$ 66,717,462                  | \$ 51,544,068                                | \$ 39,019,921                  |

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

## CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements  
For Year Ended June 30, 2021

### **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. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

#### *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.

#### *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 \$97,877 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$2,848,579 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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



# CANTON PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

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, 2020, the District's proportion was 0.36604336 percent. This was an increase of 0.00394595 percent from the proportionate share as of the measurement date of June 30, 2019.

For the year ended June 30, 2021, the District recognized OPEB expense of \$69,496. At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <b>Deferred Outflows<br/>of Resources</b> | <b>Deferred Inflows<br/>of Resources</b> |
|---|---|--|
| Differences between expected and actual experience  | \$ 3,631                                  | \$ 495,729                               |
| Changes of assumptions  | 442,268                                   | 120,377                                  |
| Net difference between projected and actual earnings on OPEB plan investments                                 | 92  |  |
| Changes in proportion and differences between District contributions and proportionate share of contributions | 160,234                                   | 97,785                                   |
| District contributions subsequent to the measurement date   | 97,877                                    |  |
| <b>Total</b>  | <b>\$ <u>704,102</u></b>                  | <b>\$ <u>713,891</u></b>                 |

\$97,877 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, 2022. 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: |              |
| 2022                 | \$ (33,692)  |
| 2023                 | (33,692)     |
| 2024                 | (30,290)     |
| 2025                 | 3,266        |
| 2026                 | (13,258)     |
| Total                | \$ (107,666) |

**Actuarial assumptions.** The total OPEB liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.75 percent                                 |
| Salary increases          | 3.00-18.25 percent, including wage inflation |
| Municipal Bond Index Rate |  |
| Measurement Date          | 2.19%  |
| Prior Measurement Date    | 3.50%  |

# CANTON PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

Year FNP is projected to be depleted

|                        |      |
|------------------------|------|
| Measurement Date       | 2020 |
| Prior Measurement Date | 2019 |

Single Equivalent Interest Rate, net  
of OPEB plan investment expense,  
including inflation

|                        |       |
|------------------------|-------|
| Measurement Date       | 2.19% |
| Prior Measurement Date | 3.50% |

Health Care Cost Trends

|                            |  |
|----------------------------|--|
| Medicare Supplement Claims | 7.00 percent for 2021 decreasing to an |
| Pre-Medicare               | ultimate rate of 4.50% by 2030         |

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

The demographic actuarial assumptions used in the June 30, 2020 valuation were based on the results of the last actuarial experience study, dated April 2, 2019.

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, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

The long-term expected rate of return on OPEB plan investments is 4.50%.

*Discount rate.* The discount rate used to measure the total OPEB liability at June 30, 2020 was 2.19 percent. Since the Prior Measurement Date, the Discount Rate has changed from 3.50% to 2.19%.

The trust was established on June 28, 2018 with an initial contribution of \$1,000,000. As of June 30, 2020, the trust has \$1,037,371. The fiduciary net position is projected to be depleted immediately, therefore, the Municipal Bond Index Rate is used in the determination of the discount rate for both the June 30, 2019 and the June 30, 2020 total OPEB liability. The discount rate used to measure the total OPEB liability at June 30, 2020 was based on a monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate.

*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 (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

|                    | 1% Decrease<br>(1.19%) | Current<br>Discount<br>Rate (2.19%) | 1% Increase<br>(3.19%) |
|--------------------|------------------------|-------------------------------------|------------------------|
| Net OPEB liability | \$ 3,147,874           | \$ 2,848,579                        | \$ 2,591,865           |

*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

# CANTON PUBLIC SCHOOL DISTRICT

## Notes to the Financial Statements For Year Ended June 30, 2021

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<br>Cost Trend<br>Rates<br>Current | 1% Increase  |
|--------------------|--------------|--|--------------|
| Net OPEB liability | \$ 2,630,227 | \$ 2,848,579                                 | \$ 3,095,962 |

*OPEB plan fiduciary net position.* Detailed information about the OPEB plan's fiduciary net position is available in a separately issued report that can be found at <http://knowyourbenefits.dfa.ms.gov/>.

### Note 10 – Sixteenth Section Lands

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

| Year Ending<br>June 30 | Amount            |
|------------------------|-------------------|
| 2022                   | \$ 117,047        |
| 2023                   | 117,047           |
| 2024                   | 117,047           |
| 2025                   | 41,939            |
| 2026                   | 8,938             |
| 2027 – 2031            | 43,294            |
| 2032 - 2036            | 36,944            |
| 2037 – 2041            | 35,944            |
| 2042 – 2046            | 32,172            |
| Thereafter             | 42,750            |
| Total                  | <u>\$ 593,122</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 correct prior year receivable, interfund loan and revenue at the governmental fund level | \$ (27,231)        |
| Total   | <u>\$ (27,231)</u> |

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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

| Fund                     | Explanation                                      | Amount             |
|--------------------------|--|--------------------|
| General Fund             | To correct prior year interfund loan and revenue | \$ (15,473)        |
| Title I-A Basic Fund     | To correct prior year revenue                    | 733                |
| Other governmental funds | To correct prior year receivable and revenue     | (12,491)           |
| Total                    |  | <u>\$ (27,231)</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 October 31, 2017, was executed by and between the school district and Trustmark National Bank, Madison, 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 project will have sufficient value to satisfy the certificates in the event the school district defaults under the lease; therefore, the source of payment of the certificates is the responsibility of the school district. See Note 6 for details regarding the debt service requirement on the trust certificates.

