

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

January 7, 2015

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

Dear Mr. Johnson:

Enclosed is a copy of the Canton Public School District's audit report for the fiscal year ended June 30, 2014.

Respectfully,

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC

Enclosure (1)

Canton Public School District
Audited Financial Statements
For the Year Ended June 30, 2014

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, 2014, 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.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Public School District, as of June 30, 2014, 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 and budgetary comparison information on pages 8 to 17 and 51 to 54 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Canton Public School District's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133), the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds, and the other information section, which includes the Statement of Revenues, Expenditures and Changes in Fund Balances - General Fund, Last Four Years and the Statement of Revenues, Expenditures and Changes in Fund Balances - All 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 the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133) and the Schedule of Instructional, Administrative and Other Expenditures for Governmental Funds are the responsibility of management and were derived

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2014, on our consideration of the Canton Public School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Canton Public School District's internal control over financial reporting and compliance.

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 1, 2014

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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, 2014. 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 2014 increased \$573,984, including a prior period adjustment of \$419,790, which represents a 2% increase from fiscal year 2013. Total net position for 2013 decreased \$1,044,571, including a prior period adjustment of \$21,491, which represents a 4% decrease from fiscal year 2012.
- General revenues amounted to \$22,872,152 and \$22,686,664, or 77% and 77% of all revenues for fiscal years 2014 and 2013, respectively. Program specific revenues in the form of charges for services and grants and contributions accounted for \$6,705,782, or 23% of total revenues for 2014, and \$6,695,880, or 23% of total revenues for 2013.
- The District had \$29,423,740 and \$30,448,606 in expenses for fiscal years 2014 and 2013; only \$6,705,782 for 2014 and \$6,695,880 for 2013 of these expenses was offset by program specific charges for services, grants and contributions. General revenues of \$22,872,152 for 2014 were adequate to provide for these programs. General revenues of \$22,686,664 for 2013 were not adequate to provide for these programs.
- Among major funds, the General Fund had \$20,920,023 in revenues and \$20,190,725 in expenditures for 2014, and \$20,783,051 in revenues and \$20,406,306 in expenditures in 2013. The General Fund's fund balance increased by \$50,690, including a prior period adjustment of \$51,020 from 2013 to 2014, and decreased by \$874,999, including a prior period adjustment of \$(1,862) from 2012 to 2013.
- Capital assets, net of accumulated depreciation, decreased by \$670,626 for 2014 and increased by \$7,778,826 for 2013. The decrease for 2014 was due to the disposal of mobile equipment and furniture and equipment coupled with the increase in accumulated depreciation.
- Long-term debt decreased by \$1,291,519 for 2014 and decreased by \$992,920 for 2013. The decrease for 2014 was due primarily to principal payments on outstanding long-term debt. The liability for compensated absences increased by \$22,475 for 2014 and decreased by \$20,499 for 2013.

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,

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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.

The Statement of Net Position presents information on all the District's nonfiduciary assets and liabilities, with the differences between the two 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 and interest on long-term liabilities.

Fund Financial Statements

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

wide financial statements. By doing so, the reader may gain a better understanding of the long-term impact of the District's near-term financing decisions. The governmental funds Balance Sheet is reconciled to the Statement of Net Position, and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances is reconciled to the Statement of Activities to facilitate this comparison between governmental funds and governmental activities.

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

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

Reconciliation of Government-wide and Fund Financial Statements

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

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

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

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

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

Notes to the financial statements

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

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

statements can be found immediately following the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents budgetary comparison schedules as required supplementary information. The District adopts an annual operating budget for all governmental funds. A budgetary comparison schedule has been provided for the General Fund and each additional major special revenue fund as required by the Governmental Accounting Standards Board.

Supplementary Information

Additionally, a Schedule of Expenditures of Federal Awards as required by OMB Circular A-133 and a Schedule of Instructional, Administrative and Other Expenditures for governmental funds can be found in this report.

Other Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position

Net position may serve over time as a useful indicator of the District's financial position. Assets and deferred outflows of resources exceeded liabilities by \$25,116,528 as of June 30, 2014.

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, 2014 and June 30, 2013.

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 1
Condensed Statement of Net Position

	June 30, 2014	June 30, 2013	Percentage Change
Current assets	\$ 9,947,572	\$ 10,587,371	(6.04) %
Restricted assets	1,497,813	1,014,659	47.62 %
Capital assets, net	47,536,380	48,207,006	(1.39) %
Total assets	58,981,765	59,809,036	(1.38) %
Deferred outflows of resources	307,563	350,848	(12.34) %
Current liabilities	1,992,763	2,161,307	(7.80) %
Long-term debt outstanding	32,180,037	33,456,033	(3.81) %
Total liabilities	34,172,800	35,617,340	(4.06) %
Net position:			
Net investment in capital assets	16,303,089	15,385,048	5.97 %
Restricted	4,061,655	3,713,563	9.37 %
Unrestricted	4,751,784	5,443,933	(12.71) %
Total net position	\$ 25,116,528	\$ 24,542,544	2.34 %

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

- Decrease in net capital assets in the amount of \$670,626.
- The principal retirement of \$1,686,568 of long-term debt.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2014 and June 30, 2013 were \$29,577,934 and \$29,382,544, respectively. The total cost of all programs and services was \$29,423,740 for 2014 and \$30,448,606 for 2013.

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 2 presents a summary of the changes in net position for the fiscal years ended June 30, 2014 and June 30, 2013.

Table 2
Changes in Net Position

	Year Ended June 30, 2014	Year Ended June 30, 2013	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 441,128	\$ 398,793	10.62 %
Operating grants and contributions	6,264,654	6,297,087	(0.52) %
General revenues:			
Property taxes	9,107,477	8,809,685	3.38 %
Grants and contributions not restricted	13,279,859	13,463,029	(1.36) %
Investment earnings	63,783	32,225	97.93 %
Sixteenth section sources	213,634	133,797	59.67 %
Other	207,399	247,928	(16.35) %
Total revenues	29,577,934	29,382,544	0.66 %
Expenses:			
Instruction	15,001,368	15,001,747	(0.00) %
Support services	11,001,620	11,867,502	(7.30) %
Non-instructional	2,371,753	2,413,605	(1.73) %
Sixteenth section	41,234	42,820	(3.70) %
Interest on long-term liabilities	1,007,765	1,122,932	(10.26) %
Total expenses	29,423,740	30,448,606	(3.37) %
Increase (Decrease) in net position	154,194	(1,066,062)	114.46 %
Net Position, July 1, as previously reported	24,542,544	25,587,115	(4.08) %
Prior Period Adjustment	419,790	21,491	1,853.33 %
Net Position, July 1, as restated	24,962,334	25,608,606	(2.52) %
Net Position, June 30	\$ 25,116,528	\$ 24,542,544	2.34 %

Governmental activities

The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section, 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, 2014

