

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

April 3, 2018

Arthur Johnson
Chancery Clerk
P.O. Box 404
Canton, MS 39046

Dear Mr. Johnson:

Enclosed is a copy of the Canton Public School District's audit report for the fiscal year ended June 30, 2017.

Respectfully,

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC

Enclosure (1)



F&B
FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

Canton Public School District
Audited Financial Statements
For the Year Ended June 30, 2017

Fortenberry & Ballard, PC
Certified Public Accountants

**Canton Public School District
TABLE OF CONTENTS**

	PAGE #	
INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION	4	
MANAGEMENT'S DISCUSSION AND ANALYSIS	8	
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements		
Exhibit A - Statement of Net Position	17	
Exhibit B - Statement of Activities	18	
Governmental Funds Financial Statements		
Exhibit C - Balance Sheet	19	
Exhibit C-1 - Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	20	
Exhibit D - Statement of Revenues, Expenditures and Changes in Fund Balances	21	
Exhibit D-1 - Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	22	
Fiduciary Funds Financial Statements		
Exhibit E - Statement of Fiduciary Assets and Liabilities	23	
Notes to the Financial Statements	25	
REQUIRED SUPPLEMENTARY INFORMATION		
Budgetary Comparison Schedule - General Fund	50	
Schedule of the District's Proportionate Share of the Net Pension Liability	51	
Schedule of District Contributions	52	
Notes to the Required Supplementary Information	53	
SUPPLEMENTARY INFORMATION		
Schedule of Expenditures of Federal Awards	55	
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds	56	
Notes to the Supplementary Information	57	
OTHER INFORMATION		
Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years	59	
Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years	60	
REPORTS ON INTERNAL CONTROL AND COMPLIANCE		
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 <i>Government Auditing Standards</i>	62	
Independent Auditor's Report on Compliance for Each Major Federal Program and Report On Internal Control Over Compliance Required by the Uniform Guidance..	64	
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH STATE LAWS AND REGULATIONS		67
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	70	

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, 2017, 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.

1929 SPILLWAY ROAD, SUITE B
BRANDON, MISSISSIPPI 39047
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, 2017, 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, and the Schedule of District Contributions on pages 8 to 15 and 50 to 53, 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 March 12, 2018, 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
March 12, 2018

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017. 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 2017 increased \$123,448, including a prior period adjustment of (\$88,188), which represents a 2% increase from fiscal year 2016. Total net position for 2016 decreased \$3,754,474, including a prior period adjustment of \$2,419, which represents an 89% decrease from fiscal year 2015.
- General revenues amounted to \$31,045,309 and \$30,227,964, or 82% and 80% of all revenues for fiscal years 2017 and 2016, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$7,035,438, or 18% of total revenues for 2017, and \$7,720,823, or 20% of total revenues for 2016.
- The District had \$37,869,111 and \$41,705,680 in expenses for fiscal years 2017 and 2016; only \$7,035,438 for 2017 and \$7,720,823 for 2016 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$31,045,309 for 2017 were adequate to provide for these programs. General revenues of \$30,227,964 for 2016 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$27,669,860 in revenues and \$23,606,623 in expenditures for 2017, and \$26,705,773 in revenues and \$26,721,970 in expenditures in 2016. The General Fund's fund balance increased by \$1,787,963 from 2016 to 2017, including a prior period adjustment of (\$2,440), and decreased by \$2,019,111 from 2015 to 2016.
- Capital assets, net of accumulated depreciation, increased by \$14,741,005 for 2017 and increased by \$2,115,703 for 2016. The increase for 2017 was due primarily to the ongoing construction of school facilities and the addition of various items of mobile equipment and furniture and equipment.
- Long-term debt decreased by \$2,175,655 for 2017 and decreased by \$1,901,995 for 2016. The decrease for 2017 was due to principal payments on outstanding long-term debt. The liability for compensated absences decreased by \$10,969 for 2017 and increased by \$7,772 for 2016.

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, 2017**

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, and interest on long-term liabilities.

Fund Financial Statements

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

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

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

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

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

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

A net pension liability results in a liability on the government-wide financial statements but is 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, and Schedule of District Contributions 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 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.

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

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 \$7,862,781 as of June 30, 2017.

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, 2017 and June 30, 2016.

**Table 1
Condensed Statement of Net Position**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Current assets	\$ 15,397,311	\$ 13,702,280	12.37 %
Restricted assets	15,045,696	28,871,965	(47.89) %
Capital assets, net	63,499,691	48,758,686	30.23 %
Total assets	<u>93,942,698</u>	<u>91,332,931</u>	2.86 %
Deferred outflows of resources	<u>10,990,139</u>	<u>7,415,130</u>	48.21 %
Current liabilities	4,805,493	3,531,632	36.07 %
Long-term debt outstanding	62,243,937	64,577,337	(3.61) %
Net pension liability	45,440,049	37,287,391	21.86 %
Total liabilities	<u>112,489,479</u>	<u>105,396,360</u>	6.73 %
Deferred inflows of resources	<u>306,139</u>	<u>1,337,930</u>	(77.12) %
Net position:			
Net investment in capital assets	15,449,153	14,376,185	7.46 %
Restricted	4,760,156	4,141,691	14.93 %
Unrestricted	(28,072,090)	(26,504,105)	(5.92) %
Total net position (Deficit)	<u>\$ (7,862,781)</u>	<u>\$ (7,986,229)</u>	1.55 %

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (28,072,090)
Less unrestricted deficit in net position resulting from recognition of the net pension liability, including the deferred outflows and deferred inflows related to pensions	<u>34,933,756</u>
Unrestricted net position, exclusive of the net pension liability effect	<u>\$ 6,861,666</u>

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

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

- Increase in net capital assets in the amount of \$14,741,005.
- The principal retirement of \$2,175,655 of long-term debt.
- Recognition of the net pension liability in the amount of \$45,440,049.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2017 and June 30, 2016 were \$38,080,747 and \$37,948,787, respectively. The total cost of all programs and services was \$37,869,111 for 2017 and \$41,705,680 for 2016.

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2017 and June 30, 2016.