Using the guidance provided in Section 2100 of the *Codification of Governmental Accounting and Financial Reporting Standards* dealing with defining the reporting entity, the trust accounts created by this trust agreement were deemed to constitute an inseparable part of the school district. Therefore, the

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

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, 2021, the subsidy payments amounted to \$354,729.

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, 2021 was \$4,717,622. 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.

Qualified school construction bonds issued on January 7, 2011:

| Year Ending<br>June 30 | Amount              |
|------------------------|---------------------|
| 2022                   | \$ 200,000          |
| 2023                   | 200,000             |
| 2024                   | 200,000             |
| 2025                   | 200,000             |
| 2026                   | 200,000             |
| Total                  | <u>\$ 1,000,000</u> |

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to the Financial Statements For Year Ended June 30, 2021

Qualified school construction bonds issued on November 8, 2011:

| Year Ending<br>June 30 | Amount              |
|------------------------|---------------------|
| 2022                   | \$ 266,667          |
| 2023                   | 266,667             |
| 2024                   | 266,667             |
| 2025                   | 266,667             |
| 2026                   | 266,667             |
| 2027                   | 266,662             |
| Total                  | <u>\$ 1,599,997</u> |

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

| Year Ending<br>June 30 | Amount              |
|------------------------|---------------------|
| 2022                   | \$ 466,667          |
| 2023                   | 466,667             |
| 2024                   | 466,667             |
| 2025                   | 466,667             |
| 2026                   | 466,667             |
| 2027                   | 266,662             |
| Total                  | <u>\$ 2,599,997</u> |

#### Note 16 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$15,820,797 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt and deferred bond premiums. The \$159,053 balance of the deferred outflow from advance refunding of debt at June 30, 2021, will be recognized as an expense and will increase the net investment in capital assets net position over the next 10 years. The \$1,957,565 balance of the deferred bond premiums at June 30, 2021, will be recognized as a decrease in an expense and will decrease the net investment in capital assets net position over the next 14 years.

The unrestricted net position (deficit) amount of (\$32,117,248) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$3,152,892 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. The \$5,523,132 balance of the deferred outflow of resources related to pensions at June 30, 2021, will be recognized as an expense and will decrease the unrestricted net position over the next 4 years.

The unrestricted net position (deficit) amount of (\$32,117,248) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from pensions. The \$943,180 balance of the deferred inflow of resources related to pensions at June 30, 2021, will be recognized as revenue and will increase the unrestricted net position over the next 3 years.

## **CANTON PUBLIC SCHOOL DISTRICT**

### **Notes to the Financial Statements For Year Ended June 30, 2021**

The unrestricted net position (deficit) amount of (\$32,117,248) includes the effect of deferring the recognition of expenses resulting from a deferred outflow from OPEB. A portion of the deferred outflow of resources related to OPEB in the amount of \$97,877 resulting from the school district contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. The \$606,225 balance of the deferred outflow of resources related to OPEB at June 30, 2021, will be recognized as an expense and will decrease the unrestricted net position over the next 5 years.

The unrestricted net position (deficit) amount of (\$32,117,248) includes the effect of deferring the recognition of revenue resulting from a deferred inflow from OPEB. The \$713,891 balance of the deferred inflow of resources related to OPEB at June 30, 2021, will be recognized as revenue and will increase the unrestricted net position over the next 5 years.