Table 3
Net Cost of Governmental Activities

	Total Expenses		Percentage Change
	2014	2013	
Instruction	\$ 15,001,368	\$ 15,001,747	(0.00) %
Support services	11,001,620	11,867,502	(7.30) %
Non-instructional	2,371,753	2,413,605	(1.73) %
Sixteenth section	41,234	42,820	(3.70) %
Interest on long-term liabilities	1,007,765	1,122,932	(10.26) %
Total expenses	\$ 29,423,740	\$ 30,448,606	(3.37) %
	Net (Expense) Revenue		Percentage Change
	2014	2013	
Instruction	\$ (12,844,305)	\$ (12,666,617)	1.40 %
Support services	(9,016,147)	(9,952,811)	(9.41) %
Non-instructional	183,020	32,454	463.94 %
Sixteenth section	(32,761)	(42,820)	(23.49) %
Interest on long-term liabilities	(1,007,765)	(1,122,932)	(10.26) %
Total net (expense) revenue	\$ (22,717,958)	\$ (23,752,726)	(4.36) %

- Net cost of governmental activities (\$22,717,958 for 2014 and \$23,752,726 for 2013) was financed by general revenue, which is primarily made up of property taxes (\$9,107,477 for 2014 and \$8,809,685 for 2013) and state and federal revenues (\$13,279,859 for 2014 and \$13,463,029 for 2013). In addition, there was \$213,634 and \$133,797 in Sixteenth Section sources for 2014 and 2013, respectively.
- Investment earnings amounted to \$63,783 for 2014 and \$32,225 for 2013.

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 \$9,716,199, an increase of \$9,719, which includes a prior period adjustment of \$(104,966) and an increase in inventory of \$2,916. \$4,946,259, or 51%, of the fund balance is unassigned, which represents the residual classification for the General Fund's fund balance that has not been

CANTON PUBLIC SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 FOR THE YEAR ENDED JUNE 30, 2014

assigned to other funds and that has not been restricted or assigned to specific purposes within the general fund. The remaining fund balance of \$4,769,940, 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 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 \$50,690, which includes a prior period adjustment of \$51,020. The fund balance of Other Governmental Funds showed an increase in the amount of \$382,643, which includes a prior period adjustment of \$(45,375) and an increase in inventory of \$2,916. The increase (decrease) in the fund balances for the other major fund was as follows:

<u>Major Fund</u>	<u>Increase (Decrease)</u>
Sixteenth Section Interest Fund	\$ (423,614)

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 insignificant when compared with total revenues and expenditures of the District.

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2014, the District's total capital assets were \$61,343,523, including land, school buildings, building improvements and other improvements, buses, other school vehicles, and furniture and equipment. This amount represents a gross increase of \$537,460 from 2013. Total accumulated depreciation as of June 30, 2014, was \$13,807,143, and total depreciation expense for the year was \$1,502,471, resulting in total net capital assets of \$47,536,380.

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

Table 4
Capital Assets, Net of Accumulated Depreciation

	June 30, 2014	June 30, 2013	Percentage Change
Land	\$ 68,710	\$ 68,710	0.00 %
Construction in Progress	-	18,417,998	(100.00) %
Buildings	41,934,799	24,293,063	72.62 %
Building improvements	1,450,408	1,545,087	(6.13) %
Improvements other than buildings	3,055,754	3,219,350	(5.08) %
Mobile equipment	274,623	349,054	(21.32) %
Furniture and equipment	752,086	313,744	139.71 %
Total	\$ 47,536,380	\$ 48,207,006	(1.39) %

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

Debt Administration. At June 30, 2014, the District had \$32,159,183 in outstanding long-term debt, of which \$1,856,972 is due within one year. During the fiscal year, the District received proceeds from the issuance of a shortfall note in the amount of \$395,049. The District made principal payments totaling \$1,686,568 on outstanding long-term debt during the fiscal year. The liability for compensated absences increased \$22,475 from the prior year.

Table 5
Outstanding Long-Term Debt

	June 30, 2014	June 30, 2013	Percentage Change
General obligation bonds payable	\$ 8,330,000	\$ 9,480,000	(12.13) %
Certificates of participation payable	14,825,000	15,150,000	(2.15) %
Three mill notes payable	1,365,000	1,515,000	(9.90) %
Shortfall notes payable	523,856	190,375	175.17 %
Qualified school construction bonds payable	7,000,000	7,000,000	0.00 %
Compensated absences payable	115,327	92,852	24.21 %
Total	\$ 32,159,183	\$ 33,428,227	(3.80) %

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

CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2014

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

Exhibit A

June 30, 2014

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 9,047,183
Due from other governments	760,456
Other receivables, net	108,967
Inventories	30,966
Restricted assets	1,497,813
Capital assets, non-depreciable:	
Land	68,710
Capital assets, net of accumulated depreciation:	
Buildings	41,934,799
Building improvements	1,450,408
Improvements other than buildings	3,055,754
Mobile equipment	274,623
Furniture and equipment	752,086
Total Assets	58,981,765
 Deferred Outflows of Resources	
Deferred outflow from advance refunding of debt	307,563
Total Deferred Outflows of Resources	307,563
 Liabilities	
Accounts payable and accrued liabilities	1,726,304
Unearned revenue	2,882
Interest payable on long-term liabilities	263,577
Long-term liabilities, due within one year:	
Capital related liabilities	1,660,000
Non-capital related liabilities	196,972
Long-term liabilities, due beyond one year:	
Capital related liabilities	29,860,000
Capital related bond premiums	20,854
Non-capital related liabilities	442,211
Total Liabilities	34,172,800
 Net Position	
Net investment in capital assets	16,303,089
Restricted for:	
Expendable:	
School-based activities	1,995,572
Ad valorem	144,906
Debt service	1,426,771
Forestry improvements	55,162
Unemployment benefits	80,744
Non-expendable:	
Sixteenth section	358,500
Unrestricted	4,751,784
Total Net Position	\$ 25,116,528

CANTON PUBLIC SCHOOL DISTRICT

Statement of Activities
For the Year Ended June 30, 2014

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
Instruction	\$ 15,001,368	\$ 158,187	\$ 1,998,876	\$ (12,844,305)
Support services	11,001,620	61,573	1,923,900	(9,016,147)
Non-instructional	2,371,753	212,895	2,341,878	183,020
Sixteenth section	41,234	8,473	-	(32,761)
Interest on long-term liabilities	1,007,765	-	-	(1,007,765)
Total Governmental Activities	\$ 29,423,740	\$ 441,128	\$ 6,264,654	\$ (22,717,958)

General Revenues:

Taxes:

General purpose levies

7,482,931

Debt purpose levies

1,624,546

Unrestricted grants and contributions:

State

13,024,377

Federal

255,482

Unrestricted investment earnings

63,783

Sixteenth section sources

213,634

Other

207,399

Total General Revenues

22,872,152

Change in Net Position

154,194

Net Position - Beginning, as previously reported

24,542,544

Prior Period Adjustments

419,790

Net Position - Beginning, as restated

24,962,334

Net Position - Ending

\$ 25,116,528

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

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

Balance Sheet
June 30, 2014

Exhibit C

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	Other Governmental Funds	
Assets				
Cash and cash equivalents	\$ 6,047,279	\$ 1,368,124	\$ 1,995,747	\$ 9,411,150
Cash with fiscal agents	-	-	1,133,846	1,133,846
Due from other governments	423,564	-	335,542	759,106
Other receivables, net	30,232	78,553	182	108,967
Due from other funds	248,345	-	8,748	257,093
Inventories	-	-	30,966	30,966
Total assets	<u>\$ 6,749,420</u>	<u>\$ 1,446,677</u>	<u>\$ 3,505,031</u>	<u>\$ 11,701,128</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,338,754	\$ 53,667	\$ 333,883	\$ 1,726,304
Due to other funds	7,398	-	248,345	255,743
Deferred revenue	-	-	2,882	2,882
Total Liabilities	<u>1,346,152</u>	<u>53,667</u>	<u>585,110</u>	<u>1,984,929</u>
Fund Balances:				
Nonspendable:				
Inventory	-	-	30,966	30,966
Permanent fund principal	-	-	358,500	358,500
Restricted:				
Ad valorem	144,906	-	-	144,906
Debt service	-	-	1,690,348	1,690,348
Forestry improvement purposes	-	-	55,162	55,162
Unemployment benefits	-	-	80,744	80,744
Food service	-	-	565,479	565,479
Sixteenth section	-	1,393,010	-	1,393,010
Other purposes	-	-	6,117	6,117
Assigned:				
Capital improvements	-	-	132,605	132,605
Activity funds	161,783	-	-	161,783
Other purposes	150,320	-	-	150,320
Unassigned	4,946,259	-	-	4,946,259
Total Fund Balances	<u>5,403,268</u>	<u>1,393,010</u>	<u>2,919,921</u>	<u>9,716,199</u>
Total Liabilities and Fund Balances	<u>\$ 6,749,420</u>	<u>\$ 1,446,677</u>	<u>\$ 3,505,031</u>	<u>\$ 11,701,128</u>

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2014

Exhibit C-1

Total fund balances for governmental funds \$ 9,716,199

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	50,639,288	
Building improvements	2,366,978	
Improvements other than buildings	4,089,901	
Mobile equipment	1,242,676	
Furniture and equipment	2,935,970	
Accumulated depreciation	<u>(13,807,143)</u>	47,536,380

2. 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	(8,330,000)	
Other bonds payable	(7,000,000)	
Notes payable	(1,888,856)	
Certificates of participation	(14,825,000)	
Compensated absences	(115,327)	
Unamortized charges	307,563	
Unamortized premiums	(20,854)	
Accrued interest payable	<u>(263,577)</u>	(32,136,051)

Net Position of governmental activities \$ 25,116,528

CANTON PUBLIC SCHOOL DISTRICT

Governmental Funds

**Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2014**

Exhibit D

	Major Funds			Total Governmental Funds
	General Fund	Sixteenth Section Interest Fund	Other Governmental Funds	
Revenues:				
Local sources	\$ 7,896,855	\$ -	\$ 1,843,388	\$ 9,740,243
State sources	12,767,686	-	761,170	13,528,856
Federal sources	255,482	-	5,760,176	6,015,658
Sixteenth section sources	-	221,301	10,303	231,604
Total Revenues	20,920,023	221,301	8,375,037	29,516,361
Expenditures:				
Instruction	11,549,093	-	2,259,549	13,808,642
Support services	8,640,882	-	2,221,463	10,862,345
Noninstructional services	750	-	2,288,063	2,288,813
Sixteenth section	-	34,304	6,930	41,234
Facilities acquisition and construction	-	-	200,000	200,000
Debt service:				
Principal	-	-	1,686,568	1,686,568
Interest	-	-	950,160	950,160
Other	-	-	23,452	23,452
Total Expenditures	20,190,725	34,304	9,636,185	29,861,214
Excess (Deficiency) of Revenues over (under) Expenditures	729,298	186,997	(1,261,148)	(344,853)
Other Financing Sources (Uses):				
Bonds and notes issued	395,049	-	-	395,049
Insurance recovery	61,573	-	-	61,573
Payments held by escrow agent	-	-	466,667	466,667
Payment to QSCB debt escrow agent	-	-	(466,667)	(466,667)
Operating transfers in	698,863	-	2,168,878	2,867,741
Operating transfers out	(1,885,113)	(500,000)	(482,628)	(2,867,741)
Total Other Financing Sources (Uses)	(729,628)	(500,000)	1,686,250	456,622
Net Change in Fund Balances	(330)	(313,003)	425,102	111,769
Fund Balances:				
July 1, 2013, as previously reported	5,352,578	1,816,624	2,537,278	9,706,480
Prior period adjustments	51,020	(110,611)	(45,375)	(104,966)
July 1, 2013, as restated	5,403,598	1,706,013	2,491,903	9,601,514
Increase (Decrease) in inventory	-	-	2,916	2,916
June 30, 2014	\$ 5,403,268	\$ 1,393,010	\$ 2,919,921	\$ 9,716,199

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, 2014**

Exhibit D-1

Net change in fund balances - total governmental funds \$ 111,769

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	\$ 355,975	
Depreciation expense	<u>(1,502,471)</u>	(1,146,496)

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.

(48,886)

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 issuance costs, premiums, discounts and the difference between the carrying value of refunded debt and the acquisition cost of refunded debt when debt is first issued. These amounts are deferred and amortized in the statement of activities:

Bonds and notes issued	(395,049)	
Payments of debt principal	1,686,568	
Accrued interest payable	<u>2,180</u>	1,293,699

4. 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	(22,475)	
Change in inventory	2,916	
Amortization of deferred charges, premiums and discounts	<u>(36,333)</u>	(55,892)

Change in Net Position of governmental activities

\$ 154,194

CANTON PUBLIC SCHOOL DISTRICT

Fiduciary Funds

Statement of Fiduciary Assets and Liabilities
June 30, 2014

Exhibit E

	Agency Funds
Assets	
Cash and cash equivalents	\$ 83,822
Total Assets	<u>\$ 83,822</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 56,049
Due to other funds	1,350
Due to student clubs	26,423
Total Liabilities	<u>\$ 83,822</u>

Canton Public School District
Notes to the Financial Statements
June 30, 2014

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 1 - Summary of Significant Accounting Policies

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

A. Financial Reporting Entity

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

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

B. Government-wide and Fund Financial Statements

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

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

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

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2014

2. Restricted net position results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.
3. Unrestricted net position consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often has constraints on resources imposed by management which can be removed or modified.