**Table 2
Changes in Net Position**

	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 451,909	\$ 495,958	(8.88) %
Operating grants and contributions	6,583,529	7,224,865	(8.88) %
General revenues:			
Property taxes	14,588,660	14,200,686	2.73 %
Grants and contributions not restricted	15,777,424	15,435,856	2.21 %
Investment earnings	71,843	152,192	(52.79) %
Sixteenth section sources	377,789	220,146	71.61 %
Other	229,593	219,084	4.80 %
Total revenues	<u>38,080,747</u>	<u>37,948,787</u>	0.35 %
Expenses:			
Instruction	15,437,286	18,860,636	(18.15) %
Support services	11,224,352	14,068,681	(20.22) %
Non-instructional	2,390,472	2,510,660	(4.79) %
Sixteenth section	81,371	41,655	95.35 %
Pension expense	6,103,475	3,540,036	72.41 %
Interest on long-term liabilities	2,632,155	2,684,012	(1.93) %
Total expenses	<u>37,869,111</u>	<u>41,705,680</u>	(9.20) %
Increase (Decrease) in net position	<u>211,636</u>	<u>(3,756,893)</u>	105.63 %
Net Position (Deficit), July 1, as previously reported	<u>(7,986,229)</u>	<u>(4,231,755)</u>	(88.72) %
Prior Period Adjustment	<u>(88,188)</u>	<u>2,419</u>	(3,745.64) %
Net Position (Deficit), July 1, as restated	<u>(8,074,417)</u>	<u>(4,229,336)</u>	(90.91) %
Net Position (Deficit), June 30	<u>\$ (7,862,781)</u>	<u>\$ (7,986,229)</u>	1.55 %

Governmental activities

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

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

**Table 3
Net Cost of Governmental Activities**

	Total Expenses		Percentage Change
	2017	2016	
Instruction	\$ 15,437,286	\$ 18,860,636	(18.15) %
Support services	11,224,352	14,068,681	(20.22) %
Non-instructional	2,390,472	2,510,660	(4.79) %
Sixteenth section	81,371	41,655	95.35 %
Pension Expense	6,103,475	3,540,036	72.41 %
Interest on long-term liabilities	2,632,155	2,684,012	(1.93) %
Total expenses	\$ 37,869,111	\$ 41,705,680	(9.20) %

	Net (Expense) Revenue		Percentage Change
	2017	2016	
Instruction	\$ (13,283,030)	\$ (16,350,911)	18.76 %
Support services	(9,211,738)	(11,977,600)	23.09 %
Non-instructional	455,781	599,302	(23.95) %
Sixteenth section	(59,056)	(31,600)	(86.89) %
Pension Expense	(6,103,475)	(3,540,036)	(72.41) %
Interest on long-term liabilities	(2,632,155)	(2,684,012)	1.93 %
Total net (expense) revenue	\$ (30,833,673)	\$ (33,984,857)	9.27 %

- Net cost of governmental activities (\$30,833,673 for 2017 and \$33,984,857 for 2016) was financed by general revenue, which is primarily made up of property taxes (\$14,588,660 for 2017 and \$14,200,686 for 2016) and state and federal revenues (\$15,777,424 for 2017 and \$15,435,856 for 2016). In addition, there was \$377,789 and \$220,146 in Sixteenth Section sources for 2017 and 2016, respectively.
- Investment earnings amounted to \$71,843 for 2017 and \$152,192 for 2016.

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 \$25,995,542, a decrease of \$13,417,379, which includes a prior period adjustment of (\$88,188) and a decrease in inventory of \$8,427. \$6,051,846, or 23% of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$19,943,696, or 77% is either nonspendable, restricted or assigned to indicate that it is not available for spending except only for the purposes to which it is restricted or assigned.

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$1,787,963, which includes a prior period adjustment of (\$2,440). The fund balance of Other Governmental Funds showed an increase in the amount of \$606,185, which includes a prior period adjustment of (\$85,748) and a decrease in inventory of \$8,427. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	\$	<u>Increase (Decrease)</u>
Building Projects Fund	\$	(15,811,527)

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 is provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2017, the District's total capital assets were \$80,105,680, including land, construction in progress, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$15,722,936 from 2016 due primarily to the ongoing construction of school facilities and the purchase of various items of mobile equipment and furniture and equipment. Total accumulated depreciation as of June 30, 2017, was \$16,605,989, and total depreciation expense for the year was \$1,439,466, resulting in total net capital assets of \$63,499,691.

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

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
Land	\$ 68,710	\$ 68,710	- %
Construction in Progress	20,735,823	5,018,578	313.18 %
Buildings	38,490,238	39,452,474	(2.44) %
Building improvements	638,106	695,054	(8.19) %
Improvements other than buildings	2,564,966	2,728,562	(6.00) %
Mobile equipment	514,461	173,426	196.65 %
Furniture and equipment	487,387	621,882	(21.63) %
Total	\$ 63,499,691	\$ 48,758,686	30.23 %

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

Debt Administration. At June 30, 2017, the District had \$59,727,068 in outstanding long-term debt, of which \$2,395,603 is due within one year. During the fiscal year, the District made principal payments totaling \$2,175,655 on outstanding long-term debt. The liability for compensated absences decreased \$10,969 from the prior year.

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2017**

**Table 5
Outstanding Long-Term Debt**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>Percentage Change</u>
General obligation bonds payable	\$ 37,750,000	\$ 39,150,000	(3.58) %
Certificates of participation payable	13,975,000	14,455,000	(3.32) %
Three mill notes payable	890,000	1,050,000	(15.24) %
Shortfall notes payable	-	135,655	(100.00) %
Qualified school construction bonds payable	7,000,000	7,000,000	-
Compensated absences payable	112,068	123,037	(8.92) %
Total	<u><u>\$ 59,727,068</u></u>	<u><u>\$ 61,913,692</u></u>	<u><u>(3.53) %</u></u>

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.

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, is to be implemented in fiscal year 6/30/2018. At this point, we do not have enough information to judge the impact this will have on this school district.

