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Audited Financial Statements
June 30, 2007

J.E. Fortenberry, III, PC
Certified Public Accountant

FINANCIAL AUDIT REPORT

**Canton Public School District
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INDEPENDENT AUDITOR'S REPORT
ON THE BASIC FINANCIAL STATEMENTS ACCOMPANIED
BY REQUIRED SUPPLEMENTARY AND SUPPLEMENTARY INFORMATION

J.E. FORTENBERRY, III, PC
Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON THE BASIC FINANCIAL
STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY
INFORMATION AND SUPPLEMENTARY INFORMATION**

Superintendent and School Board
Canton Public School District

I 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, 2007, which collectively comprise the Canton Public School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Canton Public School District's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe my audit provides a reasonable basis for my opinions.

In my 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, 2007, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued our report dated November 7, 2007, on my consideration of the Canton Public School District's internal control over financial reporting and my 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 my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

The Management's Discussion and Analysis on pages 7 through 16 and the Budgetary Comparison Schedules and corresponding notes on pages 44 through 46 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the

information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Canton Public School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. In addition, the Schedule of Instructional, Administrative, and Other Expenditures-Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



J.E. Fortenberry, III, PC
November 7, 2007

Certified Public Accountant

MANAGEMENT'S DISCUSSION AND ANALYSIS

**CANTON PUBLIC SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2007**

The discussion and analysis of Canton Public School District's financial performance provides an overall narrative review of the School District's financial activities for the year ended June 30, 2007. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and the financial statements to enhance their understanding of the School District's financial performance. Information contained in this section is qualified by the more detailed information contained elsewhere in this district's financial statements, notes to financial statements and any accompanying materials. To the extent this discussion contains any forward-looking statements of the district's plans, objectives, expectations and prospects, the actual results could differ materially from those discussed herein.

FINANCIAL HIGHLIGHTS

- Total net assets increased \$277,720, which represents a 1% increase from fiscal year 2006.
- General revenues account for \$21,062,095 in revenue, or 76% of all revenues. This amount was slightly higher (percentage-wise) when compared to the general revenues reported for the year 2006, which consisted of \$20,203,684 in general revenue, or 74% of all revenues. Program specific revenues in the form of charges for services and grants and contributions for this year accounted for \$6,744,865 or 24% of total revenues compared with \$7,082,737 or 26% in 2006.
- The District had \$27,529,240 in expenses, amount that increased when compared with the \$25,057,729 in expenses for the prior year; only \$6,744,865 of these expenses were offset by program specific charges for services, grants and contributions. General revenues of \$21,062,095 were adequate to provide for these programs.
- Among major funds, the General Fund had \$19,336,492 in revenues and \$18,472,218 in expenditures. In 2006 the General Fund had \$18,623,480 in revenues and \$15,968,371 in expenditures. The General Fund's fund balance decreased \$633,358 from the prior year.
- Capital assets, net of accumulated depreciation, decreased by \$298,186.
- Long-term debt decreased by \$1,209,300 due to principal payments of long term debt.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business. These statements are prepared using the accrual basis of accounting and include all assets and liabilities.

The statement of net assets presents information on all the District's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets 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 years.

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.

The government-wide financial statements can be found on pages 18 and 19 of this report.

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. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's current financing requirements. Governmental Funds are reported using modified accrual accounting. This method of accounting measures cash and other assets that can be easily converted to cash. The Governmental Funds Statements provide a detailed short-term view of the school district's operations.

Because the focus of governmental funds is narrower than that of the government-wide

financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's current financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities. These reconciliations are on pages 21 and 23, respectively.

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 fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for all major funds. All other non-major funds are combined together and presented in these reports as other governmental funds.

The basic governmental fund financial statements can be found on pages 20 and 22 of this report.

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. The accrual basis of accounting is used for fiduciary funds. The school district is responsible for ensuring that the assets reported in these funds are used for their intended purpose. The school district's fiduciary activities are presented in separate Statements of Fiduciary Assets and Liabilities on page 24.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-42 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process.

The District adopts an annual operating budget for all governmental funds. A budgetary comparison statement has been provided for the General Fund and each additional major fund. This required supplementary information can be found on pages 43-46 of this report.

Additionally, a schedule of federal awards, required by OMB Cir. A-133 and a schedule of instructional, administrative and other expenditures for governmental funds can be found on pages 48 and 49 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets. Net assets may serve over time as a useful indicator of government's financial position. In the case of the District, assets exceeded liabilities by \$20,997,419 as of June 30, 2007.

The District's investment in capital assets, net of related debt (36%) reflects its investment in capital assets (e.g., land, buildings, improvements other than buildings, mobile equipment and furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The District uses these capital assets to provide services to its students; consequently these assets are not available for future spending.

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.

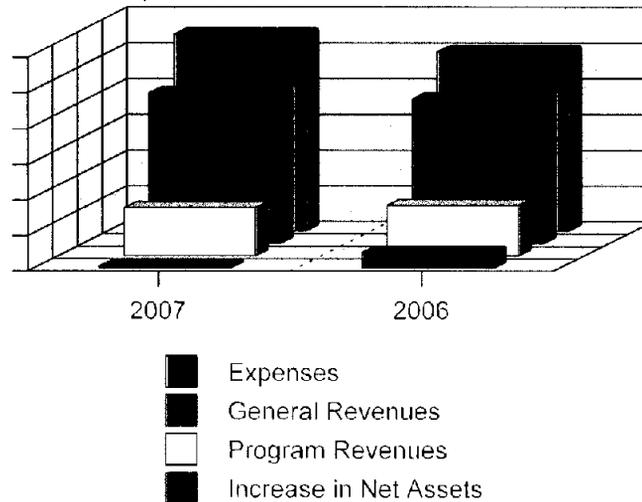
The following table presents a summary of the District's net assets for the fiscal year ended June 30, 2007 and 2006.

	2007	2006	Percentage Change
Assets			
Current assets	\$ 15,598,006	16,564,003	-6%
Capital assets, net	25,379,326	25,677,512	-1%
Total assets	40,977,332	42,241,515	-3%
Liabilities			
Current liabilities	2,002,413	2,318,478	-14%
Long-term liabilities	17,977,500	19,186,800	-6%
Total liabilities	19,979,913	21,505,278	-7%
Net Assets:			
Invested in capital assets, net of related debt	7,517,044	12,377,670	-39%
Restricted	2,957,494	2,597,373	14%
Unrestricted	10,522,881	5,761,194	83%
Total Net Assets	\$ 20,997,419	20,736,237	1%

Changes in net assets. The District's total revenues for the fiscal year ended June 30, 2007 were \$27,806,960. The total cost of all programs and services was \$27,529,240. The following table presents a summary of the changes in net assets for the fiscal year ended June 30, 2007.