#### **Note 17 – Subsequent Events**

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

## REQUIRED SUPPLEMENTARY INFORMATION



**CANTON PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**General Fund**

**For the Year Ended June 30, 2021**

|  | Budgeted Amounts |               | Actual<br>(GAAP Basis) | Variances<br>Positive (Negative) |                    |
|--|------------------|---------------|------------------------|----------------------------------|--------------------|
|  | Original         | Final         |                        | Original<br>to Final             | Final<br>to Actual |
|  |                  |               |                        |                                  |                    |
| <b>Revenues:</b>   |                  |               |                        |                                  |                    |
| Local sources  | \$ 13,802,382    | \$ 13,686,430 | \$ 13,686,430          | \$ (115,952)                     | \$ -               |
| State sources  | 14,954,080       | 15,294,616    | 15,294,616             | 340,536                          | -                  |
| Federal sources  | 375,867          | 127,009       | 127,009                | (248,858)                        | -                  |
| Sixteenth section sources                                    | 335,000          | 173,453       | 173,453                | (161,547)                        | -                  |
| Total Revenues   | 29,467,329       | 29,281,508    | 29,281,508             | (185,821)                        | -                  |
| <b>Expenditures:</b>   |                  |               |                        |                                  |                    |
| Instruction  | 15,597,282       | 14,025,246    | 14,025,246             | 1,572,036                        | -                  |
| Support services   | 11,388,433       | 10,886,314    | 10,886,314             | 502,119                          | -                  |
| Noninstructional services                                    | 21,500           | -             | -                      | 21,500                           | -                  |
| Sixteenth section  | 61,000           | 38,177        | 38,177                 | 22,823                           | -                  |
| Debt service:  |                  |               |                        |                                  |                    |
| Principal  | -                | 213,393       | 199,079                | (213,393)                        | 14,314             |
| Interest   | -                | -             | 14,314                 | -                                | (14,314)           |
| Total Expenditures   | 27,068,215       | 25,163,130    | 25,163,130             | 1,905,085                        | -                  |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | 2,399,114        | 4,118,378     | 4,118,378              | 1,719,264                        | -                  |
| <b>Other Financing Sources (Uses):</b>                       |                  |               |                        |                                  |                    |
| Inception of capital leases                                  | -                | 2,057,211     | 2,057,211              | 2,057,211                        | -                  |
| Operating transfers in                                       | 4,118,302        | 3,004,379     | 7,809                  | (1,113,923)                      | (2,996,570)        |
| Operating transfers out                                      | (7,545,379)      | (6,623,047)   | (3,662,853)            | 922,332                          | 2,960,194          |
| Total Other Financing Sources (Uses)                         | (3,427,077)      | (1,561,457)   | (1,597,833)            | 1,865,620                        | (36,376)           |
| Net Change in Fund Balances                                  | (1,027,963)      | 2,556,921     | 2,520,545              | 3,584,884                        | (36,376)           |
| <b>Fund Balances:</b>  |                  |               |                        |                                  |                    |
| July 1, 2020, as previously reported                         | 15,943,923       | 15,943,923    | 15,943,923             | -                                | -                  |
| Prior period adjustments                                     | (15,777)         | (15,473)      | (15,473)               | 304                              | -                  |
| July 1, 2020, as restated                                    | 15,928,146       | 15,928,450    | 15,928,450             | 304                              | -                  |
| June 30, 2021  | \$ 14,900,183    | \$ 18,485,371 | \$ 18,448,995          | \$ 3,585,188                     | \$ (36,376)        |

**CANTON PUBLIC SCHOOL DISTRICT**

**Required Supplementary Information**

**Budgetary Comparison Schedule**

**Title I - A Basic Fund**

**For the Year Ended June 30, 2021**

|  | Budgeted Amounts |              | Actual<br>(GAAP Basis) | Variances            |                    |
|--|------------------|--------------|------------------------|----------------------|--------------------|
|  |                  |              |                        | Positive (Negative)  |                    |
|  | Original         | Final        |                        | Original<br>to Final | Final<br>to Actual |
| <b>Revenues:</b>   |                  |              |                        |                      |                    |
| Federal sources  | \$ 2,112,824     | \$ 2,218,812 | \$ 1,845,333           | \$ 105,988           | \$ (373,479)       |
| Total Revenues   | 2,112,824        | 2,218,812    | 1,845,333              | 105,988              | (373,479)          |
| <b>Expenditures:</b>   |                  |              |                        |                      |                    |
| Instruction  | 1,681,596        | 1,713,878    | 1,327,513              | (32,282)             | 386,365            |
| Support services   | 414,317          | 394,314      | 329,215                | 20,003               | 65,099             |
| Noninstructional services                                    | 44,171           | 47,852       | 13,700                 | (3,681)              | 34,152             |
| Total Expenditures   | 2,140,084        | 2,156,044    | 1,670,428              | (15,960)             | 485,616            |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | (27,260)         | 62,768       | 174,905                | 90,028               | 112,137            |
| <b>Other Financing Sources (Uses):</b>                       |                  |              |                        |                      |                    |
| Operating transfers out                                      | (329,857)        | (327,512)    | (175,638)              | 2,345                | 151,874            |
| Total Other Financing Sources (Uses)                         | (329,857)        | (327,512)    | (175,638)              | 2,345                | 151,874            |
| Net Change in Fund Balances                                  | (357,117)        | (264,744)    | (733)                  | 92,373               | 264,011            |
| <b>Fund Balances:</b>  |                  |              |                        |                      |                    |
| July 1, 2020, as previously reported                         | 733              | 733          | -                      | -                    | (733)              |
| Prior period adjustments                                     | (733)            | (733)        | 733                    | -                    | 1,466              |
| July 1, 2020, as restated                                    | -                | -            | 733                    | -                    | 733                |
| June 30, 2021  | \$ (357,117)     | \$ (264,744) | \$ -                   | \$ 92,373            | \$ 264,744         |

