

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

March 8, 2022

Ronny Lott
Chancery Clerk
P.O. Box 404
Canton, MS 39046

Dear Mr. Lott:

Enclosed is a copy of the Canton Public School District's audit report for the fiscal year ended June 30, 2021.

Respectfully,

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC

Enclosure (1)

Canton Public School District

**Audited Financial Statements
For the Year Ended June 30, 2021**

Fortenberry & Ballard, PC
Certified Public Accountants

**Canton Public School District
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FINANCIAL AUDIT REPORT

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Canton Public School District

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Public School District, as of June 30, 2021, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the Schedule of the District's Proportionate Share of the Net Pension Liability, the Schedule of District Contributions (PERS), the Schedule of the District's Proportionate Share of the Net OPEB Liability, and the Schedule of District Contributions (OPEB) on pages 8 - 15 and 52 - 61, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Canton Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were

derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information mentioned above is fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All Governmental Funds, Last Four Years has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2022, on our consideration of the Canton Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Canton Public School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Canton Public School District's internal control over financial reporting and compliance.

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 24, 2022

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

The following discussion and analysis of Canton Public School District's financial performance provides an overview of the School District's financial activities for the year ended June 30, 2021. The intent of this discussion and analysis is to look at the School District's performance as a whole. Readers are encouraged to review the financial statements and the notes to the financial statements to enhance their understanding of the School District's financial performance.

FINANCIAL HIGHLIGHTS

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

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the District's basic financial statements, which include government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains required supplementary information, supplementary information, and other information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the District's finances. These statements consist of the Statement of Net Position and the Statement of Activities, which are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

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

The Statement of Net Position presents information on all the District's nonfiduciary assets, deferred outflows, liabilities, and deferred inflows, with the differences between them reported as "net position." Over time, increases or decreases in the District's net position may serve as a useful indicator of whether its financial position is improving or deteriorating.

The Statement of Activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District include instruction, support services, non-instructional, sixteenth section, pension expense, OPEB expense, and interest on long-term liabilities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are currently reported as governmental funds.

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

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

A net pension liability and net OPEB liability result in liabilities on the government-wide financial statements but are not reported on governmental funds financial statements.

Certain other outflows represent either increases or decreases in liabilities on the government-wide financial statements, but are reported as expenditures on the governmental funds financial statements.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules, Schedule of the District's Proportionate Share of the Net Pension Liability, Schedule of District Contributions (PERS), Schedule of the District's Proportionate Share of the Net OPEB Liability, and Schedule of District Contributions (OPEB) as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

Although not a required part of the basic financial statements, the Statement of Revenues, Expenditures and Changes in Fund Balances—General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances—All Governmental Funds, Last Four Years, is presented for purposes of additional analysis as required by the Mississippi Department of Education.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$8,332,349 as of

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

June 30, 2021.

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

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

**Table 1
Condensed Statement of Net Position**

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

Additional information on unrestricted net position:

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

Total unrestricted net position (deficit)	\$ (32,117,248)
Less unrestricted deficit in net position resulting from recognition of the net pension liability and net OPEB liability including the related deferred outflows and deferred inflows	46,669,592
Unrestricted net position, exclusive of the net pension liability and net OPEB liability effect	\$ 14,552,344

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

- Increase in net capital assets in the amount of \$514,781.
- Issuance of general obligation refunding bonds in the amount of \$12,395,000 and obligations under capital leases in the amount of \$2,057,211.

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

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

Changes in net position

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

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

**Table 2
Changes in Net Position**

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

Governmental activities

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

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

**Table 3
Net Cost of Governmental Activities**

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

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

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

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on current inflows, outflows and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the District's net resources available for spending at the end of the fiscal year.

