

CANTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2013

RUTHERFORD, TAYLOR & COMPANY, P.C.
Certified Public Accountants
2802 Washington Street
Greenville, Texas 75401
(903) 455-6252

CANTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2013

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibits</u>
INTRODUCTORY SECTION		
Certificate of Board.....	3	
FINANCIAL SECTION		
<u>Independent Auditor’s Reports:</u>		
Report on Basic Financial Statements	5	
Report on Compliance and Internal Controls (<i>Government Auditing Standards</i>)	7	
Report on Compliance and Internal Controls (OMB Circular A-133)	9	
Schedule of Findings and Questioned Costs	11	
Management’s Discussion and Analysis (Required Supplementary Information)	16	
<u>Basic Financial Statements:</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	25	A-1
Statement of Activities	26	B-1
Fund Financial Statements:		
Balance Sheet – Governmental Funds	27	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	28	C-2
Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds.....	29	C-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	30	C-4
Statement of Net Position – Proprietary Funds.....	31	D-1
Statement of Revenues, Expenses and Changes in		
Fund Net Position – Proprietary Funds	32	D-2
Statement of Cash Flows – Proprietary Funds	33	D-3
Statement of Fiduciary Net Position – Fiduciary Funds	34	E-1
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	35	E-2
Notes to the Basic Financial Statements.....	36	F-1
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund	54	G-1
<u>Other Supplementary Information:</u>		
Schedule of Delinquent Taxes Receivable	56	J-1
Indirect Cost Computation Schedule.....	57	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency:		
School Breakfast and National School Lunch Program.....	58	J-3
Debt Service Fund	59	J-4
Schedule of Required Responses to Selected School FIRST Indicators.....	60	J-5
FEDERAL AWARDS SECTION		
Schedule of Expenditures of Federal Awards	62	K-1
Notes to the Schedule of Expenditures of Federal Awards	63	K-2

CERTIFICATE OF BOARD

Canton Independent School District
Name of School District

Van Zandt
County

234-902
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and _____ **approved**/ _____ **disapproved** for the year ended August 31, 2013, at a meeting of the board of school trustees of such school district on _____.

Signature of Board Secretary

Signature of Board President

If the auditor's report was checked above as disapproved, the reasons(s) therefore is/are (attach list if necessary):

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board:

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 Independent School District (District), as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the 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 from 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Independent School District as of August 31, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note P to the financial statements, in 2013 the District adopted various accounting pronouncements issued by the Governmental Accounting Standards Board. Our opinions are not modified with respect to this matter.

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 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 District's basic financial statements as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. The 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 also not a required part of the basic financial statements.

The other supplementary information schedules and the schedule of expenditures of federal awards 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, on our consideration of the 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 the District's internal control over financial reporting and compliance.

December 23, 2013
Greenville, Texas

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*

Members of the Board:

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 the Canton Independent School District (District), as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 23, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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*.

Report on Internal Control – Continued

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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

December 23, 2013
Greenville, Texas

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

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Canton Independent School District's (District) 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 the District's major federal programs for the year ended August 31, 2013. The District's major federal programs are identified in the summary of 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 each of the 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 District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2013.

Report on Internal Control Over Compliance

Management of the 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 the 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

Internal Control over Compliance – Continued

report on internal control over compliance in accordance with OMC 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 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 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.

December 23, 2013
Greenville, Texas

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COST
 YEAR ENDED AUGUST 31, 2013

Summary of Auditor's Results (Section I)

Financial Statements –

Type of auditor's report issued	Unmodified Opinion
Internal Control over Financial Reporting: Material Weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Noncompliance material to the financial statements noted	None

Federal Awards –

Internal control over major programs: Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	No
Identification of major programs	ESEA Title I Part A (84.010)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
Entity qualified as a low risk auditee	Yes
Pass-through Entity	Texas Education Agency

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2013

Financial Statement Findings (Section II)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2013

Federal Award Findings and Questioned Costs (Section III)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2013

Prior Year Findings (Section IV)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2013

Corrective Action Plans (Section V)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2013

This section of Canton Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2013. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