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, 2017

Exhibit A

		Governmental Activities
Assets		
Cash and cash equivalents	\$	14,260,117
Due from other governments		1,068,027
Other receivables, net		40,000
Inventories		29,167
Restricted assets		15,045,696
Capital assets, non-depreciable:		
Land		68,710
Construction in progress		20,735,823
Capital assets, net of accumulated depreciation:		
Buildings		38,490,238
Building improvements		638,106
Improvements other than buildings		2,564,966
Mobile equipment		514,461
Furniture and equipment		487,387
Total Assets		93,942,698
 Deferred Outflows of Resources		
Deferred outflow from advance refunding of debt		177,707
Deferred outflow related to pensions		10,812,432
Total Deferred Outflows of Resources		10,990,139
 Liabilities		
Accounts payable and accrued liabilities		4,447,465
Interest payable on long-term liabilities		358,028
Long-term liabilities, due within one year:		
Capital related liabilities		2,280,800
Non-capital related liabilities		114,803
Long-term liabilities, due beyond one year:		
Capital related liabilities		53,167,681
Capital related bond premiums		2,516,869
Non-capital related liabilities		4,163,784
Net pension liability		45,440,049
Total Liabilities		112,489,479
 Deferred Inflows of Resources		
Deferred inflow related to pensions		306,139
Total Deferred Inflows of Resources		306,139
 Net Position		
Net investment in capital assets		15,449,153
Restricted for:		
Expendable:		
School-based activities		2,008,151
Debt service		2,255,298
Forestry improvements		71,677
Unemployment benefits		66,530
Non-expendable:		
Sixteenth section		358,500
Unrestricted		(28,072,090)
Total Net Position (deficit)	\$	(7,862,781)

The accompanying notes are an integral part of this statement.

CANTON PUBLIC SCHOOL DISTRICT

Statement of Activities

Exhibit B

For the Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 15,437,286	\$ 187,984	\$ 1,966,272	\$ (13,283,030)
Support services	11,224,352	40,083	1,972,531	(9,211,738)
Non-instructional	2,390,472	201,527	2,644,726	455,781
Sixteenth section	81,371	22,315	-	(59,056)
Pension expense	6,103,475	-	-	(6,103,475)
Interest on long-term liabilities	2,632,155	-	-	(2,632,155)
Total Governmental Activities	\$ 37,869,111	\$ 451,909	\$ 6,583,529	\$ (30,833,673)

General Revenues:

Taxes:

General purpose levies	11,632,500
Debt purpose levies	2,956,160

Unrestricted grants and contributions:

State	15,268,957
Federal	508,467
Unrestricted investment earnings	71,843
Sixteenth section sources	377,789
Other	229,593

Total General Revenues 31,045,309

Change in Net Position 211,636

Net Position (Deficit) - Beginning, as previously reported (7,986,229)

Prior Period Adjustments (88,188)

Net Position (Deficit) - Beginning, as restated (8,074,417)

Net Position (deficit) - Ending \$ (7,862,781)

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2017

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Building Projects Fund	Other Governmental Funds	
Assets				
Cash and cash equivalents	\$ 11,969,647	\$ -	\$ 2,649,742	\$ 14,619,389
Cash with fiscal agents	-	-	2,593,798	2,593,798
Investments	-	12,092,626	-	12,092,626
Due from other governments	416,000	-	652,027	1,068,027
Other receivables, net	40,000	-	-	40,000
Due from other funds	483,269	-	1,850	485,119
Inventories	-	-	29,167	29,167
Total assets	\$ 12,908,916	\$ 12,092,626	\$ 5,926,584	\$ 30,928,126
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,766,813	\$ 2,355,521	\$ 325,131	\$ 4,447,465
Due to other funds	1,850	-	483,269	485,119
Total Liabilities	1,768,663	2,355,521	808,400	4,932,584
Fund Balances:				
Nonspendable:				
Inventory	-	-	29,167	29,167
Permanent fund principal	-	-	358,500	358,500
Restricted:				
Debt service	-	-	2,613,326	2,613,326
Capital projects	-	9,737,105	-	9,737,105
Forestry improvement purposes	-	-	71,677	71,677
Grant activities	-	-	323,029	323,029
Unemployment benefits	-	-	66,530	66,530
Food service	-	-	1,655,183	1,655,183
Sixteenth section	-	-	772	772
Assigned:				
District initiatives/special projects	5,000,000	-	-	5,000,000
Activity funds	88,407	-	-	88,407
Unassigned	6,051,846	-	-	6,051,846
Total Fund Balances	11,140,253	9,737,105	5,118,184	25,995,542
Total Liabilities and Fund Balances	\$ 12,908,916	\$ 12,092,626	\$ 5,926,584	\$ 30,928,126

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2017**

Exhibit C-1

Total fund balances for governmental funds \$ 25,995,542

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

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

Land	\$ 68,710	
Construction in progress	20,735,823	
Buildings	49,658,564	
Building improvements	1,423,651	
Improvements other than buildings	4,089,901	
Mobile equipment	1,157,087	
Furniture and equipment	2,971,944	
Accumulated depreciation	<u>(16,605,989)</u>	63,499,691

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 (45,440,049)

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	10,812,432	
Deferred inflows of resources related to pensions	<u>(306,139)</u>	(34,933,756)

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

General obligation bonds	(37,750,000)	
Qualified school construction bonds	(7,000,000)	
Notes payable	(890,000)	
Certificates of participation	(13,975,000)	
Compensated absences	(112,068)	
Unamortized charges	177,707	
Unamortized premiums	(2,516,869)	
Accrued interest payable	<u>(358,028)</u>	(62,424,258)

Net Position of governmental activities \$ (7,862,781)

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2017**

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	Building Projects Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 12,076,651	\$ 54,812	\$ 3,143,090	\$ 15,274,553
State sources	15,026,378	-	1,000,545	16,026,923
Federal sources	184,904	-	6,149,125	6,334,029
Sixteenth section sources	381,927	-	23,232	405,159
Total Revenues	27,669,860	54,812	10,315,992	38,040,664
Expenditures:				
Instruction	13,620,013	-	2,355,344	15,975,357
Support services	9,916,519	149,094	2,232,648	12,298,261
Noninstructional services	3,240	-	2,402,457	2,405,697
Sixteenth section	66,851	-	14,520	81,371
Facilities acquisition and construction	-	15,717,245	-	15,717,245
Debt service:				
Principal	-	-	2,175,655	2,175,655
Interest	-	-	2,731,420	2,731,420
Other	-	-	16,505	16,505
Total Expenditures	23,606,623	15,866,339	11,928,549	51,401,511
Excess (Deficiency) of Revenues over (under) Expenditures	4,063,237	(15,811,527)	(1,612,557)	(13,360,847)
Other Financing Sources (Uses):				
Insurance recovery	40,083	-	-	40,083
Payments held by escrow agent	-	-	466,665	466,665
Payment to QSCB debt escrow agent	-	-	(466,665)	(466,665)
Operating transfers in	319,087	-	2,993,525	3,312,612
Operating transfers out	(2,632,004)	-	(680,608)	(3,312,612)
Total Other Financing Sources (Uses)	(2,272,834)	-	2,312,917	40,083
Net Change in Fund Balances	1,790,403	(15,811,527)	700,360	(13,320,764)
Fund Balances:				
July 1, 2016, as previously reported	9,352,290	25,548,632	4,511,999	39,412,921
Prior period adjustments	(2,440)	-	(85,748)	(88,188)
July 1, 2016, as restated	9,349,850	25,548,632	4,426,251	39,324,733
Increase (Decrease) in inventory	-	-	(8,427)	(8,427)
June 30, 2017	\$ 11,140,253	\$ 9,737,105	\$ 5,118,184	\$ 25,995,542