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

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

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

The General Fund is the principal operating fund of the District. The increase in fund balance in the General Fund for the fiscal year was \$2,505,072, which includes a prior period adjustment of (\$15,473). The fund balance of Other Governmental Funds showed a decrease in the amount of \$274,043, which includes a prior period adjustment of (\$12,491) and a decrease in inventory of \$18,346. The increase (decrease) in the fund balances for the other major funds were as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Title I-A Basic Fund	no increase or decrease
Three Mill Notes Retirement Fund	\$ 483,620

BUDGETARY HIGHLIGHTS

During the year, the District revised the annual operating budget. Budget revisions were made to address and correct the original budgets to reflect more accurately the sources and uses of funding for the School District. Budget revisions during the year were routine in nature and were insignificant when compared with total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

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

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

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

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

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

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

**Table 5
Outstanding Long-Term Debt**

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

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

CURRENT ISSUES

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

FINANCIAL STATEMENTS

CANTON PUBLIC SCHOOL DISTRICT

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

Exhibit A

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

CANTON PUBLIC SCHOOL DISTRICT

Statement of Activities

For the Year Ended June 30, 2021

Exhibit B

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

General Revenues:

Taxes:

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

Unrestricted grants and contributions:

State	15,230,662
Federal	105,392
Unrestricted investment earnings	383,654
Sixteenth section sources	118,438
Other	543,631

Total General Revenues	32,831,037
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Change in Net Position	<u>1,908,622</u>
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Net Position (Deficit) - Beginning, as previously reported	(10,213,740)
Prior Period Adjustments	<u>(27,231)</u>

Net Position (Deficit) - Beginning, as restated	<u>(10,240,971)</u>
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Net Position (Deficit) - Ending	<u>\$ (8,332,349)</u>
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CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet

Exhibit C

June 30, 2021

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

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

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

Exhibit C-1

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

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

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

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

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

Net pension liability (51,544,068)

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

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

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

Net OPEB liability (2,848,579)

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

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

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

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

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

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

Exhibit D

For the Year Ended June 30, 2021

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

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

**Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures and Changes in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2021**

Exhibit D-1

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

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

1. Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

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

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

(5,288)

3. The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on Net Position. Also, governmental funds report the effect of premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

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

4. Some items relating to pensions and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:

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

5. Some items relating to OPEB and reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in the governmental funds. The activities include:

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

6. Some items reported in the statement of activities do not provide or require the use of current financial resources and therefore are not reported as revenues/expenditures in governmental funds. These activities include:

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

Change in Net Position of governmental activities		\$ 1,908,622
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Canton Public School District

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

CANTON PUBLIC SCHOOL DISTRICT

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

Note 1 – Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

Blended component unit

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

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

B. Government-wide and Fund Financial Statements

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

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

CANTON PUBLIC SCHOOL DISTRICT

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

1. Net investment in capital assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding balances of bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.
2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported in separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as other governmental funds.

The school district reports the following major governmental funds:

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

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

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

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

The school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

CANTON PUBLIC SCHOOL DISTRICT

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

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

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

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

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

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

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

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

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

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

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

CANTON PUBLIC SCHOOL DISTRICT

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems, 2014*, issued by the U.S. Department of Education.

D. Encumbrances

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

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

1. Cash, Cash equivalents and Investments

Cash and cash equivalents

The district's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. The school district deposits excess funds in the financial institutions selected by the school board. State statutes specify how these depositories are to be selected.

Investments

The school district can invest its excess funds, as permitted by Section 29-3-113, Miss. Code Ann. (1972), in interest-bearing deposits or other obligations of the types described in Section 27-105-33, Miss. Code Ann. (1972), or in any other type investment in which any other agency, instrumentality or subdivision of the State of Mississippi may invest, except that 100% of said funds are authorized to be so invested.

For accounting purposes, certificates of deposit are classified as investments if they have an original maturity greater than three months when acquired.

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

CANTON PUBLIC SCHOOL DISTRICT

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

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

Certain resources set aside for repayment of debt are classified as restricted assets on the Statement of Net Position because their use is limited by applicable debt statutes, e.g. Qualified School Construction Bond sinking funds. Also, the nonexpendable portion of the Permanent Fund, if applicable, is classified as restricted assets because the 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, 2021

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

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

7. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The school district has incurred deferred inflows which are presented as deferred inflows related to pensions and deferred inflows related to OPEB.

See Note 16 for further details.

8. Compensated Absences

Employees of the school district accumulate sick leave at a minimum amount as required by state law. A greater amount may be provided by school district policy provided that it does not exceed the provisions for leave as provided in Sections 25-3-93 and 25-3-95. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as a long-term liability in the government-wide statements. The current portion of this liability is estimated based on historical trends. In the fund financial statements, governmental funds report the liability for compensated absences from expendable available financial resources only if the payable has matured, for example, an employee retires.