**Canton Public School District**

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

PERS

Last 10 Fiscal Years\*

|  | 2021          | 2020       | 2019       | 2018       | 2017       | 2016       | 2015       |
|--|---------------|------------|------------|------------|------------|------------|------------|
| District's proportion of the net pension liability   | 0.266256%     | 0.244926%  | 0.256128%  | 0.257420%  | 0.254388%  | 0.241217%  | 0.234653%  |
| District's proportionate share of the net pension liability  | \$ 51,544,068 | 43,087,316 | 42,601,696 | 42,791,941 | 45,440,049 | 37,287,391 | 28,482,578 |
| District's covered payroll   | 17,729,339    | 15,951,397 | 16,356,222 | 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 | 290.73%       | 270.12%    | 260.46%    | 259.13%    | 279.22%    | 247.43%    | 198.64%    |
| Plan fiduciary net position as a percentage of the total pension liability                         | 58.97%        | 61.59%     | 62.54%     | 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 68 was implemented in FYE 6/30/15, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

|  | 2021         | 2020       | 2019       | 2018       | 2017       | 2016       | 2015       |
|--|--------------|------------|------------|------------|------------|------------|------------|
| Contractually required contribution                                  | \$ 3,152,892 | 3,084,905  | 2,512,345  | 2,576,105  | 2,600,903  | 2,563,124  | 2,373,498  |
| Contributions in relation to the contractually required contribution | 3,152,892    | 3,084,905  | 2,512,345  | 2,576,105  | 2,600,903  | 2,563,124  | 2,373,498  |
| Contribution deficiency (excess)                                     | \$ -         | -          | -          | -          | -          | -          | -          |
| District's covered payroll   | 18,120,069   | 17,729,339 | 15,951,397 | 16,356,222 | 16,513,670 | 16,273,803 | 15,069,829 |
| Contributions as a percentage of covered payroll                     | 17.40%       | 17.40%     | 15.75%     | 15.75%     | 15.75%     | 15.75%     | 15.75%     |

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

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

**Canton Public School District**

## Schedule of the District's Proportionate Share of the Net OPEB Liability

## OPEB

## Last 10 Fiscal Years\*

|  | 2021         | 2020        | 2019        | 2018        |
|--|--------------|-------------|-------------|-------------|
| District's proportion of the net OPEB liability  | 0.36604336%  | 0.36209741% | 0.34557539% | 0.36789852% |
| District's proportionate share of the net OPEB liability   | \$ 2,848,579 | 3,072,545   | 2,673,198   | 2,886,565   |
| District's covered - employee payroll  | 17,640,933   | 16,581,983  | 15,630,140  | 16,528,669  |
| District's proportionate share of the net OPEB liability as a percentage of its covered - employee payroll | 16.15%       | 18.53%      | 17.10%      | 17.46%      |
| Plan fiduciary net position as a percentage of the total OPEB liability                                    | 0.13%        | 0.12%       | 0.13%       | 0.00%       |

The notes to the required supplementary 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**  
Schedule of District Contributions  
OPEB  
Last 10 Fiscal Years

|  | 2021          | 2020       | 2019       | 2018       |
|--|---------------|------------|------------|------------|
| Actuarially determined contribution                                  | \$ 97,877     | 113,601    | 123,157    | 123,059    |
| Contributions in relation to the actuarially determined contribution | 97,877        | 113,601    | 123,157    | 123,059    |
| Contribution deficiency (excess)                                     | \$ -          | -          | -          | -          |
| District's covered - employee payroll                                | \$ 18,120,069 | 17,729,339 | 15,951,397 | 16,356,222 |
| Contributions as a percentage of covered - employee payroll          | 0.54%         | 0.64%      | 0.77%      | 0.75%      |

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 75 was implemented in FYE 6/30/18, and, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available. Prior year information is based on historical amounts reported in prior year audit report(s).

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to Required Supplementary Information For Year Ended June 30, 2021

#### Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

#### Pension Schedules

(1) *Changes of 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.

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to Required Supplementary Information For Year Ended June 30, 2021

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

#### 2019:

The expectation of retired life mortality was changed to the PubS.H-2010(B) Retiree Table with the following adjustments: for males, 112% of male rates from ages 18 to 75 scaled down to 105% for ages 80 to 119; for females, 85% of the female rates from ages 18 to 65 scaled up to 102% for ages 75 to 119; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The expectation of disabled mortality was changed to PubT.H-2010 Disabled Retiree Table for disabled retirees with the following adjustments: for males, 137% of male rates at all ages; for females, 115% of female rates at all ages; and projection scale MP-2018 will be used to project future improvements in life expectancy generationally.

The price inflation assumption was reduced from 3.00% to 2.75%.

The wage inflation assumption was reduced from 3.25% to 3.00%.

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

The percentage of active member disabilities assumed to be in the line of duty was increased from 7% to 9%.