	2007	2006	Percentage Change
Revenues			
Program Revenues			
Charges for services	\$ 578,600	516,031	12%
Operating Grants and Contributions	6,166,265	6,566,706	-6%
Total Program Revenues	6,744,865	7,082,737	-5%
General Revenues			
Property Taxes	5,434,058	5,549,598	-2%
Unrestricted Grants and Contributions	14,499,615	13,374,521	8%
Unrestricted Investment Earnings	626,524	591,778	6%
Sixteenth Section Sources	391,819	177,351	121%
Other	110,079	510,436	-78%
Total General Revenues	21,062,095	20,203,684	4%
Total revenues	27,806,960	27,286,421	2%
Expenses			
Instruction	14,323,085	13,494,426	6%
Support services	10,219,565	8,701,002	17%
Non-instructional	2,126,611	1,951,929	9%
Sixteenth section	31,119	34,484	-10%
Interest on long-term liabilities	828,860	875,888	-5%
Total expenses	27,529,240	25,057,729	10%
Increase (Decrease) in net assets	277,720	2,228,692	-88%
Net Assets, July 1	20,736,237	18,570,737	12%
Prior Period Adjustment	(16,538)	(63,192)	74%
Net Assets, June 30	\$ 20,997,419	20,736,237	1%

Comparative Chart of Statement of Activities Data

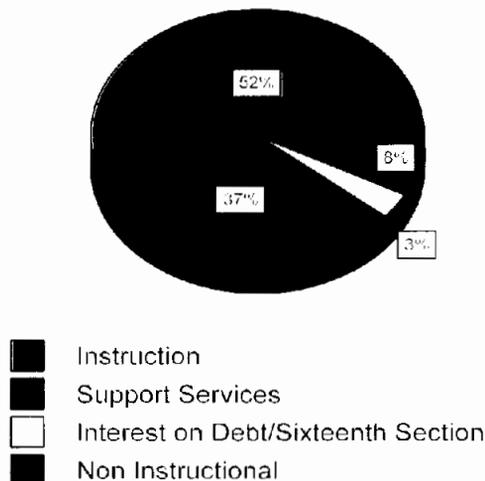


Governmental activities. The following table presents the cost of five major District functional activities: instruction, support services, non-instructional, sixteenth section and interest on long-term debt. The table also shows each function's net cost (total cost less charges for services generated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

	2007		2006	
	Expenses	Expenses	Net (Expense) Revenue	Net (Expense) Revenue
Instruction	\$ 14,323,085	13,494,426	(11,697,185)	(10,310,688)
Support Services	10,219,565	8,701,002	(8,155,541)	(6,744,184)
Non-Instructional	2,126,611	1,951,929	(71,670)	(9,748)
Sixteenth Section	31,119	34,484	(31,119)	(34,484)
Interest on Long-Term Liabilities	828,860	875,888	(828,860)	(875,888)
	\$ 27,529,240	25,057,729	(20,784,375)	(17,974,992)

- Net cost of governmental activities (\$20,784,375), was financed by general revenue, which is made up of primarily property taxes (\$5,434,058) and state revenue (\$13,637,814).
- Sixteenth section sources accounted for \$391,819 of funding.

Chart as per Statement of Activities



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, unreserved 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 \$13,763,869, a decrease of \$659,710 due primarily to salary increases and increase in normal operational expenditures. \$7,470,137 or 54% of the fund balance constitutes unreserved and undesignated fund balance, which is available for spending at the District's discretion. The remaining fund balance of \$6,293,732 or 46% is reserved or designated to indicate that it is not available for spending because it has already been committed.

The General Fund is the principal operating fund of the District. The decrease in fund balance in the General Fund for the fiscal year was \$633,358, a result of salary increases and normal operating expenditures.

The fund balance in the Title I Fund remained the same, while the Building Projects - 2002 Fund showed a decrease of \$371,694. The Other Governmental Funds showed an increase of \$345,342.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the annual operating budget. Historical data, tentative allocations of state and federal funds, legislative mandates, and anticipated needs are used to determine original budget amounts.

The District's original budget was prepared with the district's goals and long range commitments in mind, using historical data, tentative allocations or estimates of state and federal funds, legislative mandates, staffing studies, and current and anticipated needs. Over the course of the year, the District revised the annual operating budget as changes occurred.

Budget amounts for revenue from local, state and federal sources in the General Fund were increased primarily due to e-rate revenues, which was budgeted originally at an amount of \$130,961.

Budget amounts for expenditures were amended as funding sources/amounts changed. In FY 07 increases were made for salary increases.

At the time the original budget was prepared only estimates were available for federal funding. Typically original budgets are prepared using prior year allocation as estimates. Once federal awards were known, budgets were amended to the actual grant award amount.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and the Title I Fund are provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. As of June 30, 2007, the District's total capital assets were \$33,011,442, including land, school buildings, buses, other school vehicles, furniture and equipment. This amount represents an increase of \$616,159 from the previous year. Total accumulated depreciation as of June 30, 2007 was \$7,632,116 and total depreciation expense for the year was \$931,605, resulting in total net capital assets of \$25,379,326. Additional information of the District's capital assets can be found in Note 4 on page 34 of this report.

	Capital Assets, Net of Depreciation		Percentage Change
	2007	2006	
Land	\$ 68,710	68,710	0%
Construction in progress	0	10,845,478	-100%
Buildings	24,075,535	13,664,419	76%
Improvements other than buildings	209,795	218,917	-4%
Mobile equipment	634,777	594,292	7%
Furniture and equipment	384,075	285,444	35%
Leased property under capital leases	6,434	252	2453%
	\$ 25,379,326	25,677,512	-1%

Debt Administration. At June 30, 2007, the District had \$17,977,500 in long-term debt outstanding, of which \$1,226,625 is due within one year. The District maintains an A bond rating. Additional information of the District's long-term debt can be found in Note 5 on page 35 of this report.