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the

CANTON PUBLIC SCHOOL DISTRICT

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

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

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

10. Pensions

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

11. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State and School Employees' Life and Health Plan (OPEB Plan) and additions to/deductions from the OPEB Plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB Plan. For this purpose, benefit payments are recorded when the OPEB benefits come due. Investments are reported at fair value as determined by the state.

12. Fund Balances

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

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

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

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

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

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

CANTON PUBLIC SCHOOL DISTRICT

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

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

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 20% of general fund revenues or expenditures.

13. Accounting Standards Update

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

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

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

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

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

CANTON PUBLIC SCHOOL DISTRICT

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

Cash and Cash Equivalents

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

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. In the event of failure of a financial institution, securities pledged by that institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2021, none of the district's bank balance of \$22,200,063 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$4,726,500.

Note 3 – Inter-fund Receivables, Payables and Transfers

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

A. Due From/To Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Title I-A Basic Fund	\$ 497,565
	Three Mill Notes Retirement Fund	334,171
	Other governmental funds	784,356
Other governmental funds	General Fund	<u>5,500</u>
Total		\$ <u>1,621,592</u>

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

B. Inter-fund Transfers

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
General Fund	Other governmental funds	\$ 3,662,853
Title I-A Basic Fund	Other governmental funds	175,638
Other governmental funds	General Fund	7,809
	Other governmental funds	<u>87,153</u>
Total		\$ <u>3,933,453</u>

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

CANTON PUBLIC SCHOOL DISTRICT

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

Note 4 – Restricted Assets

The restricted assets represent the cash balance totaling \$366,197 of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that support the district's programs. In addition, the restricted assets represent the cash with fiscal agent balance totaling \$4,717,622 of the Three Mill Notes Retirement Fund (which includes the QSCB Sinking Fund balances) and \$8,878 of the Bond Retirement Fund - COPs Fund.

Note 5 – Capital Assets

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

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

Depreciation expense was charged to the following governmental functions:

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

CANTON PUBLIC SCHOOL DISTRICT

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

Note 6 – Long-term Liabilities

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

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

A. General obligation bonds payable

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

Description	Interest 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	\$ 660,000
2. General obligation refunding bonds, Series 2012B	1.0-2.25%	8/30/2012	4/1/2022	1,765,000	230,000
3. General obligation bonds, Series 2015	4.0-5.0%	6/19/2015	6/30/2035	33,500,000	29,615,000
4. General obligation refunding bonds, Series 2021	1.69%	5/25/2021	9/1/2030	12,395,000	12,395,000
Total				\$ 52,845,000	\$ 42,900,000

CANTON PUBLIC SCHOOL DISTRICT

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

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

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 660,000	\$ 16,500	\$ 676,500
Total	\$ 660,000	\$ 16,500	\$ 676,500

This debt will be retired from the Bond Retirement Fund.

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 230,000	\$ 5,175	\$ 235,175
Total	\$ 230,000	\$ 5,175	\$ 235,175

This debt will be retired from the Bond Retirement Fund.

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

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

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

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

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

CANTON PUBLIC SCHOOL DISTRICT

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

This debt will be retired from the Bond Retirement Fund.

Total general obligation bond payments for all issues:

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

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2021, the amount of outstanding bonded indebtedness was equal to 15% of property assessments as of October 1, 2020.

Advance Refunding

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

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

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

B. Certificates of participation payable

As more fully explained in Note 14, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Certificates of Participation, Series 2017	3.125%	10/31/2017	11/1/2032	\$ 2,000,000	\$ 1,665,000
Total				\$ 2,000,000	\$ 1,665,000

CANTON PUBLIC SCHOOL DISTRICT

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

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

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

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

C. Three mill notes payable

Debt currently outstanding is as follows:

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

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

Year Ending June 30	Principal	Interest	Total
2022	\$ 190,000	\$ 5,938	\$ 195,938
Total	\$ 190,000	\$ 5,938	\$ 195,938

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

D. Obligations under capital leases

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

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

CANTON PUBLIC SCHOOL DISTRICT

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

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

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

This debt will be retired from the District Maintenance Fund.