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

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

The school district reports the following major governmental funds:

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

Sixteenth Section Interest Fund - This special revenue fund accounts for expendable revenues derived from the use of sixteenth section lands held in trust by the school district and from investment of sixteenth section funds.

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

The District's fiduciary funds include the following:

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

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

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

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

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

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

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

FIDUCIARY FUNDS

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Revenues are considered to be 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

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2014

accounting. However, debt service expenditures, as well as expenditures related to compensated absences and judgments, are recorded only when payment is due.

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

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

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

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

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

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

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

The account classifications used in the financial statements conform to the broad classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting*, issued in 2012 by the Government Finance Officers Association and are consistent with the broad classifications recommended in *Financial Accounting for Local and State School Systems*, 2003, issued by the U.S. Department of Education.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

D. Encumbrances

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

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

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents

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

Investments

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

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

Investments for the district are reported at fair market value.

2. Receivables and payables

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

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

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2014

3. Due from Other Governments

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

4. Inventories and Prepaid Items

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

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

5. Restricted Assets

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

6. Capital Assets

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

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

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

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

The following schedule details the capitalization thresholds:

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

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

7. Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future periods and so will not be recognized as an outflow of resources expense until then. The district has deferred outflow from advance refunding debt. See Note 17 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 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.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

9. Long-term Liabilities and Bond Discounts/Premiums

In the government-wide financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums and the difference between reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

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

10. Fund Balances

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

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

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

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

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

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

Unassigned fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2014

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

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

It is the goal of the District to achieve and maintain an unassigned fund balance in the general fund at fiscal year end of not less than 10% of general revenues. If the unassigned fund balance at fiscal year end falls below the goal, the District shall develop a restoration plan to achieve and maintain the minimum fund balance.

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

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

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

Investments. Section 29-3-113 and 37-59-43, Miss. Code Ann. (1972), authorizes the school board to invest excess funds in the types of investments authorized by Section 27-105-33(d) and (e), Miss. Code Ann. (1972). This section permits the following types of investments: (a) certificates of deposits or interest bearing accounts with qualified state depositories; (b) direct United States Treasury obligations; (c) United States Government agency, United States Government instrumentality or United States Government sponsored enterprise obligations, not to exceed fifty percent of all monies invested with maturities of thirty days or longer; (d) direct security repurchase agreements and reverse direct security repurchase agreements of any federal book entry of only those securities enumerated in (b) and (c) above; (e) direct obligations issued by the United States of America that are deemed to include securities of, or other interests in, any

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

open-end or closed-end management type investment company or investment trust approved by the State Treasurer and the Executive Director of the Department of Finance and Administration, not to exceed twenty percent of invested excess funds. Investment income on bond funds (Capital Projects), bond sinking funds (Debt Service Funds) and sixteenth section principal funds (Permanent Funds) must be credited to those funds. Investment income of \$100 or more of any fund must be credited to that fund. Investment income of less than \$100 can be credited to the General Fund.

Cash and Cash Equivalents

The carrying amount of the school district's deposits with financial institutions reported in the governmental funds and fiduciary funds was \$9,411,150 and \$83,822, respectively.

Custodial Credit Risk - Deposits. Custodial credit risk is defined as the risk that, in the event of the failure of a financial institution, the district will not be able to recover deposits or collateral securities that are in the possession of an outside party. The district does not have a deposit policy for custodial credit risk. However, the Mississippi State Treasurer manages that risk on behalf of the district. Deposits above FDIC coverage are collateralized by the pledging financial institution's trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2014, none of the district's bank balance of \$10,323,167 was exposed to custodial credit risk.

Cash with Fiscal Agents

The carrying amount of school district's cash with fiscal agents held by financial institutions was \$1,133,846.

Note 3 - Interfund Receivables, Payables, and Transfers

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other Governmental Funds	\$ 248,345
Other Governmental Funds	General Fund	7,398
	Fiduciary Funds	1,350
Total		\$ 257,093

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

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

B. Interfund Transfers

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
General Fund	Sixteenth Section Interest Fund	\$ 500,000
	Other Governmental Funds	198,863
Other Governmental Funds	General Fund	1,885,113
	Other Governmental Funds	283,765
Total		<u>\$ 2,867,741</u>

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

Note 4 - Restricted Assets

The restricted assets represents the cash balance totaling \$363,967 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 investment balance held by fiscal agents, totaling \$1,133,846 of the Three Mill Notes Retirement Fund (which includes the QSCB Sinking Fund) and Bond Retirement Fund - Certificate of Participation.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 5 - Capital Assets

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

	Balance 7-1-2013	Increases	Decreases	Completed Construction	Adjustments	Balance 6-30-2014
<u>Non-depreciable capital assets:</u>						
Land	\$ 68,710					68,710
Construction in progress	18,417,998	200,000		(18,617,998)		0
Total non-depreciable capital assets	18,486,708	200,000	0	(18,617,998)		68,710
<u>Depreciable capital assets:</u>						
Buildings	32,021,290			18,617,998		50,639,288
Building improvements	2,366,978					2,366,978
Improvements other than buildings	4,089,901					4,089,901
Mobile equipment	1,506,558	30,923	300,363		5,558	1,242,676
Furniture and equipment	2,334,628	125,052	124,418		600,708	2,935,970
Total depreciable capital assets	42,319,355	155,975	424,781	18,617,998	606,266	61,274,813
<u>Less accumulated depreciation for:</u>						
Buildings	7,728,227	976,262				8,704,489
Building improvements	821,891	94,679				916,570
Improvements other than buildings	870,551	163,596				1,034,147
Mobile equipment	1,157,504	78,732	270,327		2,144	968,053
Furniture and equipment	2,020,884	189,202	105,568		79,366	2,183,884
Total accumulated depreciation	12,599,057	1,502,471	375,895	0	81,510	13,807,143
Total depreciable capital assets, net	29,720,298	(1,346,496)	48,886	18,617,998	524,756	47,467,670
Governmental activities capital assets, net	\$ 48,207,006	(1,146,496)	48,886	0	524,756	47,536,380

Adjustments were made to properly present capital assets.