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, 2017**

Exhibit D-1

Net change in fund balances - total governmental funds \$ (13,320,764)

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

- 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	\$ 16,232,760	
Depreciation expense	<u>(1,439,466)</u>	14,793,294

- 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.

(52,289)

- 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:

Payments of debt principal	2,175,655	
Accrued interest payable	<u>12,280</u>	2,187,935

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

Recording of pension expense for the current period	(6,103,475)	
Recording of contributions made subsequent to the measurement date	<u>2,600,903</u>	(3,502,572)

- 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	10,969	
Change in inventory	(8,427)	
Amortization of deferred charges, premiums and discounts	<u>103,490</u>	106,032

Change in Net Position of governmental activities \$ 211,636

CANTON PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities

Exhibit E

June 30, 2017

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 115,997
Total Assets	<u>\$ 115,997</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 85,205
Due to student clubs	30,792
Total Liabilities	<u>\$ 115,997</u>

The accompanying notes are an integral part of this statement.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2017

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
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.

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

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

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

The school district reports the following major governmental funds:

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

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

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

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

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

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

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

FIDUCIARY FUNDS

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

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

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

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

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

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

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

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, 2017

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, 2017

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 16th Section Principal fund is not available for use by the district except as provided for under state statute for loans from this fund.

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, 2017

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The school district has incurred deferred outflows which are presented as a deferred outflow from advance refunding of debt and a deferred outflow related to pensions.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents 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 a deferred inflow which is presented as a deferred inflow related to pensions.

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, 2017

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. Fund Balances

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

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

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

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

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

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

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

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) resources are available, it is the District's general policy to use restricted resources first. When expenditures are incurred for purposes for which unrestricted (committed, assigned, and unassigned) resources are available, and amounts in any of these unrestricted classifications could be used, it is the District's general policy to spend committed resources first, followed by assigned amounts, and then unassigned amounts.

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year-end of not less than 20% of general fund revenues. If the unassigned fund balance at fiscal year-end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposit or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$14,619,389 and \$115,997, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

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, 2017, none of the district's bank balance of \$15,359,773 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 \$2,593,798.

Investments

As of June 30, 2017, the district had the following investments.

<u>Investment Type</u>	<u>Rating</u>	<u>Maturities (in years)</u>	<u>Fair Value</u>
U.S. Treasury Note	AAA/Aaa	1-2 years	\$ <u>12,092,626</u>

The district categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The district has the following recurring fair value measurements as of June 30, 2017:

- U.S. Treasury Notes of \$12,092,626 are valued using quoted market prices (Level 1 inputs)

Interest Rate Risk. The district does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to those prescribed in Sections 27-105-33(d) and 27-105-33(e), Miss. Code Ann. (1972). The district does not have a formal investment policy that would further limit its investment choices or one that addresses credit risk.

Custodial Credit Risk - Investments. Custodial credit risk is defined as the risk that, in the event of the failure of the counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The district does not have a formal investment policy that addresses custodial credit risk. As of June 30, 2017, the district did not have any investments to which this would apply.

Concentration of Credit Risk. Disclosure of investments by amount and issuer for any issuer that represents five percent or more of total investments is required. This requirement does not apply to investments issued or explicitly guaranteed by the U.S. government, investments in mutual funds and external investment pools, and other pooled investments.

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 483,269
Other governmental funds	General Fund	1,850
Total		<u>\$ 485,119</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

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 2,632,004
Other governmental funds	General Fund	319,087
	Other governmental funds	361,521
Total		<u>\$ 3,312,612</u>

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$359,272 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$2,593,798 of the Three Mill Notes Retirement Fund (which includes the QSCB Sinking Fund balances). The restricted assets also represent the investment balance totaling \$12,092,626 of the Building Project Fund resulting from the unspent proceeds of long-term debt.

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

Note 5 – Capital Assets

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

	Balance 7/1/2016	Increases	Decreases	Balance 6/30/2017
Governmental Activities:				
<u>Non-depreciable capital assets:</u>				
Land	\$ 68,710			\$ 68,710
Construction-in-progress	5,018,578	15,717,245		20,735,823
Total non-depreciable capital assets	<u>5,087,288</u>	<u>15,717,245</u>	-	<u>20,804,533</u>
<u>Depreciable capital assets:</u>				
Buildings	49,658,564			49,658,564
Building improvements	1,423,651			1,423,651
Improvements other than buildings	4,089,901			4,089,901
Mobile equipment	1,182,042	465,543	490,498	1,157,087
Furniture and equipment	2,941,298	49,972	19,326	2,971,944
Total depreciable capital assets	<u>59,295,456</u>	<u>515,515</u>	<u>509,824</u>	<u>59,301,147</u>
<u>Less accumulated depreciation for:</u>				
Buildings	10,206,090	962,236		11,168,326
Building improvements	728,597	56,948		785,545
Improvements other than buildings	1,361,339	163,596		1,524,935
Mobile equipment	1,008,616	75,458	441,448	642,626
Furniture and equipment	2,319,416	181,228	16,087	2,484,557
Total accumulated depreciation	<u>15,624,058</u>	<u>1,439,466</u>	<u>457,535</u>	<u>16,605,989</u>
Total depreciable capital assets, net	<u>43,671,398</u>	<u>(923,951)</u>	<u>52,289</u>	<u>42,695,158</u>
Governmental activities capital assets, net	\$ <u>48,758,686</u>	\$ <u>14,793,294</u>	\$ <u>52,289</u>	\$ <u>63,499,691</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Governmental activities:	
Instruction	\$ 1,165,099
Support services	198,165
Non-instructional	76,202
Total depreciation expense	<u>\$ 1,439,466</u>

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

	Contract Amount	Architect Fees (6%)	Spent to June 30, 2017	Remaining Commitment
Governmental Activities:				
Canton Elementary	\$ 12,485,100	\$ 749,106	\$ 7,918,707	\$ 5,315,499
McNeil Elementary	11,535,100	692,106	8,308,928	3,918,278
9th Grade Academy	4,466,600	267,996	4,508,188	226,408
Total construction in progress	<u>\$ 28,486,800</u>	<u>\$ 1,709,208</u>	<u>\$ 20,735,823</u>	<u>\$ 9,460,185</u>

Construction projects included in governmental activities are funded with the proceeds of general obligation bonds.