E. Qualified school construction bonds payable

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

Description	Interest 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				\$ 7,000,000	\$ 7,000,000

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
2022	\$ -	\$ 182,700	\$ 182,700
2023	-	182,700	182,700
2024	-	182,700	182,700
2025	-	182,700	182,700
2026	3,000,000	182,700	3,182,700
Total	\$ 3,000,000	\$ 913,500	\$ 3,913,500

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

CANTON PUBLIC SCHOOL DISTRICT

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

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

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

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

Total qualified school construction bond payments for all issues:

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

F. Compensated absences payable

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

Note 7 – Other Commitments

Operating leases:

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

Future lease payments for these leases are as follows:

CANTON PUBLIC SCHOOL DISTRICT

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

Year Ending June 30		Amount
2022	\$	45,714
2023		14,747
2024		5,895
Total	\$	<u>66,356</u>

Note 8 – Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description. The school district contributes to the Public Employees' Retirement System of Mississippi (PERS), a cost-sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Miss. Code Ann. Section 25-11-1 et seq., (1972, as amended) and may be amended only by the Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report is available at www.pers.ms.gov.

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

Contributions. PERS members are required to contribute 9.00% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The employer's rate as of June 30, 2021 was 17.40% of annual covered payroll. Plan provisions and the Board of Trustees' authority to determine contribution rates are established by Section 25-11-1 of the Mississippi Code of 1972, as amended, and may be amended only by the Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2021, 2020 and 2019 were \$3,152,892, \$3,084,905 and \$2,512,345, respectively, which equaled the required contributions for each year.

CANTON PUBLIC SCHOOL DISTRICT

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

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

At June 30, 2021, the school district reported a liability of \$51,544,068 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on a projection of the school district's long-term share of contribution to the pension plan relative to projected contributions of all participating entities, actuarially determined. The school district's proportionate share used to calculate the June 30, 2021 net pension liability was 0.266256 percent, which was based on a measurement date of June 30, 2020. This was an increase of 0.02133 percent from its proportionate share used to calculate the June 30, 2020 net pension liability, which was based on a measurement date of June 30, 2019.

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

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

\$3,152,892 reported as deferred outflows of resources related to pensions resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

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

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

CANTON PUBLIC SCHOOL DISTRICT

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-Term Expected Real Rate of Return</u>	
Domestic Equity	27.00	%	4.90	%
International Equity	22.00		4.75	
Global Equity	12.00		5.00	
Fixed Income	20.00		0.50	
Real Estate	10.00		4.00	
Private Equity	8.00		6.25	
Cash	1.00		0.00	
Total	<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 (9.00%) and that employer contributions will be made at the current contribution rate (17.40%). Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	<u>1% Decrease (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	\$ 66,717,462	\$ 51,544,068	\$ 39,019,921

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

CANTON PUBLIC SCHOOL DISTRICT

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

Note 9 – Other Postemployment Benefits (OPEB)

General Information about the OPEB Plan.

Plan description. State law mandates that all state, public education, library, junior and community college and retiring employees be offered health and life benefit coverage through the State and School Employees' Life and Health Insurance Plan (the Plan). The Plan was established by Section 25-15-3 et seq., Mississippi Code Ann. (1972), which may be amended only by the State Legislature. The State and School Employees' Health Insurance Management Board (the Board) administers the Plan. The Board has the sole legal authority to promulgate rules and regulations governing the operations of the Plan within the confines of the law governing the Plan. The Plan is self-insured and is financed through premiums collected from employers, employees, retirees and COBRA participants. The Plan provides for Other Postemployment Benefits (OPEB) as a multiple-employer defined benefit OPEB plan. The plan issues a publicly available financial report that can be obtained at <http://knowyourbenefits.dfa.ms.gov/>.

Benefits provided.

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

Contributions.

The Board has the sole authority for setting life and health insurance premiums for the Plan. The required premiums vary based on the plan selected and the type of participant. Employers pay no premiums for retirees while employees' premiums are funded primarily by their employer. Contributions to the OPEB plan from the District were \$97,877 for the year ended June 30, 2021.