#### (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, 2018 valuation for the June 30, 2020 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 | 30.9 years  |
| Asset valuation method        | 5-year smoothed market  |
| Price Inflation               | 3.00 percent  |
| Salary increase               | 3.25 percent to 18.50 percent, including inflation                        |
| Investment rate of return     | 7.75 percent, net of pension plan investment expense, including inflation |



## CANTON PUBLIC SCHOOL DISTRICT

### Notes to Required Supplementary Information For Year Ended June 30, 2021

#### 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.

2018: The discount rate was changed from 3.56% for the prior Measurement Date to 3.89% for the current Measurement Date.

2019: The discount rate was changed from 3.89% for the prior Measurement Date to 3.50% for the current Measurement Date.

2020: The discount rate was changed from 3.50% for the prior Measurement Date to 2.19% for the current Measurement Date.

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

2020: The schedule of monthly retiree contributions was increased as of January 1, 2021. In addition, the deductibles and coinsurance maximums were increased for the Select coverage and the coinsurance maximums were increased for the Base Coverage beginning January 1, 2021.

(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, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

|  |                        |
|--|------------------------|
| Actuarial cost method                      | Entry age              |
| Amortization method                        | Level dollar           |
| Amortization period                        | 30 years, open         |
| Asset valuation method                     | Market Value of Assets |
| Price inflation                            | 2.75%                  |
| Salary increases, including wage inflation | 3.00% to 18.25%        |
| Initial health care cost trend rates       |                        |
| Medicare Supplement Claims                 | 7.00%                  |
| Pre-Medicare                               |                        |
| Ultimate health care cost trend rates      |                        |

## CANTON PUBLIC SCHOOL DISTRICT

### Notes to Required Supplementary Information For Year Ended June 30, 2021

|   |       |
|---|-------|
| Medicare Supplement Claims  | 4.75% |
| Pre-Medicare  |       |
| Year of ultimate trend rates  |       |
| Medicare Supplement Claims  | 2028  |
| Pre-Medicare  |       |
| Long-term investment rate of return, net of<br>OPEB plan investment expense, including<br>price inflation | 3.50% |

## SUPPLEMENTARY INFORMATION

**Canton Public School District**  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

**Schedule 1**

| FEDERAL GRANTOR/<br>PASS-THROUGH GRANTOR/<br>PROGRAM TITLE                        | Pass-through<br>Entity<br>Identifying<br>Number | Catalog of<br>Federal<br>Domestic<br>Assistance<br>Number | Federal<br>Expenditures |
|---|---|---|-------------------------|
| <b><u>U. S. DEPARTMENT OF AGRICULTURE</u></b>                                     |   |   |                         |
| Passed-through the Mississippi Department of Education:                           |   |   |                         |
| Child Nutrition Cluster:  |   |   |                         |
| National School Lunch Program   | 215MS326N1099                                   | 10.555  | \$ 64,130               |
| Summer Food Service Program for Children  | 215MS326N1099                                   | 10.559  | 1,236,007               |
| Total Child Nutrition Cluster   |   |   | 1,300,137               |
| Total passed-through the Mississippi Department of Education                      |   |   | 1,300,137               |
| <b>TOTAL U. S. DEPARTMENT OF AGRICULTURE</b>                                      |   |   | <b>1,300,137</b>        |
| <b><u>U.S. DEPARTMENT OF DEFENSE</u></b>  |   |   |                         |
| Direct Program:   |   |   |                         |
| Reserve Officers' Training Corps  | N/A   | 12.xxx  | 29,052                  |
| <b>TOTAL U. S. DEPARTMENT OF DEFENSE</b>  |   |   | <b>29,052</b>           |
| <b><u>U.S. DEPARTMENT OF JUSTICE</u></b>  |   |   |                         |
| Direct Program:   |   |   |                         |
| National Institute of Justice Research, Evaluation and Development Project Grants | N/A   | 16.560  | 7,434                   |
| <b>TOTAL U. S. DEPARTMENT OF JUSTICE</b>  |   |   | <b>7,434</b>            |
| <b><u>U.S. DEPARTMENT OF TREASURY</u></b>   |   |   |                         |
| Passed-through the Mississippi Department of Education                            |   |   |                         |
| COVID-19 - Coronavirus Relief Fund  | N/A   | 21.019  | 1,310,783               |
| Total passed-through the Mississippi Department of Education                      |   |   | 1,310,783               |
| <b>TOTAL U. S. DEPARTMENT OF TREASURY</b>   |   |   | <b>1,310,783</b>        |
| <b><u>U. S. DEPARTMENT OF EDUCATION</u></b>                                       |   |   |                         |
| Passed-through the Mississippi Department of Education:                           |   |   |                         |
| Title I Grants to Local Educational Agencies                                      | ES010A200024                                    | 84.010  | 1,939,785               |
| Career and Technical Education - Basic Grants to States                           | V048A200024                                     | 84.048  | 24,116                  |
| Title IV Safe and Drug Free   | N/A   | 84.186  | 133,630                 |
| Twenty-First Century Community Learning Centers                                   | S287C200024                                     | 84.287  | 63,389                  |
| English Language Acquisition State Grants   | ES365A200024                                    | 84.365  | 54,573                  |
| Supporting Effective Instruction State Grants                                     | ES367A200023                                    | 84.367  | 396,766                 |
| COVID-19 - Elementary and Secondary School Emergency Relief Fund (ESSER II)       | S425D200031                                     | 84.425D   | 815,720                 |
| Subtotal  |   |   | 3,427,979               |
| Special Education Cluster:  |   |   |                         |
| Special Education - Grants to States  | H027A200108                                     | 84.027  | 654,958                 |
| Special Education - Preschool Grants  | H173A200113                                     | 84.173  | 14,039                  |
| Total Special Education Cluster   |   |   | 668,997                 |
| Total passed-through the Mississippi Department of Education                      |   |   | 4,096,976               |
| <b>TOTAL U. S. DEPARTMENT OF EDUCATION</b>  |   |   | <b>4,096,976</b>        |
| <b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u></b>                        |   |   |                         |
| Passed-through the Mississippi Department of Education:                           |   |   |                         |
| Medical Assistance Program  | 1905MS5ADM                                      | 93.778  | 952                     |
| Total passed-through the Mississippi Department of Education                      |   |   | 952                     |
| <b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>                         |   |   | <b>952</b>              |
| <b>TOTAL FOR ALL FEDERAL AWARDS</b>   |   |   | <b>\$ 6,745,334</b>     |