			Percentage Change
	2007	2006	
General obligation bonds payable	\$ 4,645,000	5,200,000	-11%
Certificate of participation payable	11,105,000	11,625,000	-4%
Three mill notes payable	2,100,000	2,195,000	-4%
Obligation under capital leases	12,282	3,282	274%
Compensated absences payable	115,218	163,518	-30%
	\$ 17,977,500	19,186,800	-6%

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 system of financial planning, budgeting and internal financial controls are well regarded. The District plans to continue its sound fiscal management to meet the challenges of the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

If you have questions about this report, contact the Superintendent's Office of the Canton Public School District, 403 E. Lincoln Street, Canton, MS 39046.

FINANCIAL STATEMENTS

CANTON PUBLIC SCHOOL DISTRICT
Statement of Net Assets
June 30, 2007

Exhibit A

	<u>Governmental Activities</u>
Assets	
Cash and cash equivalents	\$ 14,261,635
Cash with fiscal agents	4,364
Due from other governments	861,059
Accrued interest receivable	33,046
Other receivables, net	46,050
Inventories and prepaid items	60,671
Restricted assets	331,181
Capital assets, non-depreciable:	
Land	68,710
Capital assets, net of accumulated depreciation:	
Buildings	24,075,535
Improvements other than buildings	209,795
Mobile equipment	634,777
Furniture and equipment	384,075
Leased property under capital leases	6,434
Total Assets	<u>40,977,332</u>
Liabilities	
Accounts payable and accrued liabilities	1,834,137
Interest payable on long-term liabilities	168,276
Long-term liabilities, due within one year	
Capital related liabilities	1,226,625
Long-term liabilities, due beyond one year	
Capital related liabilities	16,635,657
Non-capital related liabilities	115,218
Total Liabilities	<u>19,979,913</u>
Net Assets	
Invested in capital assets, net of related debt	7,517,044
Restricted net assets:	
Expendable:	
School-based activities	2,244,455
Debt service	274,777
Forestry improvements	31,663
Unemployment benefits	67,572
Sixteenth section	7,846
Non-expendable:	
Sixteenth section	331,181
Unrestricted	10,522,881
Total Net Assets	<u>\$ 20,997,419</u>

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

CANTON PUBLIC SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2007

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Assets
			Capital Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 14,323,085	250,940	2,374,960	(11,697,185)
Support services	10,219,565	44,119	2,019,905	(8,155,541)
Non-instructional	2,126,611	283,541	1,771,400	(71,670)
Sixteenth section	31,119			(31,119)
Interest on long-term liabilities	828,860			(828,860)
Total Governmental Activities	\$ 27,529,240	578,600	6,166,265	0
General Revenues:				
Taxes:				
				4,458,764
				975,294
Unrestricted grants and contributions:				
				13,637,814
				861,801
				626,524
				391,819
				110,079
				<u>21,062,095</u>
				<u>277,720</u>
				20,736,237
				<u>(16,538)</u>
				<u>20,719,699</u>
				<u>\$ 20,997,419</u>

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

CANTON PUBLIC SCHOOL DISTRICT
 Balance Sheet - Governmental Funds
 June 30, 2007

Exhibit C

	Major Funds				
	General Fund	Title I Fund	Building Project -2002 Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 5,865,013	72,433	5,524,011	3,131,359	14,592,816
Cash with fiscal agents			3,970	394	4,364
Due from other governments	336,642	230,065		294,352	861,059
Accrued interest receivable	22,949			10,097	33,046
Other receivables, net				44,700	44,700
Due from other funds	286,273			75,219	361,492
Inventories and prepaid items				60,671	60,671
Total Assets	\$ 6,510,877	302,498	5,527,981	3,616,792	15,958,148
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable and accrued liabilities	\$ 1,208,575	162,299	176,235	287,028	1,834,137
Due to other funds	15,949	140,199		203,994	360,142
Total Liabilities	1,224,524	302,498	176,235	491,022	2,194,279
Fund Balances:					
Reserved for:					
Inventory				60,671	60,671
Capital projects			5,351,746		5,351,746
Debt service				443,053	443,053
Unemployment benefits				67,572	67,572
Forestry improvement purposes				31,663	31,663
Permanent fund purposes				339,027	339,027
Unreserved:					
Undesignated, reported in:					
General Fund	5,286,353				5,286,353
Special Revenue Funds				2,183,784	2,183,784
Total Fund Balances	5,286,353		5,351,746	3,125,770	13,763,869
Total Liabilities and Fund Balances	\$ 6,510,877	302,498	5,527,981	3,616,792	15,958,148

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

CANTON PUBLIC SCHOOL DISTRICT
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets
June 30, 2007

Exhibit C-1

	<u>Amount</u>
Total Fund Balance - Governmental Funds	\$ 13,763,869
Amounts reported for governmental activities in the statement of net assets are different because:	
1. Capital assets are used in governmental activities and are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of \$7,632,116.	25,379,326
2. Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	(17,977,500)
3. Governmental funds recognize interest on long-term debt when it becomes due, however the Statement of Net Assets recognizes interest as it accrues.	(168,276)
Total Net Assets - Governmental Activities	\$ <u>20,997,419</u>

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

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2007

	Major Funds				
	General	Title I	Building	Other	Total
	Fund	Fund	Projects - 2002 Fund	Governmental Funds	Governmental Funds
Revenues:					
Local sources	\$ 5,158,414		265,416	1,320,680	6,744,510
State sources	13,296,272			840,075	14,136,347
Federal sources	881,806	2,307,518		3,340,208	6,529,532
Sixteenth section sources				391,819	391,819
Total Revenues	19,336,492	2,307,518	265,416	5,892,782	27,802,208
Expenditures:					
Instruction	10,695,705	1,036,705		2,066,342	13,798,752
Support services	7,764,064	1,021,330	233,644	1,130,919	10,149,957
Noninstructional services	5,595	147,995		1,842,573	1,996,163
Sixteenth section				31,119	31,119
Facilities acquisition and construction			398,808		398,808
Debt service:					
Principal	5,689			1,170,000	1,175,689
Interest	1,165		4,658	819,640	825,463
Other				10,800	10,800
Total Expenditures	18,472,218	2,206,030	637,110	7,071,393	28,386,751
Excess (Deficiency) of Revenues over Expenditures	864,274	101,488	(371,694)	(1,178,611)	(584,543)
Other Financing Sources (Uses):					
Inception of capital leases	6,024				6,024
Insurance loss recoveries	3,574				3,574
Operating transfers in	779,197			1,769,067	2,548,264
Operating transfers out	(2,201,662)	(101,488)		(245,114)	(2,548,264)
Other financing uses	(84,765)				(84,765)
Total Other Financing Sources (Uses)	(1,497,632)	(101,488)	0	1,523,953	(75,167)
Net Change in Fund Balances	(633,358)	0	(371,694)	345,342	(659,710)
Fund Balances:					
July 1, 2006	5,924,712		5,723,440	2,773,053	14,421,205
Prior period adjustments	(5,001)			(2,872)	(7,873)
July 1, 2006, as restated	5,919,711	0	5,723,440	2,770,181	14,413,332
Increase (Decrease) in reserve for inventory				10,247	10,247
June 30, 2007	\$ 5,286,353	0	5,351,746	3,125,770	13,763,869