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 1,219,760
Support services	182,084
Non-instructional	100,627
Total depreciation expense	\$ 1,502,471

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 6 - Long-Term Liabilities

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

	Balance 7-1-2013	Additions	Reductions	Balance 6-30-2014	Amounts due in one year
A. General obligation bonds payable	\$ 9,480,000		1,150,000	8,330,000	1,325,000
B. Certificates of participation payable	15,150,000		325,000	14,825,000	180,000
C. Three mill notes payable	1,515,000		150,000	1,365,000	155,000
D. Shortfall notes payable	190,375	395,049	61,568	523,856	191,206
E. Qualified school construction bonds	7,000,000			7,000,000	
F. Compensated absences payable	92,852	22,475		115,327	5,766
Total	\$ <u>33,428,227</u>	<u>417,524</u>	<u>1,686,568</u>	<u>32,159,183</u>	<u>1,856,972</u>

A. General obligation bonds payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. General obligation refunding bonds, Series 2010A	3.55%	02-23-10	12-01-16	\$ 715,000	335,000
2. General obligation refunding bonds, Series 2010B	3.20%	02-23-10	12-01-13	1,235,000	0
3. General obligation refunding bonds, Series 2012	2.0-2.5%	05-01-12	04-01-22	5,185,000	4,890,000
4. General obligation refunding bonds, Series 2012B	1.0-2.25%	08-30-12	04-01-22	1,765,000	1,685,000
5. General obligation refunding bonds, Series 2013	2.0%	05-30-13	04-01-17	<u>1,880,000</u>	<u>1,420,000</u>
Total				\$ <u>10,780,000</u>	<u>8,330,000</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 105,000	10,029	115,029
2016	110,000	6,212	116,212
2017	120,000	2,130	122,130
Total	\$ <u>335,000</u>	<u>18,371</u>	<u>353,371</u>

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

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

2. General obligation refunding bonds issued on February 23, 2010 were paid off and retired from the Bond Issues Retirement Fund.

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

Year Ending June 30		Principal	Interest	Total
2015	\$	565,000	105,925	670,925
2016		575,000	94,625	669,625
2017		590,000	83,125	673,125
2018		605,000	71,325	676,325
2019		615,000	59,227	674,227
2020 - 2022		1,940,000	96,175	2,036,175
Total	\$	<u>4,890,000</u>	<u>510,402</u>	<u>5,400,402</u>

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

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

Year Ending June 30		Principal	Interest	Total
2015	\$	195,000	30,737	225,737
2016		195,000	28,788	223,788
2017		205,000	24,887	229,887
2018		210,000	20,788	230,788
2019		215,000	17,637	232,637
2020 - 2022		665,000	28,625	693,625
Total	\$	<u>1,685,000</u>	<u>151,462</u>	<u>1,836,462</u>

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

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

Year Ending June 30		Principal	Interest	Total
2015	\$	460,000	28,400	488,400
2016		475,000	19,200	494,200
2017		485,000	9,700	494,700
Total	\$	<u>1,420,000</u>	<u>57,300</u>	<u>1,477,300</u>

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

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Total general obligation bond payments for all issues:

Year Ending June 30		Principal	Interest	Total
2015	\$	1,325,000	175,091	1,500,091
2016		1,355,000	148,825	1,503,825
2017		1,400,000	119,842	1,519,842
2018		815,000	92,113	907,113
2019		830,000	76,864	906,864
2020-2022		2,605,000	124,800	2,729,800
Total	\$	<u>8,330,000</u>	<u>737,535</u>	<u>9,067,535</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by Sections 37-59-5 and 37-59-7, Miss. Code Ann. (1972). Total outstanding bonded indebtedness during a year can be no greater than 15% of the assessed value of the taxable property within such district, according to the then last completed assessment for taxation, unless certain conditions, as set forth in Section 37-59-7, Miss. Code Ann. (1972) have been met. As of June 30, 2014, the amount of outstanding bonded indebtedness was equal to 3% of property assessments as of October 1, 2013.

B. Certificates of participation payable

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

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Certificates of participation, Series 2002B	4.625-6.0%	04-01-02	04-01-14	\$ 2,750,000	0
2. Certificates of participation, Series 2010	2.0-4.75%	09-15-10	09-01-30	<u>15,000,000</u>	<u>14,825,000</u>
Total				<u>\$ 17,750,000</u>	<u>14,825,000</u>

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

1. Certificates of participation issued on April 1, 2002 were paid off and retired from the Bond Retirement Fund - COPs.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

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

Year Ending June 30		Principal	Interest	Total
2015	\$	180,000	630,230	810,230
2016		190,000	625,605	815,605
2017		480,000	616,390	1,096,390
2018		495,000	601,816	1,096,816
2019		510,000	585,475	1,095,475
2020-2024		3,790,000	2,574,915	6,364,915
2025-2029		6,250,000	1,283,275	7,533,275
2030-2031		2,930,000	276,876	3,206,876
Total	\$	<u>14,825,000</u>	<u>7,194,582</u>	<u>22,019,582</u>

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

C. Three mill notes payable

Debt currently outstanding is as follows:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited Tax Refunding Notes, Series 2011	2.0-3.125%	11-15-11	04-01-22	\$ <u>1,660,000</u>	<u>1,365,000</u>

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

Year Ending June 30		Principal	Interest	Total
2015	\$	155,000	36,388	191,388
2016		160,000	33,287	193,287
2017		160,000	30,088	190,088
2018		170,000	26,087	196,087
2019		175,000	21,837	196,837
2020-2022		545,000	33,861	578,861
Total	\$	<u>1,365,000</u>	<u>181,548</u>	<u>1,546,548</u>

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

D. Shortfall notes payable

Debt currently outstanding is as follows:

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
1. Shortfall Note, Series 2013	3.0%	06-28-13	06-30-16	\$ 190,375	128,807
2. Shortfall Note, Series 2014	3.0%	06-30-14	06-30-17	395,049	395,049
Total				<u>\$ 585,424</u>	<u>523,856</u>

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

Year Ending June 30	Principal	Interest	Total
2015	\$ 63,441	3,918	67,359
2016	65,366	1,993	67,359
Total	<u>\$ 128,807</u>	<u>5,911</u>	<u>134,718</u>

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

2. Shortfall note payable issued on June 30, 2014:

Year Ending June 30	Principal	Interest	Total
2015	\$ 127,765	12,016	139,781
2016	131,629	8,152	139,781
2017	135,655	4,126	139,781
Total	<u>\$ 395,049</u>	<u>24,294</u>	<u>419,343</u>

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

Total shortfall notes payable payments for all issues:

Year Ending June 30	Principal	Interest	Total
2015	\$ 191,206	15,934	207,140
2016	196,995	10,145	207,140
2017	135,655	4,126	139,781
Total	<u>\$ 523,856</u>	<u>30,205</u>	<u>554,061</u>

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:

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
1. Qualified School Construction Bonds, Series 2010	6.09%	01-06-11	01-07-26	\$ 3,000,000	3,000,000
2. Qualified School Construction Bonds, Series 2011	6.09%	11-08-11	11-08-26	4,000,000	4,000,000
				<u>\$ 7,000,000</u>	<u>7,000,000</u>

F. Compensated absences payable

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

Note 7 - Prior Year Defeseance of Debt

In prior years, the Canton Public School District defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the district's financial statements. On June 30, 2014, \$0 of bonds outstanding are defeased.

Note 8 - Other Commitments

Operating leases:

The school district has several operating leases for the following:

1. 3530C Copier - Federal Programs
2. Postage Meter - Central Office

Lease expenditures for the year ended June 30, 2014, amounted to \$6,868.