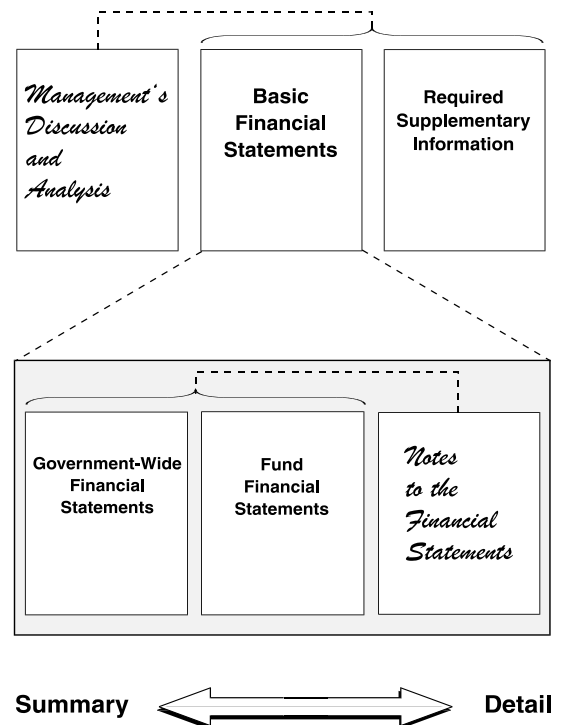
- The District's total combined net position was \$ 10,411,617 at August 31, 2013.
- During the year, the District's expenses were \$ 292,228 more than the \$ 18,192,082 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was increased less than 1% from last year, and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 7,754,396.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the District's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short- and long-term financial information about the activities the government operates like businesses, such as a print shop.
- Fiduciary fund statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The basic financial statements also include notes that explain some of the information in the basic financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the basic financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

**CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2013**

Figure A-2 summarizes the major features of the District's basic financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net position and how they have changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base and student population.

The government-wide financial statements of the District include the governmental activities. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's most significant funds—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- Governmental funds—Most of the District's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationship (or differences) between them.

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

<i>Type of Statements</i>	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<i>Scope</i>	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures & changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2013

- Proprietary funds—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information. We use internal service funds to report activities that provide supplies and services for the District's other programs and activities.
- Fiduciary funds—The District is the trustee, or fiduciary, for certain funds. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position were \$ 10,411,617 at August 31, 2013.

Canton Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2013	2012	<u>2012-2013</u>
Assets:			
Cash and Investments	\$ 9,448,163	\$ 9,677,919	-2.37%
Other Assets	809,331	1,124,956	-28.06%
Capital Assets less Accumulated Depreciation	<u>41,516,325</u>	<u>43,239,752</u>	-3.99%
Total Assets	<u>\$ 51,773,819</u>	<u>\$ 54,042,627</u>	-4.20%
Deferred Net Outflows of Resources:			
Deferred Net Outflows of Resources	<u>\$ 636,351</u>	\$ -	100.00%
Total Deferred Outflows of Resources	<u>\$ 636,351</u>	\$ -	100.00%
Liabilities:			
Current Liabilities	\$ 814,543	\$ 697,210	16.83%
Long-term Liabilities	<u>41,184,010</u>	<u>42,641,573</u>	-3.42%
Total Liabilities	<u>\$ 41,998,553</u>	<u>\$ 43,338,783</u>	-3.09%
Net Position:			
Net Investment in Capital Assets	\$ 3,198,264	\$ 4,212,085	-24.07%
Restricted	1,028,530	1,584,771	-35.10%
Unrestricted	<u>6,184,823</u>	<u>4,906,988</u>	26.04%
Total Net Position	<u>\$ 10,411,617</u>	<u>\$ 10,703,844</u>	-2.73%

Approximately \$ 992,636 of the District's restricted net position represent funds available for debt retirement. These funds are restricted for retirement of tax supported debt. The unrestricted net asset represents resources available to fund the programs of the District next year.

CHANGES IN NET POSITION

The District's total revenues were \$ 18,192,082. 49% of the District's revenue comes from local property taxes (See Table A-2). 47% comes from state aid and federal grants, while only 4% relates to charges for services and other revenue sources, including investment income.

The total cost of all programs and services was \$ 18,484,310. 55% of these costs are for instruction and instructional related services.

The District's tax collection percentage rate (current and delinquent base tax only) was 99.02%. The total collection percentage rate (base tax and penalty and interest) was 100.59%.