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

CANTON PUBLIC SCHOOL DISTRICT
 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, 2007

Exhibit D-1

	<u>Amount</u>
Net Change in Fund Balances - Governmental Funds	\$ (659,710)
Amounts reported for governmental activities in the Statement of Activities are different because:	
1. Governmental funds report capital outlays as expenditures while governmental activities report depreciation to allocate those expenditures over the life of the assets. Capital assets purchase amounted to \$634,774 and the depreciation expense amounted to \$931,605.	(296,831)
2. The inception of long-term debt is reported in the governmental funds, but not in the Statement of Activities	(6,024)
3. Payment of principal on long-term liabilities is reported as an expenditure in the governmental funds, but the payment reduces long-term liabilities in the Statement of Activities.	1,175,689
4. Governmental funds recognize interest on long-term debt when it becomes due, however, the Statement of Activities recognizes interest as it accrues regardless of when it becomes due.	7,404
5. Gains and losses on the sale or disposals of assets are not reported in the governmental funds, but are reported in the Statement of Activities, net of proceeds.	(1,355)
6. Increase (decrease) in the inventory is reported as an adjustment to fund balance in the governmental funds, but noninstructional expenditures are (decreased) increased in the Statement of Activities.	10,247
7. Expenses in the Statement of Activities not normally paid with expendable available financial resources are not reported as expenditures in the governmental funds:	
Compensated absences	48,300
Change in Net Assets of Governmental Activities	\$ <u><u>277,720</u></u>

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

CANTON PUBLIC SCHOOL DISTRICT
Statement of Fiduciary Assets and Liabilities
June 30, 2007

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 38,338
Total Assets	<u>\$ 38,338</u>
Liabilities	
Accounts payable and accrued liabilities	\$ 20,158
Due to other funds	1,350
Due to student clubs	<u>16,830</u>
Total Liabilities	<u>\$ 38,338</u>

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

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2007

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2007

(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.

For financial reporting purposes, the reporting entity includes all funds that are covered by the oversight responsibility of the school district's governing board. 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.

B. Basis of Presentation.

The school district's basic financial statement consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The Statement of Net Assets and Statement of Activities display information about the school district as a whole. They include all funds of the reporting entity except for fiduciary funds, if applicable. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange revenues.

The Statement of Net Assets presents the financial condition of the governmental activities of the school district at year-end. The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the school district's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues, which are not classified as program revenues, are presented as general revenues of the

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2007

school district, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the school district.

Fund Financial Statements:

Fund financial statements of the school district are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds within the governmental category.

C. Measurement Focus and Basis of Accounting.

In the government-wide Statement of Net Assets 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 recognized when earned and expenses are recorded when the liability is incurred or economic asset used, regardless of when the related cash flow takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Program revenues on the Statement of Activities consist primarily of state appropriations and federal awards.

In the fund financial statements, governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when "measurable and available". Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Property taxes, state appropriations and federal awards associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

The school district reports the following major governmental funds:

General Fund - This is the school district's primary operating fund. It accounts for all financial resources of the school district, except those required to be accounted for in another fund.

Title I Fund - This fund is used to account Title I funds set aside to provide local educational agencies (LEA) with extra resources to help

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2007

improve instruction in high-poverty school and to ensure that poor and minority children have the same opportunity as other children to meet challenging state academic standards.

Building Project 2002 Fund - This fund is used to account for proceeds and expenditures of the capital projects of the district.

All other governmental funds not meeting the criteria established for major funds are presented in the other governmental column of **Exhibit C**.

Additionally, the school district reports the following fund types:

GOVERNMENTAL FUNDS

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted for specific expenditure purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Permanent Funds - Permanent Funds are used to account for resources that are legally 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.

D. Account Classifications.

The account classifications used in the financial statements conform to the classifications recommended in *Governmental Accounting, Auditing, and Financial Reporting* as issued in 2005 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, 2007

E. Encumbrances.

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

F. Cash and Cash Equivalents.

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.

Cash and cash equivalents consists of amounts on deposit in demand accounts and certificates of deposit with original maturities of three months or less. Cash and cash equivalents are valued at cost.

G. 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 a maturity of greater than three months when acquired. Investments are reported at fair value.

H. 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.

I. Capital Assets.

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

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2007

statements.

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received.

Capitalization thresholds (dollar value above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets are reported in the government-wide statements.

Depreciation is calculated on the straight-line basis for all assets, except land. The following schedule details those thresholds.

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

(*) The threshold amount will correspond with the amounts for the asset classifications, as listed. See Note 4 for details.

J. Long-term liabilities.

Long-term liabilities are the unmatured principal of bonds, warrants, notes, or other forms of noncurrent or long-term general obligation indebtedness. Long-term liabilities are not limited to liabilities from debt issuances, but may also include liabilities on lease-purchase agreements and other commitments. In the government-wide Statement of Net Assets, long-term debt and other long-term obligations are reported as liabilities in governmental activities column. See Note 5 for details.

K. Interfund Transactions and Balances.

Interfund transactions and balances are the result of timing differences between the date expenses/expenditures occur and the date payments are made.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2007

Short-term (due within one year) interfund loan receivables are reported as "due from other funds" and are considered available expendable resources.

Transfers are used to (a) move revenues from the fund that statute or budget requires to collect to the fund that statute or budget requires to expend them and to (b) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3 for details for interfund transactions, including receivables and payables at year-end.

L. Equity Classifications.

Government-wide Financial Statements:

Equity is classified as net assets and displayed in three components:

1. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
2. Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
3. Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Fund Financial Statements:

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved classified as designated and undesignated.