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

Note 6 – Long-term Liabilities

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

	Balance 7/1/2016	Additions	Reductions	Balance 6/30/2017	Amounts due within one year
A. General obligation bonds payable	\$ 5,650,000		\$ 1,400,000	\$ 4,250,000	\$ 815,000
General obligation bonds payable - FY15 issue	33,500,000			33,500,000	910,000
Total general obligation bonds	39,150,000	-	1,400,000	37,750,000	1,725,000
B. Certificates of participation payable	14,455,000		480,000	13,975,000	495,000
C. Three mill notes payable	1,050,000		160,000	890,000	170,000
D. Shortfall notes payable	135,655		135,655	-	-
E. Qualified school construction bonds payable	7,000,000			7,000,000	-
F. Compensated absences payable	123,037		10,969	112,068	5,603
Total	\$ 61,913,692	-	\$ 2,186,624	\$ 59,727,068	\$ 2,395,603
Add: Bond premium	2,663,645	-	146,776	2,516,869	-
	<u>64,577,337</u>	-	<u>2,333,400</u>	<u>62,243,937</u>	<u>2,395,603</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, Series 2012	2.0-2.5%	5/1/2012	4/1/2022	\$ 5,185,000	\$ 3,160,000
2. General obligation refunding bonds, Series 2012B	1.0-2.25%	8/30/2012	4/1/2022	1,765,000	1,090,000
3. General obligation bonds, Series 2015	4.0-5.0%	6/9/2015	6/30/2035	33,500,000	33,500,000
Total				<u>\$ 40,450,000</u>	<u>\$ 37,750,000</u>

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

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 605,000	\$ 71,325	\$ 676,325
2019	615,000	59,225	674,225
2020	630,000	46,925	676,925
2021	650,000	32,750	682,750
2022	660,000	16,500	676,500
Total	\$ 3,160,000	\$ 226,725	\$ 3,386,725

This debt will be retired from the Bond Retirement Fund.

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 210,000	\$ 20,788	\$ 230,788
2019	215,000	17,637	232,637
2020	215,000	13,875	228,875
2021	220,000	9,575	229,575
2022	230,000	5,175	235,175
Total	\$ 1,090,000	\$ 67,050	\$ 1,157,050

This debt will be retired from the Bond Retirement Fund.

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 910,000	\$ 1,518,150	\$ 2,428,150
2019	935,000	1,481,250	2,416,250
2020	995,000	1,437,675	2,432,675
2021	1,045,000	1,386,675	2,431,675
2022	1,095,000	1,333,175	2,428,175
2023 – 2027	7,580,000	5,755,581	13,335,581
2028 – 2032	12,115,000	3,712,531	15,827,531
2033 – 2035	8,825,000	676,625	9,501,625
Total	\$ 33,500,000	\$ 17,301,662	\$ 50,801,662

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

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

Total general obligation bond payments for all issues:

Year Ending June 30	Principal	Interest	Total
2018	\$ 1,725,000	\$ 1,610,263	\$ 3,335,263
2019	1,765,000	1,558,112	3,323,112
2020	1,840,000	1,498,475	3,338,475
2021	1,915,000	1,429,000	3,344,000
2022	1,985,000	1,354,850	3,339,850
2023 – 2027	7,580,000	5,755,581	13,335,581
2028 – 2032	12,115,000	3,712,531	15,827,531
2033 – 2035	8,825,000	676,625	9,501,625
Total	\$ 37,750,000	\$ 17,595,437	\$ 55,345,437

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, 2017, the amount of outstanding bonded indebtedness was equal to 12% of property assessments as of October 1, 2016.

B. Certificates of participation payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of Participation, Series 2010	2.0-4.75%	9/15/2010	9/1/2030	\$ 15,000,000	\$ 13,975,000
Total				\$ 15,000,000	\$ 13,975,000

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

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

Year Ending June 30	Principal	Interest	Total
2018	\$ 495,000	\$ 601,816	\$ 1,096,816
2019	510,000	585,475	1,095,475
2020	525,000	567,353	1,092,353
2021	545,000	546,938	1,091,938
2022	565,000	524,737	1,089,737
2023 – 2027	5,735,000	1,989,156	7,724,156
2028 – 2031	5,600,000	547,438	6,147,438
Total	\$ 13,975,000	\$ 5,362,913	\$ 19,337,913

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	\$ 890,000

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

Year Ending June 30	Principal	Interest	Total
2018	\$ 170,000	\$ 26,088	\$ 196,088
2019	175,000	21,837	196,837
2020	175,000	16,588	191,588
2021	180,000	11,337	191,337
2022	190,000	5,938	195,938
Total	\$ 890,000	\$ 81,788	\$ 971,788

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

D. Shortfall notes payable

The Shortfall Note, Series 2014, issued on June 30, 2014 in the amount of \$395,049 was retired and paid in full during the fiscal year from the FY2014 Shortfall Note Fund.

E. Qualified school construction bonds payable

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

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

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

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

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

Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ 182,700	\$ 182,700
2019	-	182,700	182,700
2020	-	182,700	182,700
2021	-	182,700	182,700
2022	-	182,700	182,700
2023 – 2026	3,000,000	730,800	3,730,800
Total	<u>\$ 3,000,000</u>	<u>\$ 1,644,300</u>	<u>\$ 4,644,300</u>

This debt will be retired from the QSCB Debt Retirement Fund.