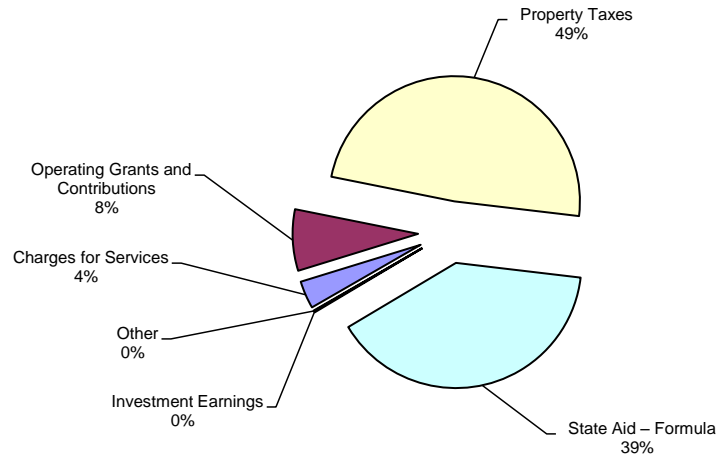
CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2013

GOVERNMENTAL ACTIVITIES

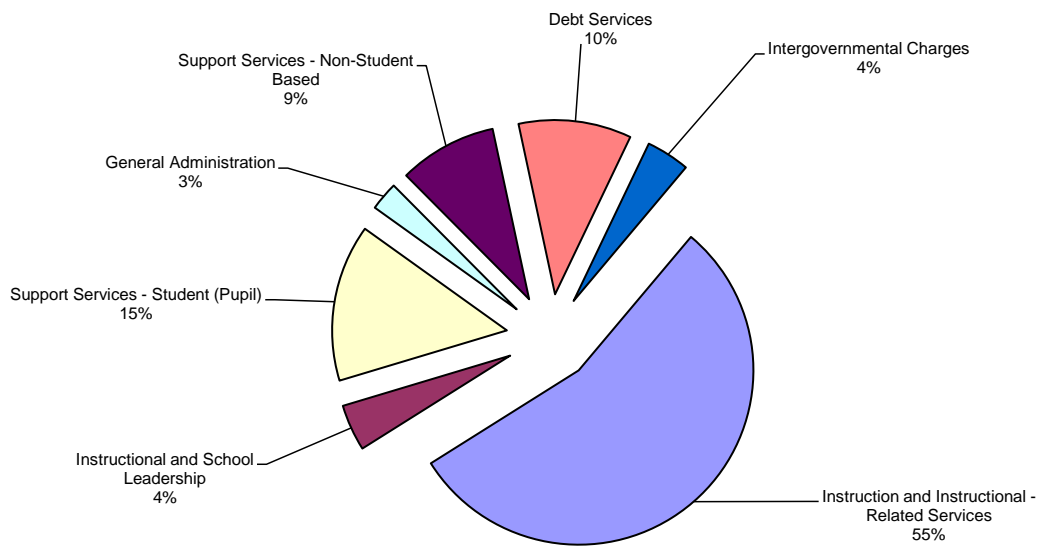
Changes in Canton Independent School District's Net Position			Table A-2
	Governmental Activities		Total e Change
	2013	2012	2012-2013
Program Revenues:			
Charges for Services	\$ 648,860	\$ 730,568	-11.18%
Operating Grants and Contributions	1,441,359	2,048,661	-29.64%
General Revenues:			
Property Taxes	8,863,554	8,891,873	-0.32%
State Aid – Formula	7,195,250	6,991,553	2.91%
Investment Earnings	26,131	35,570	-26.54%
Other	16,928	18,031	-6.12%
Total Revenues	\$ 18,192,082	\$ 18,716,256	-2.80%
Expenses:			
Instruction	\$ 9,879,658	\$ 10,130,486	-2.48%
Instructional Resources and Media Services	237,436	231,015	2.78%
Curriculum and Staff Development	37,048	35,985	2.95%
Instructional Leadership	25,595	24,783	3.28%
School Leadership	768,748	807,861	-4.84%
Guidance, Counseling and Evaluation Services	348,516	347,895	0.18%
Health Services	89,058	85,825	3.77%
Student (Pupil) Transportation	373,014	422,845	-11.78%
Food Services	687,297	704,715	-2.47%
Cocurricular/Extracurricular Activities	1,194,091	965,424	23.69%
General Administration	490,940	486,720	0.87%
Plant Maintenance and Operations	1,533,089	1,467,624	4.46%
Security and Monitoring Services	26,044	3,980	554.37%
Data Processing Services	118,181	162,880	-27.44%
Debt Service	1,930,045	1,875,243	2.92%
Capital Outlay	1,650	-	100.00%
Payments for Shared Service Arrangements	549,170	533,535	2.93%
Other Intergovernmental Charges	194,730	193,207	0.79%
Total Expenses	\$ 18,484,310	\$ 18,480,023	0.02%
Excess (Deficiency) Before Other Resources, Uses and Transfers	\$ (292,228)	\$ 236,233	223.70%
Increase (Decrease) in Net Position	\$ (292,228)	\$ 236,233	223.70%
Net Position - Beginning (September 1)	10,703,845	10,467,611	2.26%
Net Position - Ending (August 31)	\$ 10,411,617	\$ 10,703,844	-2.73%