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

## Canton Public School District

### Notes to the Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2021

#### 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 School District under programs of the federal government for the year ended June 30, 2021. 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 School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) Summary of Significant Accounting Policies

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. 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.

(3) Indirect Cost Rate

The school district did not elect to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

(4) Other Items

Donated commodities of \$152,301 are included in the Summer Food Service Program for Children.

**CANTON PUBLIC SCHOOL DISTRICT**

Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds  
For the Year Ended June 30, 2021

| <b>Expenditures</b>             | <b>Total</b>      | <b>Instruction<br/>and Other Student<br/>Instructional<br/>Expenditures</b> | <b>General<br/>Administration</b> | <b>School<br/>Administration</b> | <b>Other</b>      |
|---------------------------------|-------------------|---|-----------------------------------|----------------------------------|-------------------|
| Salaries and fringe benefits \$ | 24,977,912        | 18,886,108  | 1,301,624                         | 1,916,483                        | 2,873,697         |
| Other                           | 15,417,097        | 3,719,175   | 294,197                           | 20,852                           | 11,382,873        |
| Total \$                        | <u>40,395,009</u> | <u>22,605,283</u>   | <u>1,595,821</u>                  | <u>1,937,335</u>                 | <u>14,256,570</u> |
|                                 |                   |   |                                   |                                  |                   |
| Total number of students *      | <u>2,801</u>      |   |                                   |                                  |                   |
|                                 |                   |   |                                   |                                  |                   |
| Cost per student \$             | <u>14,422</u>     | <u>8,070</u>  | <u>570</u>                        | <u>692</u>                       | <u>5,090</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 functions: Support Services - School Administration.

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

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

## OTHER INFORMATION

**CANTON PUBLIC SCHOOL DISTRICT**

## Statement of Revenues, Expenditures and Changes in Fund Balances

## General Fund

## Last Four Years

**"UNAUDITED"**

|  | 2021          | 2020*       | 2019*       | 2018*       |
|--|---------------|-------------|-------------|-------------|
| <b>Revenues:</b>   |               |             |             |             |
| Local sources  | \$ 13,686,430 | 13,471,328  | 12,952,485  | 12,581,196  |
| State sources  | 15,294,616    | 15,466,318  | 14,661,622  | 14,764,573  |
| Federal sources  | 127,009       | 154,228     | 160,079     | 228,444     |
| Sixteenth section sources                                    | 173,453       | 322,631     | 337,644     | 191,571     |
| Total Revenues   | 29,281,508    | 29,414,505  | 28,111,830  | 27,765,784  |
| <b>Expenditures:</b>   |               |             |             |             |
| Instruction  | 14,025,246    | 14,495,754  | 14,042,583  | 14,036,935  |
| Support services   | 10,886,314    | 9,557,718   | 10,063,855  | 10,190,371  |
| Noninstructional services                                    |               | 1,875       | 10,595      | 70,022      |
| Sixteenth section  | 38,177        | 79,468      | 77,207      | 38,434      |
| Debt service:  |               |             |             |             |
| Principal  | 199,079       |             |             |             |
| Interest   | 14,314        |             |             |             |
| Total Expenditures   | 25,163,130    | 24,134,815  | 24,194,240  | 24,335,762  |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | 4,118,378     | 5,279,690   | 3,917,590   | 3,430,022   |
| <b>Other Financing Sources (Uses):</b>                       |               |             |             |             |
| Inception of capital leases                                  | 2,057,211     |             |             |             |
| Sales of transportation equipment                            |               |             | 8,045       |             |
| Sales of other property                                      |               |             | 75          |             |
| Operating transfers in                                       | 7,809         | 95,186      | 283,997     | 298,219     |
| Operating transfers out                                      | (3,662,853)   | (2,989,996) | (2,839,172) | (2,580,770) |
| Total Other Financing Sources (Uses)                         | (1,597,833)   | (2,894,810) | (2,547,055) | (2,282,551) |
| Net Change in Fund Balances                                  | 2,520,545     | 2,384,880   | 1,370,535   | 1,147,471   |
| <b>Fund Balances:</b>  |               |             |             |             |
| Beginning of period, as previously reported                  | 15,943,923    | 13,558,009  | 12,287,724  | 11,140,253  |
| Fund reclassification  |               | 1,034       |             |             |
| Prior period adjustment                                      | (15,473)      |             | (100,250)   |             |
| Beginning of period, as restated                             | 15,928,450    | 13,559,043  | 12,187,474  | 11,140,253  |
| End of period  | \$ 18,448,995 | 15,943,923  | 13,558,009  | 12,287,724  |