Future lease payments for these leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 2,700
2016	480
Total	<u>\$ 3,180</u>

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 9 - Defined Benefit 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. Benefit provisions are established by state law and may be amended only by the State of Mississippi Legislature. PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Public Employees' Retirement System of Mississippi, PERS Building, 429 Mississippi Street, Jackson, MS 39201 or by calling (601) 359-3589 or 1-800-444-PERS.

Funding Policy. 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, 2014 was 15.75% of annual covered payroll. The contribution requirements of PERS members and employers are established and may be amended only by the State of Mississippi Legislature. The school district's contributions to PERS for the fiscal years ending June 30, 2014, 2013 and 2012 were \$2,258,350, \$2,100,586, and \$1,824,864, respectively, which equaled the required contributions for each year.

Note 10 - Sixteenth Section Lands

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

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Year Ending June 30	Amount
2015	102,030
2016	102,030
2017	30,644
2018	14,494
2019	14,494
2020 - 2024	49,204
2025 - 2029	33,694
2030 - 2034	28,244
2035 - 2039	23,219
2040 and after	48,273
Total	\$ <u>446,326</u>

Note 11 - Prior Period Adjustments

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

Exhibit B - Statement of Activities

Explanation	Amount
1. See explanation below.	\$ (104,966)
2. To correctly present capital assets.	<u>524,756</u>
Total	\$ <u>419,790</u>

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

<u>Major Funds</u>	<u>Explanation(s)</u>	<u>Amount</u>
General Fund	To correct error in regarding a prior year asset or liability and to correct overstatement of prior year expenditures in governmental funds.	\$ 51,020
Sixteenth Section Interest Fund	To correct error in regarding a prior year asset or liability and to correct overstatement of prior year expenditures in governmental funds.	(110,611)
Other Governmental Funds	To correct error in regarding a prior year asset or liability and to correct overstatement of prior year expenditures in governmental funds.	<u>(45,375)</u>
Total		\$ <u>(104,966)</u>

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Note 12 - Risk Management

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

Note 13 - Contingencies

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

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

Note 14 - Trust Certificates

A trust agreement dated April 1, 2002, was executed by and between the school district and Trustmark National Bank of Jackson, Mississippi, as trustee.

The trust agreement authorized the issuance of trust certificates in the principal amount of \$2,750,000. Approximately \$2,730,312 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$19,688 was used to pay the cost of issuance.

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

The trust agreement authorized the issuance of trust certificates in the principal amount of \$15,000,000. Approximately \$14,848,189 was used to provide financing for the construction and renovation of school buildings and related facilities and equipment (the "project"); the remainder of approximately \$151,811 was used to pay the cost of issuance.

The project is leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-51, et seq., Miss. Code Ann. (1972). The lease represents a capital lease under which ownership of the project will transfer to the school district upon complete retirement of the trust certificates. The school district is obligated to make lease payments to the trustees in an amount equal to the debt service requirements for

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

the trust certificates. The lease rental payments by the school district are used by the trustee to pay the principal and interest payments due on the trust certificates.

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

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

Note 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. The United States Treasury reimburses the District for the amount of interest paid on the principal amount.

The school district makes equal annual payments into a sinking fund which is used to payoff the bonds at termination. The current maturity limit of tax credit bonds is 17 years, per the U.S. Treasury Department. Under this program, ten percent of the proceeds must be subject to a binding commitment to be spent within six months of issuance and 100% must be spent within three years. Up to two percent of bond proceeds can be used to pay costs of issuance. The amount on deposit at June 30, 2014 was \$1,133,839. The amount accumulated in the sinking fund at the end of the seventeen-year period will be sufficient to retire the debt. The following schedule reports the annual deposits to be made to the sinking fund by the school district.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2014

Year Ending June 30	Amount	Interest	Total
2015	\$ 466,667	426,300	892,967
2016	466,667	426,300	892,967
2017	466,667	426,300	892,967
2018	466,667	426,300	892,967
2019	466,667	426,300	892,967
2020 - 2024	2,333,335	2,131,500	4,464,835
2025 - 2027	1,199,996	1,035,300	2,235,296
Total	\$ 5,866,666	5,298,300	11,164,966

Note 16 - Insurance Loss Recoveries

The Canton Public School District received \$61,573 in insurance loss recoveries related to gym floor damage during the 2013-2014 fiscal year. In the government-wide Statement of Activities, the insurance loss recoveries were reported as general revenues.

Note 17 - Effect of Deferred Amounts on Net Position

The net investment in capital assets net position amount of \$16,303,089 includes the effect of deferring the recognition of expenditures resulting from a deferred outflow from advance refunding of school district debt. The \$307,563 balance of the deferred outflow of resources at June 30, 2014 will be recognized as an expense and decrease the net investment in capital assets net position over the next 9 years.

Note 18 - Subsequent Events

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

REQUIRED SUPPLEMENTARY INFORMATION

CANTON PUBLIC SCHOOL DISTRICT

Required Supplementary Information

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2014

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 8,356,659	\$ 7,896,855	\$ 7,896,855	\$ (459,804)	\$ -
State sources	12,750,174	12,767,686	12,767,686	17,512	-
Federal sources	220,271	255,482	255,482	35,211	-
Total Revenues	21,327,104	20,920,023	20,920,023	(407,081)	-
Expenditures:					
Instruction	12,236,508	11,558,093	11,549,093	678,415	9,000
Support services	8,678,106	8,641,882	8,640,882	36,224	1,000
Noninstructional services	10,604	750	750	9,854	-
Debt service:					
Principal	4,751	-	-	4,751	-
Interest	7,249	-	-	7,249	-
Total Expenditures	20,937,218	20,200,725	20,190,725	736,493	10,000
Excess (Deficiency) of Revenues over (under) Expenditures	389,886	719,298	729,298	329,412	10,000
Other Financing Sources (Uses):					
Bonds and notes issued	-	395,049	395,049	395,049	-
Insurance recovery	-	61,573	61,573	61,573	-
Operating transfers in	933,388	920,062	698,863	(13,326)	(221,199)
Operating transfers out	(2,034,871)	(2,106,312)	(1,885,113)	(71,441)	221,199
Total Other Financing Sources (Uses)	(1,101,483)	(729,628)	(729,628)	371,855	-
Net Change in Fund Balances	(711,597)	(10,330)	(330)	701,267	10,000
Fund Balances:					
July 1, 2013, as previously reported	3,826,651	5,304,505	5,352,578	1,477,854	48,073
Prior period adjustments	-	99,093	51,020	99,093	(48,073)
July 1, 2013, as restated	3,826,651	5,403,598	5,403,598	1,576,947	-
June 30, 2014	\$ 3,115,054	\$ 5,393,268	\$ 5,403,268	\$ 2,278,214	\$ 10,000