CANTON INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2013

Sources of Revenue for Fiscal Year 2013 - See Table A-2



Functional Expenses for Fiscal Year 2013 - See Table A-2



CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2013

- Table A-3 presents the cost of selected District functions as well as the selected function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 18,484,310.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 8,863,554.
- Some of the cost was paid by those who directly benefited from the programs \$ 648,860, or
- By grants and contributions \$ 1,441,359.

Table A-3

**Canton Independent School District's
Net Cost of Selected District Functions**

	<u>Total Cost of Services</u>		%	<u>Net Cost of Services</u>		%
	2013	2012		Change	2013	
Instruction	\$ 9,879,658	\$ 10,130,486	-2.48%	\$ 8,907,306	\$ 8,689,510	2.51%
School Leadership	768,748	807,861	-4.84%	740,694	772,353	-4.10%
General Administration	490,940	486,720	0.87%	472,430	469,746	0.57%
Plant Maintenance and Operations	1,533,089	1,467,624	4.46%	1,448,713	1,447,091	0.11%
Debt Service	1,930,045	1,875,243	2.92%	1,809,297	1,567,907	15.40%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the governmental funds totaled \$ 18,157,606. This represents a decrease of \$ 549,631 from the prior year revenues of \$ 18,707,237. The change represents the reduction of local property tax collections during the year related to changing economic conditions in which percentages of collections decreased. A portion of the decrease relates to the loss of funding for grants that expired during the year.

Expenditures in the governmental funds totaled \$ 18,345,141. This represents an increase of \$ 67,634 from the prior year expenditures of \$ 18,277,507. The change represents the general increase of costs related to the operations of the District including general cost of living and other operational costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 334,796 below final budget amounts. The most significant positive variance resulted from lower than expected expenses in the functional area of instruction and pupil transportation.

Resources available were \$ 36,628 above final budgeted amounts. The favorable variance was a reflection of better than expected local revenue source collections during the year.

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2013

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2013, the District had invested \$ 60,465,409 in a broad range of capital assets, including land, equipment, buildings and vehicles (See Table A-4).

Canton Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change 2012-2013
	2013	2012	
Land	\$ 545,657	\$ 544,007	0.30%
Buildings and Improvements	57,562,651	57,548,372	0.02%
Equipment	649,688	521,080	24.68%
Vehicles	1,707,413	1,531,690	11.47%
Totals at Historical Cost	\$ 60,465,409	\$ 60,145,149	0.53%
Total Accumulated Depreciation	(18,949,084)	(16,905,397)	12.09%
Net Capital Assets	<u>\$ 41,516,325</u>	<u>\$ 43,239,752</u>	-3.99%

DEBT

At year-end, the District had \$ 41,184,010 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Canton Independent School District's Debt			Table A-5
	Governmental Activities		Total Percentage Change 2012-2013
	2013	2012	
Bonds Payable	\$ 37,318,693	\$ 38,736,090	-3.66%
Other Debt Payable	3,865,317	3,905,483	-1.03%
Total Debt Payable	<u>\$ 41,184,010</u>	<u>\$ 42,641,573</u>	-3.42%

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2013

ECONOMIC FACTORS

The District's property valuation has dropped significantly due to housing development bankruptcies and foreclosures. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operations. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding and other legislative changes could impact the District's financial operations, including cash flows.

Student population has remained at a steady historical growth rate in the District. The economic outlook for the area is for growth to be relatively slow, as indicated by a drop in property values from prior year. Housing has not expanded at the rate of other north central Texas communities. These economic conditions allow the District to maintain constant funding and staffing levels.