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

At June 30, 2021, the District reported a liability of \$2,848,579 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The basis for the

CANTON PUBLIC SCHOOL DISTRICT

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

District's proportion is determined by comparing the employer's average monthly employees participating in the Plan with the total average employees participating in the Plan in the fiscal year of all employers. The allocation was utilized because the level of premiums contributed by each employer is the same for any employee regardless of plan participation elections made by the employee. At the measurement date of June 30, 2020, the District's proportion was 0.36604336 percent. This was an increase of 0.00394595 percent from the proportionate share as of the measurement date of June 30, 2019.

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

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

\$97,877 reported as deferred outflows of resources related to OPEB resulting from school district contributions subsequent to the measurement date will be recognized as a reduction to the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending June 30:	
2022	\$ (33,692)
2023	(33,692)
2024	(30,290)
2025	3,266
2026	(13,258)
Total	\$ (107,666)

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

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

CANTON PUBLIC SCHOOL DISTRICT

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

Year FNP is projected to be depleted

Measurement Date	2020
Prior Measurement Date	2019

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

Measurement Date	2.19%
Prior Measurement Date	3.50%

Health Care Cost Trends

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

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

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

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the June 30, 2020 valuation were based on a review of recent plan experience done concurrently with the June 30, 2020 valuation.

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

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

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.19 percent) or 1-percentage-point higher (3.19 percent) than the current discount rate:

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

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the District's proportionate share of the net OPEB liability, as well as

CANTON PUBLIC SCHOOL DISTRICT

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

what the District's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rates Current</u>	<u>1% Increase</u>
Net OPEB liability	\$ 2,630,227	\$ 2,848,579	\$ 3,095,962

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

Note 10 – Sixteenth Section Lands

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

<u>Year Ending June 30</u>	<u>Amount</u>
2022	\$ 117,047
2023	117,047
2024	117,047
2025	41,939
2026	8,938
2027 – 2031	43,294
2032 - 2036	36,944
2037 – 2041	35,944
2042 – 2046	32,172
Thereafter	42,750
Total	<u>\$ 593,122</u>

Note 11 – Prior Period Adjustments

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

Exhibit B - Statement of Activities

<u>Explanation</u>	<u>Amount</u>
To correct prior year receivable, interfund loan and revenue at the governmental fund level	\$ (27,231)
Total	<u>\$ (27,231)</u>

CANTON PUBLIC SCHOOL DISTRICT

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

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

Fund	Explanation	Amount
General Fund	To correct prior year interfund loan and revenue	\$ (15,473)
Title I-A Basic Fund	To correct prior year revenue	733
Other governmental funds	To correct prior year receivable and revenue	(12,491)
Total		<u>\$ (27,231)</u>

Note 12 – Contingencies

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

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

Note 13 – Risk Management

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

Note 14 – Trust Certificates

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

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

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

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

CANTON PUBLIC SCHOOL DISTRICT

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

assets, liabilities, fund balances, revenues, expenditures and other financing sources/uses of the trust accounts created by this trust agreement are part of the school district's financial statements, thereby eliminating the effects of the lease agreement for financial reporting purposes.

Note 15 – Qualified School Construction Bonds

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

When the stated interest rate on the QSCB results in interest payments that exceed the supplemental interest payments discussed in the preceding paragraph, the school district may apply for a direct cash subsidy payment from the U.S. Treasury which is intended to reduce the stated interest rate to a nominal percentage. These subsidy payments do not include the amount of any supplemental interest paid on a QSCB. For the year ended June 30, 2021, the subsidy payments amounted to \$354,729.

The school district makes equal annual payments into a sinking fund which is used to pay off the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U. S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2021 was \$4,717,622. The amount accumulated in the sinking fund at the end of the seventeen-year period is expected to be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Qualified school construction bonds issued on January 7, 2011:

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

CANTON PUBLIC SCHOOL DISTRICT

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

Qualified school construction bonds issued on November 8, 2011:

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

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

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

Note 16 – Effect of Deferred Amounts on Net Position

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

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

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

CANTON PUBLIC SCHOOL DISTRICT

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

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

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

Note 17 – Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

CANTON PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

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

CANTON PUBLIC SCHOOL DISTRICT
Required Supplementary Information

Budgetary Comparison Schedule
Title I - A Basic Fund
For the Year Ended June 30, 2021