CANTON PUBLIC SCHOOL DISTRICT

Required Supplementary Information

**Budgetary Comparison Schedule
Sixteenth Section Interest Fund
For the Year Ended June 30, 2014**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ -	\$ (698)	\$ -	\$ (698)	\$ 698
Sixteenth section sources	130,975	221,999	221,301	91,024	(698)
Total Revenues	130,975	221,301	221,301	90,326	-
Expenditures:					
Sixteenth section	64,628	34,304	34,304	30,324	-
Total Expenditures	64,628	34,304	34,304	30,324	-
Excess (Deficiency) of Revenues over (under) Expenditures	66,347	186,997	186,997	120,650	-
Other Financing Sources (Uses):					
Operating transfers in	1,300	-	-	(1,300)	-
Operating transfers out	(500,000)	(500,000)	(500,000)	-	-
Total Other Financing Sources (Uses)	(498,700)	(500,000)	(500,000)	(1,300)	-
Net Change in Fund Balances	(432,353)	(313,003)	(313,003)	119,350	-
Fund Balances:					
July 1, 2013, as previously reported	1,790,106	1,816,624	1,816,624	26,518	-
Prior period adjustments	-	-	(110,611)	-	(110,611)
July 1, 2013, as restated	1,790,106	1,816,624	1,706,013	26,518	(110,611)
June 30, 2014	\$ 1,357,753	\$ 1,503,621	\$ 1,393,010	\$ 145,868	\$ (110,611)

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Canton Public School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2014

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.

SUPPLEMENTARY INFORMATION

Canton Public School District
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2014

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal Expenditures
<u>U. S. DEPARTMENT OF AGRICULTURE</u>		
Passed-through the Mississippi Department of Education:		
Child Nutrition Cluster:		
School Breakfast Program	10.553	\$ 614,008
National School Lunch Program	10.555	1,756,805
Summer Food Service Program for Children	10.559	42,408
Total Child Nutrition Cluster		<u>2,413,221</u>
Fresh Fruits and Vegetables Program	10.582	128,341
Total passed-through the Mississippi Department of Education		<u>2,541,562</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		<u>2,541,562</u>
<u>U.S. DEPARTMENT OF DEFENSE</u>		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	26,726
TOTAL U. S. DEPARTMENT OF DEFENSE		<u>26,726</u>
<u>FEDERAL COMMUNICATIONS COMMISSION</u>		
Administered through the Universal Service Administrative Company:		
The Schools and Libraries Program of the Universal Service Fund	32.xxx	230,075
TOTAL FEDERAL COMMUNICATIONS COMMISSION		<u>230,075</u>
<u>U. S. DEPARTMENT OF EDUCATION</u>		
Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	1,979,428
Career and Technical Education - Basic Grants to States	84.048	65,244
English Language Acquisition Grants	84.365	17,957
Improving Teacher Quality - State Grants	84.367	330,262
Subtotal		<u>2,392,891</u>
Special Education Cluster:		
Special Education - Grants to States	84.027	771,186
Special Education - Preschool Grants	84.173	27,810
Total Special Education Cluster		<u>798,996</u>
Total passed-through the Mississippi Department of Education		<u>3,191,887</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		<u>3,191,887</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>		
Passed-through the Mississippi Department of Education:		
Medical Assistance Program	93.778	800
Total passed-through the Mississippi Department of Education		<u>800</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES		<u>800</u>
TOTAL FOR ALL FEDERAL AWARDS		<u>\$ 5,991,050</u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and significant accounting policies, as applicable, used for the financial statements.
2. The expenditure amounts include transfers out.
3. The pass-through entities did not assign identifying numbers to the school district.

Canton Public School District
 Schedule of Instructional, Administrative and Other Expenditures - Governmental Funds
 For the Year Ended June 30, 2014

Schedule 2

Expenditures	Total	Instruction and Other Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 19,628,769	14,956,117	1,018,997	1,399,760	2,253,895
Other	10,232,445	1,871,662	370,817	16,349	7,973,617
Total	\$ <u>29,861,214</u>	<u>16,827,779</u>	<u>1,389,814</u>	<u>1,416,109</u>	<u>10,227,512</u>
Total number of students *	<u>3,367</u>				
Cost per student	\$ <u>8,869</u>	<u>4,998</u>	<u>413</u>	<u>421</u>	<u>3,038</u>

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

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

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

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

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

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

OTHER INFORMATION

CANTON PUBLIC SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balances
General Fund
Last Four Years

"UNAUDITED"

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 7,896,855	7,628,296	7,615,095	7,372,929
Intermediate sources	-	-	-	42,880
State sources	12,767,686	12,615,828	12,507,681	11,730,510
Federal sources	255,482	538,927	180,157	185,632
Total Revenues	<u>20,920,023</u>	<u>20,783,051</u>	<u>20,302,933</u>	<u>19,331,951</u>
Expenditures:				
Instruction	11,549,093	11,754,867	10,691,476	9,659,976
Support services	8,640,882	8,638,028	7,795,227	7,539,799
Noninstructional	750	8,400	18,000	18,000
Debt Service:				
Principal	-	3,295	4,468	5,471
Interest	-	1,716	800	1,437
Total Expenditures	<u>20,190,725</u>	<u>20,406,306</u>	<u>18,509,971</u>	<u>17,224,683</u>
Excess (Deficiency) of Revenues over Expenditures	<u>729,298</u>	<u>376,745</u>	<u>1,792,962</u>	<u>2,107,268</u>
Other Financing Sources (Uses):				
Bonds and notes issued	395,049	190,375	-	-
Insurance recovery	61,573	4,184	-	6,605
Sale of transportation equipment	-	-	6,288	-
Operating transfers in	698,863	179,255	738,780	201,189
Operating transfers out	(1,885,113)	(1,623,696)	(1,811,095)	(4,101,311)
Other financing uses	-	-	(3,122)	-
Total Other Financing Sources (Uses)	<u>(729,628)</u>	<u>(1,249,882)</u>	<u>(1,069,149)</u>	<u>(3,893,517)</u>
Net Change in Fund Balances	<u>(330)</u>	<u>(873,137)</u>	<u>723,813</u>	<u>(1,786,249)</u>
Fund Balances:				
July 1, as previously reported	5,352,578	6,227,577	5,525,902	7,320,708
Prior period adjustments	51,020	(1,862)	(22,138)	(8,557)
July 1, as restated	<u>5,403,598</u>	<u>6,225,715</u>	<u>5,503,764</u>	<u>7,312,151</u>
June 30,	\$ <u>5,403,268</u>	<u>5,352,578</u>	\$ <u>6,227,577</u>	\$ <u>5,525,902</u>

*SOURCE - PRIOR YEAR AUDIT REPORTS

CANTON PUBLIC SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances

"UNAUDITED"