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

Year Ending June 30	Principal	Interest	Total
2018	\$ -	\$ 243,600	\$ 243,600
2019	-	243,600	243,600
2020	-	243,600	243,600
2021	-	243,600	243,600
2022	-	243,600	243,600
2023 – 2027	4,000,000	1,218,000	5,218,000
Total	<u>\$ 4,000,000</u>	<u>\$ 2,436,000</u>	<u>\$ 6,436,000</u>

This debt will be retired from the QSCB Debt Retirement Fund.

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

Total qualified school construction bond payments for all issues:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ -	\$ 426,300	\$ 426,300
2019	-	426,300	426,300
2020	-	426,300	426,300
2021	-	426,300	426,300
2022	-	426,300	426,300
2023 – 2027	7,000,000	1,948,800	8,948,800
Total	<u>\$ 7,000,000</u>	<u>\$ 4,080,300</u>	<u>\$ 11,080,300</u>

F. Compensated absences payable

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

Note 7 – Other Commitments

Commitments under construction contracts are described in Note 5.

Operating leases:

The school district has several operating leases for the following:

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

Lease expenditures for the year ended June 30, 2017, amounted to \$16,466.

Future lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 17,497
2019	16,652
2020	11,327
2021	1,167
Total	<u>\$ 46,643</u>

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Benefits provided. Membership in PERS is a condition of employment granted upon hiring for qualifying employees and officials of the State of Mississippi, state universities, community and junior colleges, and teachers and employees of the public school districts. For those persons employed by political subdivisions and instrumentalities of the State of Mississippi, membership is contingent upon approval of the entity's participation in PERS by the PERS' Board of Trustees. If approved, membership for the entity's employees is a condition of employment and eligibility is granted to those who qualify upon hiring. Participating members who are vested and retire at or after age 60 or those who retire regardless of age with at least 30 years of creditable service (25 years of creditable service for employees who became members of PERS before July 1, 2011) are entitled, upon application, to an annual retirement allowance payable monthly for life in an amount equal to 2.0 percent of their average compensation for each year of creditable service up to and including 30 years (25 years for those who became members of PERS before July 1, 2011), plus 2.5 percent for each additional year of creditable service with an actuarial reduction in the benefit for each year of creditable service below 30 years or the number of years in age that the member is below 65, whichever is less. Average compensation is the average of the employee's earnings during the four highest compensated years of creditable service. Benefits vest upon completion of eight years of membership service (four years of membership service for those who became members of PERS before July 1, 2007). PERS also provides certain death and disability benefits. A Cost-of-Living Adjustment (COLA) payment is made to eligible retirees and beneficiaries. The COLA is equal to 3.0 percent of the annual retirement allowance for each full fiscal year of retirement up to the year in which the retired member reaches age 60 (55 for those who became members of PERS before July 1, 2011), with 3.0 percent compounded for each fiscal year thereafter. Plan provisions are established and may be amended only by the State of Mississippi Legislature.

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2017 was 15.75% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2017, 2016 and 2015 were \$2,600,903, \$2,563,124 and \$2,373,498, respectively, which equaled the required contributions for each year.

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

At June 30, 2017, the school district reported a liability of \$45,440,049 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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,

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

2017 net pension liability was 0.254388 percent, which was based on a measurement date of June 30, 2016. This was an increase of 0.013171 percent from its proportionate share used to calculate the June 30, 2016 net pension liability, which was based on a measurement date of June 30, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$6,103,475. At June 30, 2017 the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,237,146	\$
Net difference between projected and actual earnings on pension plan investments	3,162,617	
Changes of assumptions	2,031,232	120,749
Changes in proportion and differences between District contributions and proportionate share of contributions	1,780,534	185,390
District contributions subsequent to the measurement date	2,600,903	
Total	\$ 10,812,432	\$ 306,139

\$2,600,903 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, 2018. 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:	
2018	\$ 2,776,791
2019	2,390,079
2020	1,840,841
2021	897,679

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00 percent
Salary increases	3.75-19.00 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 Healthy Annuitant Blue Collar Table Projected with Scale BB to 2016, with males rates set forward one year.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period July 1, 2010 to June 30, 2014. The experience report is dated May 4, 2015.

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

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

Discount rate. The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at the current employer contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
District's proportionate share of the net pension liability	\$ 58,264,330	\$ 45,440,049	\$ 34,800,052

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

Note 9 – Sixteenth Section Lands

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

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements
For Year Ended June 30, 2017

Year Ending June 30	Amount
2018	\$ 171,631
2019	171,631
2020	170,492
2021	89,686
2022	8,187
2023 – 2027	27,845
2028 – 2032	24,319
2033 – 2037	19,069
2038 – 2042	18,069
2043 – 2047	14,297
Total	<u>\$ 715,226</u>

Note 10 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct overstatement of prior year receivables in government.	\$ <u>(88,188)</u>

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

<u>Fund</u>	<u>Explanation</u>	<u>Amount</u>
General Fund	To correct overstatement of prior year receivable for grant	\$ (2,440)
Other governmental funds	To correct overstatement of prior year receivable for ad valorem	(85,748)
Total		<u>\$ (88,188)</u>

Note 11 – 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. The School Board is a defendant in several lawsuits. The School Board's legal counsel has reviewed the School Board's claims and lawsuits in order to evaluate the likelihood of an unfavorable outcome to the School Board and to arrive at an estimate, if

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

any of the amount or range of potential loss to the School Board. As a result of the review, the various claims and lawsuits have been categorized into probable, reasonably possible, or remote as defined by the Governmental Accounting Standards Board. The amount of one claim and lawsuit which has been classified as reasonably possible should not exceed the sum of \$20,000 which will be paid by the insurance carrier and not by Canton Public School District. 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 12 – Risk Management

The school district is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The district carries commercial insurance for these risks. Settled claims resulting from these insured risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 13 – Trust Certificates

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

The trust agreement authorized the issuance of trust certificates in the principal amount of \$15,000,000 to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project").

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

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

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

Note 14 – Qualified School Construction Bonds

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

CANTON PUBLIC SCHOOL DISTRICT

**Notes to the Financial Statements
For Year Ended June 30, 2017**

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, 2017, the subsidy payments amounted to \$349,777.