\*SOURCE - PRIOR YEAR AUDIT REPORTS



**CANTON PUBLIC SCHOOL DISTRICT**

## Statement of Revenues, Expenditures and Changes in Fund Balances

All Governmental Funds

Last Four Years

**"UNAUDITED"**

|  | 2021          | 2020*       | 2019*       | 2018*       |
|--|---------------|-------------|-------------|-------------|
| <b>Revenues:</b>   |               |             |             |             |
| Local sources  | \$ 17,091,826 | 17,058,602  | 16,589,326  | 16,245,101  |
| State sources  | 16,295,325    | 16,509,971  | 15,971,816  | 16,035,845  |
| Federal sources  | 7,192,142     | 5,465,553   | 6,626,868   | 6,219,601   |
| Sixteenth section sources                                    | 183,053       | 332,112     | 359,765     | 192,497     |
| Total Revenues   | 40,762,346    | 39,366,238  | 39,547,775  | 38,693,044  |
| <b>Expenditures:</b>   |               |             |             |             |
| Instruction  | 18,738,669    | 17,253,365  | 16,900,970  | 16,704,847  |
| Support services   | 13,662,916    | 11,674,157  | 12,668,040  | 13,214,767  |
| Noninstructional services                                    | 1,569,652     | 1,945,749   | 2,310,252   | 3,120,598   |
| Sixteenth section  | 43,398        | 80,008      | 78,328      | 40,324      |
| Facilities acquisition and construction                      | 602,992       | 637,503     | 308,615     | 9,250,776   |
| Debt service:  |               |             |             |             |
| Principal  | 2,954,079     | 2,650,000   | 2,560,000   | 2,390,000   |
| Interest   | 2,480,113     | 2,564,907   | 2,679,899   | 2,662,866   |
| Debt issuance costs  | 326,800       |             |             |             |
| Other  | 16,390        | 16,390      | 16,390      | 115,090     |
| Total Expenditures   | 40,395,009    | 36,822,079  | 37,522,494  | 47,499,268  |
| Excess (Deficiency) of Revenues<br>over (under) Expenditures | 367,337       | 2,544,159   | 2,025,281   | (8,806,224) |
| <b>Other Financing Sources (Uses):</b>                       |               |             |             |             |
| Bonds issued   |               |             |             | 2,000,000   |
| Inception of capital leases                                  | 2,057,211     |             |             |             |
| Refunding bonds issued                                       | 12,395,000    |             |             |             |
| Payments held by escrow agent                                | 466,229       | 455,691     | 466,494     | 466,463     |
| Payment to refunded bond escrow agent                        | (12,059,322)  |             |             |             |
| Payment to QSCB debt escrow agent                            | (466,229)     | (455,691)   | (466,494)   | (466,463)   |
| Sales of transportation equipment                            |               |             | 8,045       |             |
| Sales of other property                                      |               |             | 251         | 2,104       |
| Operating transfers in                                       | 3,933,453     | 3,336,719   | 3,386,898   | 3,135,873   |
| Operating transfers out                                      | (3,933,453)   | (3,336,719) | (3,386,898) | (3,135,873) |
| Other financing uses   |               | (1,677)     |             |             |
| Total Other Financing Sources (Uses)                         | 2,392,889     | (1,677)     | 8,296       | 2,002,104   |
| Net Change in Fund Balances                                  | 2,760,226     | 2,542,482   | 2,033,577   | (6,804,120) |
| <b>Fund Balances:</b>  |               |             |             |             |
| Beginning of period, as previously reported                  | 23,706,413    | 21,104,158  | 19,193,118  | 25,995,542  |
| Fund reclassification  |               | 1,034       |             |             |
| Prior period adjustment                                      | (27,231)      | 4,000       | (116,615)   |             |
| Beginning of period, as restated                             | 23,679,182    | 21,109,192  | 19,076,503  | 25,995,542  |
| Increase (decrease) in inventory                             | (18,346)      | 54,739      | (5,922)     | 1,696       |
| End of period  | \$ 26,421,062 | 23,706,413  | 21,104,158  | 19,193,118  |

\*SOURCE - PRIOR YEAR AUDIT REPORTS

## REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Canton Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canton Public School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Canton Public School District's basic financial statements, and have issued our report thereon dated January 24, 2022.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as Finding 2021-001 to be a material weakness.