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

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

	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.266256%	0.244926%	0.256128%	0.257420%	0.254388%	0.241217%	0.234653%
District's proportionate share of the net pension liability	\$ 51,544,068	43,087,316	42,601,696	42,791,941	45,440,049	37,287,391	28,482,578
District's covered payroll	17,729,339	15,951,397	16,356,222	16,513,670	16,273,803	15,069,829	14,338,483
District's proportionate share of the net pension liability as a percentage of its covered payroll	290.73%	270.12%	260.46%	259.13%	279.22%	247.43%	198.64%
Plan fiduciary net position as a percentage of the total pension liability	58.87%	61.58%	62.54%	61.49%	57.47%	61.70%	67.21%

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

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

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

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

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

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

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

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

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

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

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

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District has only presented information for the years in which information is available.

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

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

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

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

CANTON PUBLIC SCHOOL DISTRICT

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

Budgetary Comparison Schedules

(1) Basis of Presentation

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

(2) Budget Amendments and Revisions

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

Pension Schedules

(1) *Changes of assumptions*

2015:

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

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

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

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

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

2016:

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

2017:

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

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

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

CANTON PUBLIC SCHOOL DISTRICT

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

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

2019:

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

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

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

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

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

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

(2) *Changes in benefit provisions*

2016:

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

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

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported (June 30, 2018 valuation for the June 30, 2020 fiscal year end). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30.9 years
Asset valuation method	5-year smoothed market
Price Inflation	3.00 percent
Salary increase	3.25 percent to 18.50 percent, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

CANTON PUBLIC SCHOOL DISTRICT

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

OPEB Schedules

(1) *Changes of assumptions*

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

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

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

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

(2) *Changes in benefit provisions*

2017: None

2018: None

2019: None

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

(3) *Methods and assumptions used in calculations of Actuarially Determined Contributions.* The Actuarially Determined Contributions rates, as a percentage of payroll, used to determine the Actuarially Determined Contribution amounts in the Schedule of Employer Contributions are calculated as of the most recent Valuation Date. The following actuarial methods and assumptions (from the June 30, 2019 actuarial valuation) were used to determine contribution rates reported in that schedule for the year ending June 30, 2020:

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

CANTON PUBLIC SCHOOL DISTRICT

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

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

SUPPLEMENTARY INFORMATION

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

Schedule 1

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

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

Canton Public School District

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

Schedule of Expenditures of Federal Awards

(1) **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the School District under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

(2) **Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are presented on the same basis of accounting and the same significant accounting policies, as applicable, as those used for the financial statements; however, the expenditures include transfers out. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) **Indirect Cost Rate**

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

(4) **Other Items**

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

CANTON PUBLIC SCHOOL DISTRICT

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

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

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

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

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

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

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

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

OTHER INFORMATION

CANTON PUBLIC SCHOOL DISTRICT

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

"UNAUDITED"

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

*SOURCE - PRIOR YEAR AUDIT REPORTS

CANTON PUBLIC SCHOOL DISTRICT

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

"UNAUDITED"