Fund reserves are portions of fund equity that are legally segregated for a specific future use or are not available for current operations. Following is a description of fund reserves used by the district:

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2007

Reserved for inventory - An account that represents a portion of the fund balance which indicates that inventories do not represent available spendable resources even though they are a component of net current assets.

Reserved for capital projects - An account that represents that portion of the fund balance in the capital projects fund which was legally restricted and not available for spending for any other purpose than that for which it is restricted.

Reserved for debt service - An account that represents that portion of the fund balance in the debt service fund which was legally restricted and not available for any other purpose than that for which it is restricted.

Reserved for unemployment benefits - An account that represents a portion of the fund balance that is legally restricted for the payment of unemployment benefits.

Reserved for forestry improvements purposes - An account that represents a portion of the fund balance that is legally restricted for improving sixteenth section forest land.

Restricted for permanent fund purposes - An account that represents a portion of the fund balance that is legally restricted for investment purposes or borrowing by the school board for capital purposes.

Unreserved, Undesignated - An account that represents the portion of fund balance that is expendable available financial resources.

M.. Property Taxes.

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.

N. Mississippi Adequate Education Program Revenues.

Revenues from the 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.

O. Compensated Absences.

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2007

Employees of the school district accumulate sick leave at a minimum amount as required by state law or at a greater amount provided by school district policy. Some employees are allowed personal leave and/or vacation leave in accordance with school district policy. The district pays for unused leave for employees as required by Section 37-7-307(5), Miss. Code Ann. (1972).

The liability for these compensated absences is recorded as long-term liabilities 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 compensated absence liability payable from expendable available financial resources only if the payable has matured, for example, an employee retires.

(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 districts' 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 Depository Insurance Corporation.

The carrying amount of the district's deposits with financial institutions reported in governmental funds and fiduciary funds was \$14,592,816, and \$38,338 respectively. The carrying amount of deposits reported in the government wide statements was: cash and cash equivalents \$14,261,635 and restricted assets \$331,181. The restricted assets represent the cash balance of the Sixteenth Section Principal Fund (Permanent Fund) which is legally restricted and may not be used for purposes that supports the district's programs. The bank balance was \$15,593,228.

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 the FDIC coverage

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2007

are collateralized by the pledging financial institutions trust department or agent in the name of the Mississippi State Treasurer on behalf of the district. As of June 30, 2007, none of the district's bank balance of \$15,593,228 was exposed to custodial credit risk.

Cash with Fiscal Agents.

The carrying amount of the school district's cash with fiscal agents held by financial institutions was \$4,364.

(3) Interfund Transactions and Balances.

The following is a summary of interfund transactions and balances:

A. Due From/To Other Funds:

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General fund	\$ 286,273	15,949
Title I Fund	0	140,199
Other Governmental Funds	75,219	203,994
Fiduciary Funds	0	1,350
Total Funds	<u>\$ 361,492</u>	<u>361,492</u>

The purpose of the Due From/To other funds balances was to provide operating capital. All balances are expected to be repaid within one year from the date of the financial statements.

B. Transfers In/Out.

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds:		
General fund	\$ 779,197	2,201,662
Title I Fund	0	101,488
Other Governmental Funds	<u>1,769,067</u>	<u>245,114</u>
Total Funds	<u>\$ 2,548,264</u>	<u>2,548,264</u>

The purpose of the transfers was to provide operating capital, to provide for indirect costs and to transfer interest to operating account. All transfers were routine and consistent with the fund making the transfer.

(4) Capital Assets.

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

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2007

	Balance 7-1-2006	Addition	Retirement	Completed Construction	Balance 6-30-2007
Non-depreciable capital assets:					
Land	\$ 68,710				68,710
Construction in progress	10,845,478	155,073		(11,000,551)	0
Total non-depreciable capital assets	<u>10,914,188</u>	<u>155,073</u>	<u>0</u>	<u>(11,000,551)</u>	<u>68,710</u>
Depreciable capital assets:					
Buildings	17,882,135			11,000,551	28,882,686
Improvements other than buildings	228,039				228,039
Mobile equipment	1,627,987	160,693	13,000		1,775,680
Furniture and equipment	1,717,659	311,808	5,615		2,023,852
Leased property under capital leases	25,275	7,200			32,475
Total depreciable capital assets	<u>21,481,095</u>	<u>479,701</u>	<u>18,615</u>	<u>11,000,551</u>	<u>32,942,732</u>
Less accumulated depreciation for:					
Buildings	4,217,716	589,435			4,807,151
Improvements other than buildings	9,122	9,122			18,244
Mobile equipment	1,033,695	118,908	11,700		1,140,903
Furniture and equipment	1,432,215	213,122	5,560		1,639,777
Leased property under capital leases	25,023	1,018			26,041
Total accumulated depreciation	<u>6,717,771</u>	<u>931,605</u>	<u>17,260</u>	<u>0</u>	<u>7,632,116</u>
Total depreciable capital assets, net	14,763,324	(451,904)	1,355	11,000,551	25,310,616
Governmental activities capital assets, net	\$ <u>25,677,512</u>	<u>(296,831)</u>	<u>1,355</u>	<u>0</u>	<u>25,379,326</u>

Depreciation expense was charged to the following governmental functions:

	Amount
Instruction	\$ 585,658
Support services	290,017
Non-Instructional	55,930
Total depreciation expense	\$ 931,605

(5) Long-term liabilities.

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

	Balance 7-1-2006	Additions	Reductions	Adjustments	Balance 6-30-2007	Amounts due in one year
A. General obligation bonds payable	\$ 5,200,000		555,000		4,645,000	575,000
B. Certificate of participation payable	11,625,000		520,000		11,105,000	550,000
C. Three mill notes payable	2,195,000		95,000		2,100,000	95,000
D. Obligations under capital leases	3,282	6,024	5,689	8,665	12,282	6,625
E. Compensated absences payable	163,518		48,300		115,218	
Total	<u>19,186,800</u>	<u>6,024</u>	<u>1,223,989</u>	<u>8,665</u>	<u>17,977,500</u>	<u>1,226,625</u>

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2007

A. General Obligations Bonds Payable.

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

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
General Obligation bonds Series 1998	var.	07-01-88	05-01-08	\$ 2,500,000	460,000
Series 2003, Refunding	var.	12-01-03	04-01-17	\$ 4,990,000	4,185,000
Total				\$ 7,490,000	4,645,000

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 575,000	171,477	746,477
2009	605,000	146,153	751,153
2010	375,000	126,563	501,563
2011	395,000	115,313	510,313
2012	405,000	102,475	507,475
2013-2017	<u>2,290,000</u>	<u>275,125</u>	<u>2,565,125</u>
Total	<u>\$4,645,000</u>	<u>937,106</u>	<u>5,582,106</u>

The amount of bonded indebtedness that can be incurred by the school district is limited by state statute. 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 state statutes, have been met. As of June 30, 2007, the amount of outstanding bonded indebtedness was equal to 2% of property assessments as of October 1, 2006. This debt will be retired from the Bond Retirement Fund.