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, 2017 was \$2,593,798. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Qualified school construction bonds issued on January 7, 2011:

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 200,000
2019	200,000
2020	200,000
2021	200,000
2022	200,000
2023 – 2026	800,000
Total	<u>\$ 1,800,000</u>

Qualified school construction bonds issued on November 8, 2011:

<u>Year Ending June 30</u>	<u>Amount</u>
2018	\$ 266,667
2019	266,667
2020	266,667
2021	266,667
2022	266,667
2023 – 2027	1,333,330
Total	<u>\$ 2,666,665</u>

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

CANTON PUBLIC SCHOOL DISTRICT

Notes to the Financial Statements For Year Ended June 30, 2017

Year Ending June 30	Amount
2018	\$ 466,667
2019	466,667
2020	466,667
2021	466,667
2022	466,667
2023 – 2027	2,133,330
Total	<u>\$ 4,466,665</u>

Note 15 - Insurance loss recoveries

The Canton Public School District received \$40,083 in insurance loss recoveries during the 2016-2017 fiscal year primarily related to a partial reimbursement from the insurance company for a settlement paid by the District to a previous employee of the District. In the government-wide Statement of Activities, the insurance loss recoveries were reported as charges for services and were allocated to the support services expense function.

Note 16 – Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$15,449,153 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt and capital related bond premiums related to school district debt. The \$177,707 balance of the deferred outflow of resources at June 30, 2017, will be recognized as an expense and decrease the net investment in capital assets net position over the next 5 years.

The unrestricted net position amount of (\$28,072,090) includes the effect of deferred inflows/outflows of resources related to pensions. A portion of the deferred outflow of resources related to pensions in the amount of \$2,600,903 resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. The \$8,211,529 balance of the deferred outflow of resources related to pensions at June 30, 2017 will be recognized as pension expense and will decrease the unrestricted net position amount over the next 4 years. The \$306,139 balance of the deferred inflow of resources related to pensions at June 30, 2017 will be recognized as a reduction of pension expense and will increase the unrestricted net position amount over the next 3 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 the following subsequent events have occurred requiring disclosure in the notes to the financial statements.

On October 31, 2017, the school district issued \$2,000,000 in certificates of participation to finish two construction projects at an interest rate of 3.125%. It will mature on November 1, 2032.

REQUIRED SUPPLEMENTARY INFORMATION

CANTON PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2017

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 12,198,828	\$ 12,083,951	\$ 12,076,651	\$ (114,877)	\$ (7,300)
State sources	15,082,868	15,026,378	15,026,378	(56,490)	-
Federal sources	226,000	184,904	184,904	(41,096)	-
Sixteenth section sources	190,000	381,927	381,927	191,927	-
Total Revenues	27,697,696	27,677,160	27,669,860	(20,536)	(7,300)
Expenditures:					
Instruction	14,575,561	13,637,136	13,620,013	938,425	17,123
Support services	10,676,519	9,916,519	9,916,519	760,000	-
Noninstructional services	9,500	3,240	3,240	6,260	-
Sixteenth section	68,128	66,851	66,851	1,277	-
Debt service:					
Interest	1,645	-	-	1,645	-
Total Expenditures	25,331,353	23,623,746	23,606,623	1,707,607	17,123
Excess (Deficiency) of Revenues over (under) Expenditures	2,366,343	4,053,414	4,063,237	1,687,071	9,823
Other Financing Sources (Uses):					
Insurance recovery	-	40,083	40,083	40,083	-
Operating transfers in	2,900,690	7,568,042	319,087	4,667,352	(7,248,955)
Operating transfers out	(5,166,850)	(9,881,136)	(2,632,004)	(4,714,286)	7,249,132
Total Other Financing Sources (Uses)	(2,266,160)	(2,273,011)	(2,272,834)	(6,851)	177
Net Change in Fund Balances	100,183	1,780,403	1,790,403	1,680,220	10,000
Fund Balances:					
July 1, 2016, as previously reported	7,414,714	9,352,290	9,352,290	1,937,576	-
Prior period adjustments	-	(2,440)	(2,440)	(2,440)	-
July 1, 2016, as restated	7,414,714	9,349,850	9,349,850	1,935,136	-
June 30, 2017	\$ 7,514,897	\$ 11,130,253	\$ 11,140,253	\$ 3,615,356	\$ 10,000

Canton Public School District
 Schedule of the District's Proportionate Share of the Net Pension Liability
 PERS
 Last 10 Fiscal Years*

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's proportion of the net pension liability (asset)	\$ 45,440,049	37,287,391	28,482,578
District's proportionate share of the net pension liability (asset)	0.254388%	0.241217%	0.234653%
District's covered payroll	16,273,803	15,069,829	14,338,483
District's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	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

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 2,600,903	2,563,124	2,373,498
Contributions in relation to the contractually required contribution	2,600,903	2,563,124	2,373,498
Contribution deficiency (excess)	\$ <u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
District's covered payroll	16,513,670	16,273,803	15,069,829
Contributions as a percentage of covered payroll	15.75%	15.75%	15.75%

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, GASB 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

Notes to the Required Supplementary Information For the Year Ended June 30, 2017

Budgetary Comparison Schedule

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) Changes in benefit provisions

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.

(2) 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%.

SUPPLEMENTARY INFORMATION

Canton Public School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 658,798
National School Lunch Program	10.555	2,029,489
Summer Food Service Program for Children	10.559	29,717
Total Child Nutrition Cluster		<u>2,718,004</u>
Fresh Fruits and Vegetables Program	10.582	136,417
Total passed-through the Mississippi Department of Education		<u>2,854,421</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>2,854,421</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	26,215
TOTAL U. S. DEPARTMENT OF DEFENSE		<u>26,215</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,700,002
Career and Technical Education - Basic Grants to States	84.048	54,500
Rehabilitation Services - Vocational Rehabilitation Grants to States	84.126	23,782
Twenty-First Century Community Learning Centers	84.287	92,356
English Language Acquisition State Grants	84.365	17,239
Supporting Effective Instruction State Grants	84.367	315,737
Subtotal		<u>2,203,616</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	752,466
Special Education - Preschool Grants	84.173	12,653
Total Special Education Cluster		<u>765,119</u>
Total passed-through the Mississippi Department of Education		<u>2,968,735</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>2,968,735</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	28,040
Total passed-through the Mississippi Department of Education		<u>28,040</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>28,040</u>
TOTAL FOR ALL FEDERAL AWARDS		\$ <u>5,877,411</u>

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

Canton Public School District
Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
For the Year Ended June 30, 2017

Schedule 2

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 22,467,733	17,191,654	1,184,423	1,661,476	2,430,180
Other	28,933,778	2,402,535	436,964	37,925	26,056,354
Total	\$ 51,401,511	19,594,189	1,621,387	1,699,401	28,486,534
Total number of students *	3,239				
Cost per student	\$ 15,870	6,049	501	525	8,795

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

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

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

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

Other - includes all expenditures 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

Canton Public School District

Notes to the Supplementary Information For the Year Ended June 30, 2017

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, 2017. 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

The pass-through entities did not assign identifying numbers to the school district.