	2021	2020*	2019*	2018*
Revenues:				
Local sources	\$ 17,091,826	17,058,602	16,589,326	16,245,101
State sources	16,295,325	16,509,971	15,971,816	16,035,845
Federal sources	7,192,142	5,465,553	6,626,868	6,219,601
Sixteenth section sources	183,053	332,112	359,765	192,497
Total Revenues	<u>40,762,346</u>	<u>39,366,238</u>	<u>39,547,775</u>	<u>38,693,044</u>
Expenditures:				
Instruction	18,738,669	17,253,365	16,900,970	16,704,847
Support services	13,662,916	11,674,157	12,668,040	13,214,767
Noninstructional services	1,569,652	1,945,749	2,310,252	3,120,598
Sixteenth section	43,398	80,008	78,328	40,324
Facilities acquisition and construction	602,992	637,503	308,615	9,250,776
Debt service:				
Principal	2,954,079	2,650,000	2,560,000	2,390,000
Interest	2,480,113	2,564,907	2,679,899	2,662,866
Debt issuance costs	326,800			
Other	16,390	16,390	16,390	115,090
Total Expenditures	<u>40,395,009</u>	<u>36,822,079</u>	<u>37,522,494</u>	<u>47,499,268</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>367,337</u>	<u>2,544,159</u>	<u>2,025,281</u>	<u>(8,806,224)</u>
Other Financing Sources (Uses):				
Bonds issued				2,000,000
Inception of capital leases	2,057,211			
Refunding bonds issued	12,395,000			
Payments held by escrow agent	466,229	455,691	466,494	466,463
Payment to refunded bond escrow agent	(12,059,322)			
Payment to QSCB debt escrow agent	(466,229)	(455,691)	(466,494)	(466,463)
Sales of transportation equipment			8,045	
Sales of other property			251	2,104
Operating transfers in	3,933,453	3,336,719	3,386,898	3,135,873
Operating transfers out	(3,933,453)	(3,336,719)	(3,386,898)	(3,135,873)
Other financing uses		(1,677)		
Total Other Financing Sources (Uses)	<u>2,392,889</u>	<u>(1,677)</u>	<u>8,296</u>	<u>2,002,104</u>
Net Change in Fund Balances	2,760,226	2,542,482	2,033,577	(6,804,120)
Fund Balances:				
Beginning of period, as previously reported	23,706,413	21,104,158	19,193,118	25,995,542
Fund reclassification		1,034		
Prior period adjustment	(27,231)	4,000	(116,615)	
Beginning of period, as restated	<u>23,679,182</u>	<u>21,109,192</u>	<u>19,076,503</u>	<u>25,995,542</u>
Increase (decrease) in inventory	(18,346)	54,739	(5,922)	1,696
End of period	<u>\$ 26,421,062</u>	<u>23,706,413</u>	<u>21,104,158</u>	<u>19,193,118</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, 2021, and the related notes to the financial statements, which collectively comprise the Canton Public School District's basic financial statements, and have issued our report thereon dated January 24, 2022.

Internal Control Over Financial Reporting

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

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

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

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MADISON, MISSISSIPPI 39110
TELEPHONE 601-992-5292 FAX 601-992-2033

Compliance and Other Matters

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

Canton Public School District's Response to Finding

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

Purpose of this Report

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 24, 2022

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Canton Public School District

Report on Compliance for Each Major Federal Program

We have audited Canton Public School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on Canton Public School District's major federal programs for the year ended June 30, 2021. The Canton Public School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Canton Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Canton Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Canton Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
January 24, 2022

Certified Public Accountants

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

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

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

Superintendent and School Board
Canton Public School District

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

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

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

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

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

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

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

This report is intended solely for the information and use of the school board and management, entities with accreditation overview, and federal awarding agencies, the Office of the State Auditor and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
January 24, 2022

Certified Public Accountants

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Canton Public School District

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

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

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

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

8. Dollar threshold used to distinguish between type A and type B programs: \$750,000.
9. Auditee qualified as low-risk auditee? Yes.
10. Prior fiscal year audit findings(s) and questioned costs relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings in accordance with 2 CFR 200.511(b). No.

Section II: Financial Statements Findings

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

Material Weakness

Finding 2021-001

Criteria:

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

Condition:

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

Cause:

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

Effect:

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

Recommendation:

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

Response:

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

Section III: Federal Awards Findings and Questioned Costs

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

AUDITEE'S CORRECTIVE ACTION PLAN



CANTON PUBLIC SCHOOL DISTRICT

Office of Business and Finance

Tony Foster
Director

Lakesha Brown-Meeks
Assistant Director

AUDITEE'S CORRECTIVE ACTION PLAN

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

<u>Finding</u>	<u>Corrective Action Plan Details</u>
2021-001	<p>a. Name of Contact Person Responsible for Corrective Action</p> <p>Name: Tony Foster Title: Director of Business and Finance Phone Number: 601-859-1152</p> <p>b. Correction Action Planned: The District will conduct quarterly audits at the Alternative and Nichols Middle School to ensure all procedures and policies are properly followed. The Business Office will also conduct annual training for all District personnel to include Capital Assets. The Board of Trustees approved Fixed Assets Managers at each site July 1, 2021 to assist with monitoring, tracking, and maintaining District's assets.</p> <p>c. Anticipated Completion Date: Ongoing</p>

"Perseverance Conquers All"

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