B. Certificates of participation payable.

As more fully explained in Note 11, certificates of participation have been issued by the school district. Certificates of participation currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Certificates of participation:					
Series 1996	Varies	12-01-96	12-01-16	\$ 1,430,000	900,000
Series 2002A	4.70%	04-01-02	04-01-13	2,425,000	1,975,000

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2007

Series 2002B	Varies	04-01-02	04-01-22	2,750,000	2,465,000
Series 2003	Varies	02-01-03	04-01-22	<u>6,325,000</u>	<u>5,765,000</u>
Total				\$ <u>12,930,000</u>	<u>11,105,000</u>

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 550,000	502,220	1,052,220
2009	580,000	476,636	1,056,636
2010	610,000	449,449	1,059,449
2011	635,000	420,436	1,055,436
2012	670,000	389,617	1,059,617
2013 - 2017	3,855,000	1,467,066	5,322,066
2018 - 2022	<u>4,205,000</u>	<u>597,825</u>	<u>4,802,825</u>
Total	\$ <u>11,105,000</u>	<u>4,303,249</u>	<u>15,408,249</u>

This debt will be retired from the EEF Building & Buses and Bond Retirement Funds.

C. Three mill notes payable.

Debt currently outstanding is as following:

Description	Interest Rate	Issue Date	Maturity Date	Amount Issued	Amount Outstanding
Limited tax note, series 2002A	4.35%	04-01-02	04-01-09	\$ 510,000	240,000
Limited tax note, series 2002B	Var.	04-01-02	04-01-22	<u>1,955,000</u>	<u>1,860,000</u>
Total				\$ <u>2,465,000</u>	<u>2,100,000</u>

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

Year Ending June 30	Principal	Interest	Total
2008	\$ 95,000	100,846	195,846

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2007

2009	105,000	96,375	201,375
2010	110,000	91,411	201,411
2011	110,000	88,188	198,188
2012	115,000	82,908	197,908
2013 - 2017	680,000	327,060	1,007,060
2018 - 2022	<u>885,000</u>	<u>140,585</u>	<u>1,025,585</u>
Total	\$ <u>2,100,000</u>	<u>927,373</u>	<u>3,027,373</u>

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

D. Obligations under capital leases.

The school district has entered into lease agreements that qualify as a capital lease for accounting purposes. Leased property under this lease is composed of two copiers.

The various options available to the lessee for these leases are as follows:

1. The school district may purchase the equipment, as is and without warranty, at the fair market value as determined by the lessor.
2. The school district may return the equipment at the costs and risks of the district. The district shall also be responsible for compensating the lessor for any circumstances resulting in a loss of value in excess of normal wear and tear.
3. The school district may continue the lease for thirty-day increments for an indefinite period under the original terms of the lease agreement.

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

Year Ending June 30,	Principal	Interest	Total
2008	\$ 6,625	830	7,455
2009	5,068	278	5,346
2010	<u>589</u>	<u>10</u>	<u>599</u>
Total	<u>\$12,282</u>	<u>1,118</u>	<u>13,400</u>

This debt will be retired from the District Maintenance Fund and Alternative School Fund.

E. Compensated absences payable.

As more fully explained in Note 1 (O), compensated absences payable is adjusted on an annual basis as required by Section 37-7-307(5), Miss. Code Ann. (1972). Compensated

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2007

absences will be paid from the fund from which the employees' salaries were paid.

(6) Defined Benefit 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 7.25% of their annual covered salary, and the school district is required to contribute at an actuarially determined rate. The rate for fiscal year ending June 30, 2007 was 11.30% 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, 2007, 2006 and 2005 were \$1,486,834, \$1,464,865, and \$1,227,115, respectively, which equaled the required contributions for each year.

(7) Sixteenth Section Lands.

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

<u>Year Ending</u>		<u>Amount</u>
<u>June 30</u>		
2008	\$	109,444
2009		109,444
2010		109,594
2011		25,375
2012		15,304
2013-2017		66,699

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2007

2018-2022	48,094
2023-2027	23,869
2028-2032	20,144
Thereafter	<u>47,230</u>
Total	\$ <u>575,197</u>

(8) Prior Period Adjustment.

A summary of significant fund equity adjustments is as follows:

Exhibit B - Statement of Activities

<u>Explanation(s)</u>	<u>Amount</u>
1. To record the understatement of long-term debt in the prior year.	\$ (8,665)
2. To record the overstatement of a receivable in the prior year.	<u>(7,873)</u>
Total	\$ <u>(16,538)</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	Overstatement of prior year receivable	\$ (5,001)
Other governmental funds	Overstatement of prior year receivable	<u>(2,872)</u>
Total		\$ <u>(7,873)</u>

(9) 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.

(10) Prior Year Defeasance 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

Canton Public School District

Notes to the Financial Statements For the Year Ended June 30, 2007

liability for the defeased bonds are not included in the district's financial statements. On June 30, 2007, \$3,975,000 of bonds outstanding are defeased.

(11) Trust Certificates.

A trust agreement dated December 1, 1996, was executed by and between the Canton Public School District and Trustmark National Bank of Jackson, Mississippi, as trustee.

The trust agreement authorized the issuance of certificates of participation (School facilities improvement project) in the principal amount of \$1,430,000. Approximately \$1,419,764 was used to provide financing for the renovations, equipping, construction and improvements of school facilities (the "project"); the remainder of approximately \$10,236 was used to pay the cost of issuance.

A trust agreement dated May 16, 2002, was executed by and between the Canton Public School District and Trustmark National Bank of Jackson, Mississippi, as trustee.