Donated commodities of \$196,680 are included in the National School Lunch Program.

OTHER INFORMATION

CANTON PUBLIC SCHOOL DISTRICT

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

"UNAUDITED"

	2017	2016*	2015*	2014*
Revenues:				
Local sources	\$ 12,076,651	11,612,024	10,383,108	7,896,855
Intermediate sources	-	9,272	-	-
State sources	15,026,378	14,640,362	13,153,317	12,767,686
Federal sources	184,904	221,003	210,117	255,482
Sixteenth section sources	381,927	223,112	185,343	-
Total Revenues	<u>27,669,860</u>	<u>26,705,773</u>	<u>23,931,885</u>	<u>20,920,023</u>
Expenditures:				
Instruction	13,620,013	16,793,416	12,467,754	11,549,093
Support services	9,916,519	9,881,354	9,126,221	8,640,882
Noninstructional services	3,240	9,500	10,750	750
Sixteenth section	66,851	37,700	30,707	-
Debt Service:				
Other	-	-	781,804	-
Total Expenditures	<u>23,606,623</u>	<u>26,721,970</u>	<u>22,417,236</u>	<u>20,190,725</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>4,063,237</u>	<u>(16,197)</u>	<u>1,514,649</u>	<u>729,298</u>
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	4,166,519	395,049
Insurance recovery	40,083	1,312	9,462	61,573
Premiums on bonds issued	-	-	781,804	-
Operating transfers in	319,087	237,772	325,917	698,863
Operating transfers out	(2,632,004)	(2,241,998)	(2,222,187)	(1,885,113)
Total Other Financing Sources (Uses)	<u>(2,272,834)</u>	<u>(2,002,914)</u>	<u>3,061,515</u>	<u>(729,628)</u>
Net Change in Fund Balances	1,790,403	(2,019,111)	4,576,164	(330)
Fund Balances:				
July 1, as previously reported	9,352,290	11,371,401	5,403,268	5,352,578
Fund reclassification	-	-	1,393,010	-
Prior period adjustments	(2,440)	-	(1,041)	51,020
July 1, as restated	<u>9,349,850</u>	<u>11,371,401</u>	<u>6,795,237</u>	<u>5,403,598</u>
June 30,	<u>\$ 11,140,253</u>	<u>9,352,290</u>	<u>11,371,401</u>	<u>\$ 5,403,268</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

CANTON PUBLIC SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	<u>2017</u>	<u>2016*</u>	<u>2015*</u>	<u>2014*</u>
Revenues:				
Local sources	\$ 15,274,553	15,043,411	12,252,451	9,740,243
Intermediate sources	-	9,272	-	-
State sources	16,026,923	15,639,010	14,029,304	13,528,856
Federal sources	6,334,029	7,021,712	6,052,952	6,015,658
Sixteenth section sources	405,159	234,070	194,232	231,604
Total Revenues	<u>38,040,664</u>	<u>37,947,475</u>	<u>32,528,939</u>	<u>29,516,361</u>
Expenditures:				
Instruction	15,975,357	19,359,757	14,635,074	13,808,642
Support services	12,298,261	13,494,293	11,226,898	10,862,345
Noninstructional services	2,405,697	2,518,801	2,438,071	2,288,813
Sixteenth section	81,371	41,655	35,642	41,234
Facilities acquisition and construction	15,717,245	4,734,471	388,982	200,000
Debt service:				
Principal	2,175,655	1,901,995	1,851,206	1,686,568
Interest	2,731,420	2,702,026	1,090,631	950,160
Other	16,505	16,864	796,034	23,452
Total Expenditures	<u>51,401,511</u>	<u>44,769,862</u>	<u>32,462,538</u>	<u>29,861,214</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(13,360,847)</u>	<u>(6,822,387)</u>	<u>66,401</u>	<u>(344,853)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	-	-	33,500,000	395,049
Insurance recovery	40,083	1,312	9,462	61,573
Payments held by escrow agent	466,665	466,666	466,667	466,667
Premiums on refunding bonds issued	-	-	2,936,347	-
Payment to QSCB debt escrow agent	(466,665)	(466,666)	(466,667)	(466,667)
Operating transfers in	3,312,612	3,264,696	2,837,644	2,867,741
Operating transfers out	(3,312,612)	(3,264,696)	(2,837,644)	(2,867,741)
Total Other Financing Sources (Uses)	<u>40,083</u>	<u>1,312</u>	<u>36,445,809</u>	<u>456,622</u>
Net Change in Fund Balances	(13,320,764)	(6,821,075)	36,512,210	111,769
Fund Balances:				
July 1, as previously reported	39,412,921	46,235,287	9,716,199	9,706,480
Prior period adjustments	(88,188)	-	(1,041)	(104,966)
July 1, as restated	<u>39,324,733</u>	<u>46,235,287</u>	<u>9,715,158</u>	<u>9,601,514</u>
Increase (Decrease) in inventory	(8,427)	(1,291)	7,919	2,916
June 30,	<u>\$ 25,995,542</u>	<u>39,412,921</u>	<u>46,235,287</u>	<u>9,716,199</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

REPORTS ON INTERNAL CONTROL AND COMPLIANCE

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Canton Public School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canton Public School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Canton Public School District's basic financial statements, and have issued our report thereon dated March 12, 2018.

Internal Control Over Financial Reporting

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

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
March 12, 2018

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 program for the year ended June 30, 2017. The Canton Public School District's major federal program is 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 Canton Public School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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.

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

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 its major federal program for the year ended June 30, 2017.

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 type 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 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
March 12, 2018

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, 2017, which collectively comprise Canton Public School District's basic financial statements and have issued our report thereon dated March 12, 2018. 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.

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

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
March 12, 2018

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, 2017**

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

<u>CFDA Numbers:</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster

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

Section II: Financial Statements Findings

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

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.