The State has increased funding levels for the 2013-2015 biennium, which will affect the revenue levels of the District. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

A challenge to the State's funding system resulted in the system being held unconstitutional and inequitable. The 2013 legislative session produced additional funding for the student population. However, the legal process continues with challenges by the various interested parties. It is anticipated that a final resolution will be considered during the 2013-2015 biennium.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Denise Stone, Business Manager for the District.

BASIC FINANCIAL STATEMENTS

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2013

Data Control Codes	1 Governmental Activities
ASSETS	
1110 Cash and Investments	\$ 9,448,163
1225 Property Taxes Receivable, Net	508,071
1240 Due from Other Governments	268,615
1250 Accrued Interest	504
1290 Other Receivables, Net	30,082
1410 Unrealized Expenses	2,059
Capital Assets:	
1510 Land	545,657
1520 Building and Improvement, Net	40,143,916
1530 Furniture and Equipment, Net	826,752
1000 Total Assets	\$ 51,773,819
DEFERRED OUTFLOWS OF RESOURCES:	
1700 Total Deferred Outflows of Resources	\$ 636,351
LIABILITIES	
2110 Accounts Payable	\$ 70,115
2140 Interest Payable	65,671
2165 Accrued Liabilities	433,859
2300 Unearned Revenues	244,898
Noncurrent Liabilities:	
2501 Due within one year	502,484
2502 Due in more than one year	40,681,526
2000 Total Liabilities	\$ 41,998,553
NET POSITION	
3200 Net Investment in Capital Assets	\$ 3,198,264
Restricted For:	
3820 State and Federal Programs	16,733
3850 Debt Service	992,636
3890 Other Purposes	19,161
3900 Unrestricted	6,184,823
3000 Total Net Position	\$ 10,411,617

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2013

Data	1	3	4	Net (Expense) Revenue and Changes in Net Assets
Control	<u>Program Revenues</u>			Governmental
Codes Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Activities
Governmental Activities:				
11 Instruction	\$ 9,879,658	\$ 262,851	\$ 709,501	\$ (8,907,306)
12 Instructional Resources and Media Services	237,436	-	8,191	(229,245)
13 Curriculum and Staff Development	37,048	-	1,398	(35,650)
21 Instructional Leadership	25,595	-	966	(24,629)
23 School Leadership	768,748	-	28,054	(740,694)
31 Guidance, Counseling and Evaluation Services	348,516	-	12,504	(336,012)
33 Health Services	89,058	-	3,021	(86,037)
34 Student (Pupil) Transportation	373,014	-	10,915	(362,099)
35 Food Services	687,297	263,484	418,699	(5,114)
36 Cocurricular/Extracurricular Activities	1,194,091	111,913	29,646	(1,052,532)
41 General Administration	490,940	-	18,510	(472,430)
51 Plant Maintenance and Operations	1,533,089	10,612	73,764	(1,448,713)
52 Security and Monitoring Services	26,044	-	983	(25,061)
53 Data Processing Services	118,181	-	4,459	(113,722)
72 Interest on Long-term Debt	1,421,624	-	120,748	(1,300,876)
73 Debt Issuance Costs and Fees	508,421	-	-	(508,421)
81 Capital Outlay	1,650	-	-	(1,650)
93 Payments for Shared Service Arrangements	549,170	-	-	(549,170)
99 Other Intergovernmental Charges	194,730	-	-	(194,730)
TG Total Governmental Activities	<u>\$ 18,484,310</u>	<u>\$ 648,860</u>	<u>\$ 1,441,359</u>	<u>\$ (16,394,091)</u>
TP Total Primary Government	<u>\$ 18,484,310</u>	<u>\$ 648,860</u>	<u>\$ 1,441,359</u>	<u>\$ (16,394,091)</u>
General Revenues:				
MT Property Taxes, Levied for General Purpose				\$ 6,269,701
DT Property Taxes, Levied for Debt Service				2,593,853
IE Investment Earnings				26,131
GC Grants and Contributions Not Restricted to Specific Programs				7,195,250
MI Miscellaneous				16,928
TR Total General Revenues				<u>\$ 16,101,863</u>
CN Change in Net Position				\$ (292,228)
NB Net Position - Beginning (September 1)				<u>10,703,845</u>
NE Net Position - Ending (August 31)				<u>\$ 10,411,617</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS					
1110	Cash and Investments	\$ 8,135,089	\$ 926,399	\$ 225,483	\$ 9,286,971
1225	Property Taxes Receivable, Net	362,998	145,073	-	508,071
1240	Due from Other Governments	223,927	-	44,688	268,615
1250	Accrued Interest	504	-	-	504
1290	Other Receivables, Net	22,375	7,707	-	30,082
1410	Unrealized Expenditures	2,059	-	-	2,059
					\$ -
1000	Total Assets	\$ 8,746,952	\$ 1,079,179	\$ 270,171	\$ 10,096,302
LIABILITIES					
Current Liabilities:					
2110	Accounts Payable	\$ 11,773	\$ -	\$ 24,044	\$ 35,817
2160	Accrued Wages Payable	410,866	-	14,318	425,184
2200	Accrued Expenditures	7,393	-	1,282	8,675
2300	Unearned Revenues	199,526	20,872	24,500	244,898
2000	Total Liabilities	\$ 629,558	\$ 20,872	\$ 64,144	\$ 714,574
DEFERRED INFLOWS OF RESOURCES					
2600	Total Deferred Inflows of Resources	\$ 362,998	\$ 145,073	\$ -	\$ 508,071
FUND BALANCES					
Restricted Fund Balances:					
3450	Federal/State Funds Grants	\$ -	\$ -	\$ 16,733	\$ 16,733
3480	Retirement of Long-Term Debt	-	913,234	-	913,234
3490	Other Restrictions of Fund Balance	-	-	19,161	19,161
Committed Fund Balances:					
3510	Construction	2,500,000	-	-	2,500,000
3520	Claims and Judgements	150,000	-	-	150,000
3530	Capital Expenditures for Equipment	300,000	-	-	300,000
3545	Other Committed Fund Balance	300,000	-	170,133	470,133
Assigned Fund Balances:					
3550	Construction	1,575,000	-	-	1,575,000
3570	Capital Expenditures for Equipment	350,000	-	-	350,000
3600	Unassigned	2,579,396	-	-	2,579,396
3000	Total Fund Balances	\$ 7,754,396	\$ 913,234	\$ 206,027	\$ 8,873,657
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 8,746,952	\$ 1,079,179	\$ 270,171	\$ 10,096,302