The trust agreement authorized the issuance of certificates of participation (School facilities improvement project) in the principal amount of \$2,425,000. Approximately \$2,407,344 was used to provide financing for the renovations, equipping, construction and improvements of school facilities (the "project"); the remainder of approximately \$17,656 was used to pay the cost of issuance.

A trust agreement dated May 16, 2002, was executed by and between the Canton Public School District and Trustmark National Bank of Jackson, Mississippi, as trustee.

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

A trust agreement dated February 1, 2003, was executed by and between the Canton Public School District and Trustmark National Bank of Jackson, Mississippi, as trustee.

The trust agreement authorized the issuance of certificates of participation (school facilities improvement project) in the principal amount of \$6,325,000. Approximately \$6,187,411 was used to provide financing for the renovations, equipping, construction and improvements of school facilities (the "project"); the remainder of approximately \$17,656 was used to pay the cost of issuance.

The projects are leased to the school district in accordance with the provisions of the Emergency School Leasing Authority Act as described in Section 37-7-351, et seq., Miss.

Canton Public School District

Notes to the Financial Statements
For the Year Ended June 30, 2007

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 certificates of participation. The school district is obligated to make lease payments to the trustee in an amount equal to the debt service requirements for the certificates of participation.

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 5 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, equity, 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.

REQUIRED SUPPLEMENTARY INFORMATION

CANTON PUBLIC SCHOOL DISTRICT

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2007

Exhibit 1

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Local sources	\$ 5,364,444	5,158,414	5,158,414	(206,030)	0
State sources	13,280,123	13,296,272	13,296,272	16,149	0
Federal sources	130,961	881,806	881,806	750,845	0
Total Revenues	<u>18,775,528</u>	<u>19,336,492</u>	<u>19,336,492</u>	<u>560,964</u>	<u>0</u>
Expenditures:					
Instruction	10,695,220	10,695,705	10,695,705	(485)	0
Support services	7,649,804	7,764,064	7,764,064	(114,260)	0
Noninstructional services	575	5,595	5,595	(5,020)	0
Facilities acquisition and construction	19,000				
Debt Service					
Principal	5,000	5,689	5,689	(689)	0
Interest	1,000	1,165	1,165	(165)	0
Total Expenditures	<u>18,370,599</u>	<u>18,472,218</u>	<u>18,472,218</u>	<u>(101,619)</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>404,929</u>	<u>864,274</u>	<u>864,274</u>	<u>459,345</u>	<u>0</u>
Other Financing Sources (Uses):					
Inception of capital leases		6,024	6,024	6,024	0
Insurance loss recoveries		3,574	3,574	3,574	0
Transfers In	776,736	779,197	779,197	2,461	0
Transfers Out	(2,298,951)	(2,201,662)	(2,201,662)	97,289	0
Other financing uses		(84,765)	(84,765)	(84,765)	0
Total Other Financing Sources (Uses)	<u>(1,522,215)</u>	<u>(1,497,632)</u>	<u>(1,497,632)</u>	<u>24,583</u>	<u>0</u>
Net Change in Fund Balances	<u>(1,117,286)</u>	<u>(633,358)</u>	<u>(633,358)</u>	<u>483,928</u>	<u>0</u>
Fund Balances:					
July 1, 2006	3,890,577	5,937,091	5,924,712	2,046,514	(12,379)
Prior period adjustments		(17,380)	(5,001)	(17,380)	12,379
July 1, 2006, as restated	<u>3,890,577</u>	<u>5,919,711</u>	<u>5,919,711</u>	<u>2,029,134</u>	<u>0</u>
June 30, 2007	<u>\$ 2,773,291</u>	<u>5,286,353</u>	<u>5,286,353</u>	<u>2,513,062</u>	<u>0</u>

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

CANTON PUBLIC SCHOOL DISTRICT

Exhibit 2

Budgetary Comparison Schedule

Title I Fund

For the Year Ended June 30, 2007

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original to Final	Final to Actual
Revenues:					
Federal sources	\$ 1,999,595	2,307,518	2,307,518	307,923	0
Total Revenues	1,999,595	2,307,518	2,307,518	307,923	0
Expenditures:					
Instruction	709,185	1,036,705	1,036,705	(327,520)	0
Support services	1,059,570	1,021,330	1,021,330	38,240	0
Non-Instructional	167,751	147,995	147,995	19,756	0
Total Expenditures	1,936,506	2,206,030	2,206,030	(269,524)	0
Excess (Deficiency) of Revenues Over Expenditures	63,089	101,488	101,488	38,399	0
Other Financing Sources (Uses):					
Transfers In			0	0	0
Transfers Out	(63,089)	(101,488)	(101,488)	(38,399)	0
Total Other Financing Sources (Uses)	(63,089)	(101,488)	(101,488)	(38,399)	0
Net Change in Fund Balances	0	0	0	0	0
Fund Balances:					
July 1, 2006		0	0	0	0
Prior period adjustments (Note)					
July 1, 2006, as restated	0	0	0	0	0
June 30, 2007	\$ 0	0	0	0	0

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

Canton Public School District

Notes to the Required Supplementary Information
For the Year Ended June 30, 2007

Budgetary Comparison Schedule

(1) Basis of Presentation.

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

(2) Budget amendments and revisions.

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

Canton Public School District
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

Schedule 1

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	Catalog of Federal Domestic Assistance Number	Federal <u>Expenditures</u>
U. S. DEPARTMENT OF AGRICULTURE/ Passed-through the Mississippi Department of Education:		
Non-cash assistance:		
Food Donation	10.550	\$103,019
Child Nutrition Cluster:		
School Breakfast Program	10.553	420,209
National School Lunch Program	10.555	1,247,966
Summer Food Service Program for Children	10.559	<u>140,229</u>
Total child nutrition cluster		<u>1,808,404</u>
Total passed-through the MDE		<u>1,911,423</u>
TOTAL U. S. DEPARTMENT OF AGRICULTURE		1,911,423
U.S. DEPARTMENT OF DEFENSE		
Direct Program:		
Reserve Officers' Training Corps	12.xxx	70,332
Total U.S. Department of Defense		<u>70,332</u>
FEDERAL COMMUNICATION COMMISSION		
Administered through Universal Service Administrative Company:		
The school and libraries program of the Universal Service Fund	32.xxx	861,801
Total Federal Communication Commission		<u>861,801</u>
U. S. DEPARTMENT OF EDUCATION/ Passed-through the Mississippi Department of Education:		
Title I Grants to Local Educational Agencies	84.010	2,307,518
Vocational Education - Basic Grant to States	84.048	78,692
Safe and Drug Free Schools and Communities - State Grants	84.186	33,120
Ready to Teach	84.286	320
Twenty-first Century Community Learning Centers	84.287	154,974
Innovative Education Program Strategies	84.298	16,942
Education Technology State Grants	84.318	50,530
Improving Teacher Quality - State Grants	84.367	480,413
Grants for state assessments and related activities	84.369	17,523
Special Education Cluster:		
Special Education - Grants to States	84.027	655,253
Special Education - Preschool Grants	84.173	<u>17,291</u>
Total special education cluster		<u>672,544</u>
Total passed-through the MDE		<u>3,812,576</u>
TOTAL U. S. DEPARTMENT OF EDUCATION		3,812,576
U.S. DEPARTMENT OF HELATH AND HUMAN SERVICES		
Administered through the Centers for Disease Control and Prevention		
Passed-through Mississippi Department of Education:		
Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Programs	93.938	<u>2,163</u> 2,163
TOTAL FOR ALL FEDERAL AWARDS		<u>\$6,658,295</u>