All Governmental Funds

Last Four Years

	2014	2013*	2012*	2011*
Revenues:				
Local sources	\$ 9,740,243	9,475,557	9,879,595	9,389,654
Intermediate sources	-	-	-	42,880
State sources	13,528,856	13,422,814	13,361,459	12,833,375
Federal sources	6,015,658	6,337,303	8,182,689	8,073,313
Sixteenth section sources	231,604	142,686	326,545	246,874
Total Revenues	<u>29,516,361</u>	<u>29,378,360</u>	<u>31,750,288</u>	<u>30,586,096</u>
Expenditures:				
Instruction	13,808,642	14,243,725	14,947,627	14,128,424
Support services	10,862,345	11,613,118	10,557,419	10,783,783
Noninstructional services	2,288,813	2,341,582	2,394,900	2,349,652
Sixteenth section	41,234	42,820	182,914	43,179
Facilities acquisition and construction	200,000	8,719,010	13,766,344	755,373
Debt service:				
Principal	1,686,568	1,398,295	1,729,211	2,138,447
Interest	950,160	991,131	1,202,719	902,471
Other	23,452	119,284	177,627	514,301
Total Expenditures	<u>29,861,214</u>	<u>39,468,965</u>	<u>44,958,761</u>	<u>31,615,630</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(344,853)</u>	<u>(10,090,605)</u>	<u>(13,208,473)</u>	<u>(1,029,534)</u>
Other Financing Sources (Uses):				
Bonds and notes issued	395,049	190,375	-	-
Proceeds of loans	-	-	4,000,000	18,000,000
Insurance recovery	61,573	4,184	-	6,605
Refunding bonds issued	-	3,645,000	6,845,000	-
Payments held by escrow agent	466,667	466,667	200,000	-
Premiums on refunding bonds issued	-	34,758	-	-
Payment to refunded bond escrow agent	-	(3,584,256)	(6,726,530)	-
Payment to QSCB debt escrow agent	(466,667)	(466,667)	(200,000)	-
Sale of transportation equipment	-	-	6,288	-
Operating transfers in	2,867,741	2,416,353	2,794,192	4,616,817
Operating transfers out	(2,867,741)	(2,416,353)	(2,794,192)	(4,616,817)
Other financing uses	-	-	(12,788)	-
Total Other Financing Sources (Uses)	<u>456,622</u>	<u>290,061</u>	<u>4,111,970</u>	<u>18,006,605</u>
Net Change in Fund Balances	<u>111,769</u>	<u>(9,800,544)</u>	<u>(9,096,503)</u>	<u>16,977,071</u>
Fund Balances:				
July 1, as previously reported	9,706,480	19,504,600	28,645,284	11,669,884
Prior period adjustments	(104,966)	21,491	(22,138)	(8,557)
July 1, as restated	<u>9,601,514</u>	<u>19,526,091</u>	<u>28,623,146</u>	<u>11,661,327</u>
Increase (Decrease) in inventory	2,916	(19,067)	(22,043)	6,886
June 30,	<u>\$ 9,716,199</u>	<u>9,706,480</u>	<u>19,504,600</u>	<u>28,645,284</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, 2014, 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 December 1, 2014.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of this Report

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 1, 2014

Certified Public Accountants

FORTENBERRY & BALLARD, PC
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL
PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY OMB CIRCULAR A-133

Superintendent and School Board
Canton Public School District

Report on Compliance for Each Major Federal Program

We have audited Canton Public School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Canton Public School District's major federal programs for the year ended June 30, 2014. The Canton Public School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for Canton Public School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the school district's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the Canton Public School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Canton Public School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Canton Public School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the school district's internal control over compliance.

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

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

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

Fortenberry & Ballard, PC

Fortenberry & Ballard, PC
December 1, 2014

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, 2014, which collectively comprise Canton Public School District's basic financial statements and have issued our report thereon dated December 1, 2014. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

The results of our procedures performed to test compliance with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), disclosed no instances of noncompliance. The district did not report any classroom supply funds carried over from previous years.

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

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

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

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The results of procedures performed to test compliance with certain other state laws and regulations and our audit of the financial statements disclosed the following immaterial instance of noncompliance with other state laws and regulations. Our immaterial finding and recommendation and your response is as follows:

Finding 1:

Criteria:

Section 29-3-57, Miss. Code Ann. (1972) states, "It is the duty of the Superintendent of education to collect promptly all rentals due and all principal and interest due upon loans and investments of sixteenth section principal funds. Upon a sixty (60) day default in payment of any rental according to the terms of such lease, the lease shall be declared terminated unless the board of education finds extenuating circumstances were presented...."

Condition:

During our test of sixteenth section leases we identified several leases in which rental payments tested were more than 60 days past due with no documentation that board action was taken as required by Section 29-3-57, Miss. Code Ann. (1972).

Cause:

The cause of the above condition is primarily due to lack of training with state requirements.

Effect:

District's resources of sixteenth section lease payments were not available for operations.

Recommendation:

We recommend that the District comply with Section 29-3-57, Miss. Code Ann. (1972), that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances are present.

Response:

The District will comply with Section 29-3-57, Miss. Code Ann. (1972), that states when leases are in default for more than 60 days from the due date, the lease shall be declared terminated unless the Board of Education finds extenuating circumstances are present.

The Office of the State Auditor or a public accounting firm will review, on the subsequent year's audit engagement, the finding in this report to ensure that corrective action has been taken.

The Canton Public School District's response to the finding included in this report was not audited and, accordingly, we express no opinion on it.

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

FORTENBERRY & BALLARD, PC

Fortenberry & Ballard, PC
December 1, 2014

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, 2014**

Section I: Summary of Auditor's Results

Financial Statements:

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

Federal Awards:

4. Internal control over major programs:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified? None reported.
5. Type of auditor's report issued on compliance for major programs: Unmodified.
6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? No.
7. Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553, 10.555 & 10.559	Child Nutrition Cluster
32.xxx	The Schools and Libraries Program of the Universal Service Fund
84.367	Improving Teacher Quality - State Grants
84.010	Title I Grants to Local Educational Agencies Program

8. Dollar threshold used to distinguish between type A and type B programs: \$300,000.
9. Auditee qualified as low-risk auditee? No.

Section II: Financial Statements Findings

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

Section III: Federal Award Findings and Questioned Costs

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

SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS



CANTON PUBLIC SCHOOL DISTRICT
Jennifer Clanton, Director of Business and Finance
Sheila Franklin Buie, CPA, Assistant Director

AUDITEE'S SUMMARY OF PRIOR FEDERAL AUDIT FINDINGS

As required by Section __.315(b) of OMB Circular A-133, the Canton Public School District has prepared and hereby submits the following summary schedule of prior audit findings as of June 30, 2014:

<u>Finding</u>	<u>Status</u>
2013-1	Corrected
2013-2	Corrected

"Canton Can"

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