1048 GLUCKSTADT ROAD, SUITE B  
MADISON, MISSISSIPPI 39110  
TELEPHONE 601-992-5292 FAX 601-992-2033

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Canton Public School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

### **Canton Public School District's Response to Finding**

The Canton Public School District's response to the finding identified in our audit is described in the accompanying auditee's corrective action plan. The Canton Public School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*Fortenberry & Ballard, PC*

Fortenberry & Ballard, PC  
January 24, 2022

Certified Public Accountants

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY 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's compliance with the types of compliance requirements 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, 2021. The Canton Public School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Canton Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on the school district's compliance.

## Opinion on Each Major Federal Program

In our opinion, the Canton Public School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2021.

## Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC  
January 24, 2022

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC  
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board  
Canton Public School District

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Public School District as of and for the year ended June 30, 2021, which collectively comprise Canton Public School District's basic financial statements and have issued our report thereon dated January 24, 2022. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance.

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

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

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

The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements 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.

*FORTENBERRY & BALLARD, PC*

Fortenberry & Ballard, PC  
January 24, 2022

Certified Public Accountants

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Canton Public School District

### Schedule of Findings and Questioned Costs For the Year Ended June 30, 2021

#### 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.
  - b. Significant deficiency(ies) identified? None reported.
3. Noncompliance material to financial statements noted? No.

##### Federal Awards:

4. Internal control over major programs:
  - a. Material weakness(es) identified? No.
  - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified
6. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? No.
7. Identification of major programs:

| CFDA Numbers: | Name of Federal Program or Cluster  |
|---------------|---|
| 21.019        | COVID-19 - Coronavirus Relief Fund  |
| 84.010        | Title I Grants to Local Educational Agencies                                    |
| 84.425D       | COVID-19 - Elementary and Secondary School<br>Emergency Relief Grant (ESSER II) |

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.
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 2 CFR 200.511(b). No.

## Section II: Financial Statements Findings

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

### **Material Weakness**

#### **Finding 2021-001**

##### Criteria:

Controls should be implemented to ensure that capital assets are properly tagged, located and the master list is maintained up to date.

##### Condition:

Controls for monitoring and tracking assets are not being followed at the Alternative and Nichols Middle School. Assets were found in the wrong location, assets are not on site, and assets are not being deleted once no longer being used.

##### Cause:

These errors in the capital asset records were caused by failure to implement internal control procedures to ensure that all items are recorded and valued properly in the school district's capital asset records.

##### Effect:

Failure to maintain an inventory control system could result in the reporting of inaccurate amounts and increases the possibility of the loss or misappropriation of assets.

##### Recommendation:

The District should tag and identify capital assets and should maintain accurate records of each item's location, as well as the condition in which the asset is found.

##### Response:

The District will conduct quarterly audits at the Alternative and Nichols Middle School to ensure all procedures and policies are properly followed. The Business Office will also conduct annual training for all District personnel to include Capital Assets. The Board of Trustees approved Fixed Assets Managers at each site July 1, 2021 to assist with monitoring, tracking, and maintaining District's assets.

## Section III: Federal Awards Findings and Questioned Costs

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

## AUDITEE'S CORRECTIVE ACTION PLAN



# CANTON PUBLIC SCHOOL DISTRICT

## Office of Business and Finance

Tony Foster  
Director

Lakesha Brown-Meeks  
Assistant Director

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### AUDITEE'S CORRECTIVE ACTION PLAN

As required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Canton Public School District has prepared and hereby submits the following corrective action plan for the findings included in the Schedule of Findings and Questioned Costs for the year ended June 30, 2021.

#### Finding

#### Corrective Action Plan Details

2021-001

a. Name of Contact Person Responsible for Corrective Action

Name: Tony Foster

Title: Director of Business and Finance

Phone Number: 601-859-1152

b. Correction Action Planned: The District will conduct quarterly audits at the Alternative and Nichols Middle School to ensure all procedures and policies are properly followed. The Business Office will also conduct annual training for all District personnel to include Capital Assets. The Board of Trustees approved Fixed Assets Managers at each site July 1, 2021 to assist with monitoring, tracking, and maintaining District's assets.

c. Anticipated Completion Date: Ongoing

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**"Perseverance Conquers All"**

403 East Lincoln Street • Canton, MS 39046

Phone: 601-859-1152 • Fax: 601-859-5559

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