Notes to Schedule

1. This schedule was prepared using the same basis of accounting and significant accounting policies, as applicable, used for the general purpose 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, 2007

Expenditures	Total	Instruction and Other			
		Student Instructional Expenditures	General Administration	School Administration	Other
Salaries and fringe benefits	\$ 19,153,203	14,401,814	992,046	1,289,979	2,469,364
Other	<u>9,233,548</u>	<u>2,167,874</u>	<u>261,818</u>	<u>62,847</u>	<u>6,741,009</u>
Total	<u>\$ 28,386,751</u>	<u>16,569,688</u>	<u>1,253,864</u>	<u>1,352,826</u>	<u>9,210,373</u>
Total number of students*	<u>3,141</u>				
Cost per student	<u>\$ 9,037</u>	<u>5,275</u>	<u>399</u>	<u>431</u>	<u>2,932</u>

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

Instruction and Other Student Instructional Expenditures - includes the activities dealing directly with the interaction between teachers and students. Included here are the activities of teachers, teachers aides or classroom assistants of any type. (all the 1000, 2100, & 2200 functional codes).

General Administration - includes expenditures for the following functions: Support Services - General Administration (2300s); and Support Services - Business (2500s).

School Administration - includes expenditures for the following function: Support Services - School Administration (2400s).

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.

Note: include 100 and 200 range object codes on the "Salaries and fringe benefits" line; all other expenditures on the "Other" line

INTERNAL CONTROL AND COMPLIANCE REPORTS

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Superintendent and School Board
Canton Public School District

I 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, 2007, and have issued my report thereon dated November 7, 2007. I conducted my 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.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the school district's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the school district's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over financial reporting.

A control deficiency 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 material misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the school district's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the school district's internal control.

My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the school district's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct

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and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests did not disclose any instances of noncompliance that are required to be reported under *Government Auditing Standards*.

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



J.E. Fortenberry, III, PC
November 7, 2007

Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Superintendent and School Board
Canton Public School District

Compliance

I have audited the compliance of the Canton Public School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The 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. Compliance with the requirements of laws, regulations, contract and grants applicable to each of its major federal programs is the responsibility of the school district's management. My responsibility is to express an opinion on the school district's compliance based on my audit.

I conducted my 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 I 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 I considered necessary in the circumstances. I believe my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the school district's compliance with those requirements.

In my opinion, the Canton Public School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

The management of the Canton Public School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the school district's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the school district's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or

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operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

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



J.E. Fortenberry, III, PC
November 7, 2007

Certified Public Accountant

J.E. FORTENBERRY, III, PC
Certified Public Accountant

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

Superintendent and School Board
Canton Public School District

I 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, 2007, which collectively comprise Canton Public School District's basic financial statements and have issued my report thereon dated November 7, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section 37-9-18(3)(a), Miss. Code Ann. (1972), states in part, "the auditor shall test to insure that the school district is complying with the requirements of Section 37-61-33(3)(a)(iii), Miss. Code Ann. (1972), relating to classroom supply funds". As required by the state legal compliance audit program prescribed by the Office of the State Auditor, I 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 my audit and, accordingly, I do not express such an opinion.

The results of my 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 reported \$11,464 of 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 insure correct and appropriate coding at the function level. The audit must include a report showing the correct and appropriate functional level expenditure codes in expenditures by the school district."

The results of my 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, I 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 my audit and, accordingly, I do not express such an opinion.

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

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



J.E. Fortenberry, III, PC
November 7, 2007

Certified Public Accountant

SUPPLEMENTAL INFORMATION

Canton Public School District
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

Section 1: Summary of Auditor's Results

Financial Statements:

1. Type of auditor's report issued on the financial statements: Unqualified.
2. Material noncompliance relating to the financial statements? No.
3. Internal control over financial reporting:
 - a. Material weakness(es) identified? No.
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.

Federal Awards:

4. Type of auditor's report issued on compliance for major federal programs: Unqualified.
5. Internal control over major programs:
 - a. Material weaknesses identified? No.
 - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? No.
6. Any audit findings reported as required by Section .510(a) of OMB Circular A-133? No.
7. Federal programs identified as major programs:
 - a. Child Nutrition Cluster
CFDA# 10.553
CFDA# 10.555
CFDA# 10.559
 - b. Title I Grants to local educational agencies
CFDA# 84.010
 - c. Improving Teacher Quality - State Grants
CFDA# 84.367
 - d. E-rate
CFDA# 32.xxx
8. The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
9. Auditee qualified as a low-risk auditee? Yes.
10. Prior fiscal year audit findings and questioned cost relative to federal awards which would require the auditee to prepare a summary schedule of prior audit findings as discussed in Section .315(b) of OMB Circular A-133? Yes.

FINDINGS, CORRECTIVE ACTION PLAN AND AUDIT FOLLOW-UP

Section 2: Findings Relating to the Financial Statements

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

Section 3: Findings and Questioned Costs for Federal Awards

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

Canton Public School District
403 E. Lincoln Street
Canton, MS 39046
Dwight Lockett- Superintendent
Clara Gray - Business Manager

AUDITEES' SUMMARY SCHEDULE OF PRIOR 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, 2007:

<u>Finding</u>	<u>Status</u>
2006-1	Corrected
2006-2	Corrected
2006-3	Corrected