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2013

Total fund balances - Balance Sheet (governmental funds)	\$	8,873,657
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		41,516,325
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		508,071
The assets and liabilities of internal service funds are included in governmental activities in the SNA.		126,894
Payables for bond principal which are not due in the current period are not reported in the funds.		(37,318,693)
Payables for bond interest which are not due in the current period are not reported in the funds.		(65,671)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		<u>(3,228,966)</u>
Net position of governmental activities - Statement of Net Position	\$	<u><u>10,411,617</u></u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED AUGUST 31, 2013

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES				
5700 Local and Intermediate Sources	\$ 6,418,886	\$ 2,586,405	\$ 547,197	\$ 9,552,488
5800 State Program Revenues	7,450,746	357,325	115,209	7,923,280
5900 Federal Program Revenues	-	-	681,838	681,838
5020 Total Revenues	\$ 13,869,632	\$ 2,943,730	\$ 1,344,244	\$ 18,157,606
EXPENDITURES				
Current:				
0011 Instruction	\$ 7,746,083	\$ -	\$ 420,483	\$ 8,166,566
0012 Instructional Resources and Media Services	217,103	-	23	217,126
0013 Curriculum and Staff Development	37,048	-	-	37,048
0021 Instructional Leadership	25,595	-	-	25,595
0023 School Leadership	743,548	-	-	743,548
0031 Guidance, Counseling and Evaluation Services	331,405	-	-	331,405
0033 Health Services	80,072	-	-	80,072
0034 Student (Pupil) Transportation	468,779	-	-	468,779
0035 Food Services	-	-	682,377	682,377
0036 Cocurricular/Extracurricular Activities	784,688	-	198,353	983,041
0041 General Administration	490,592	-	348	490,940
0051 Plant Maintenance and Operations	1,581,845	-	16,253	1,598,098
0052 Security and Monitoring Services	70,527	-	-	70,527
0053 Data Processing Services	118,181	-	-	118,181
0071 Principal on Long-term Debt	-	1,417,397	-	1,417,397
0072 Interest on Long-term Debt	-	2,109,464	-	2,109,464
0073 Debt Issuance Cost and Fees	-	2,235	-	2,235
0081 Capital Outlay	58,842	-	-	58,842
0093 Payments for Shared Service Arrangements	549,170	-	-	549,170
0099 Other Intergovernmental Charges	194,730	-	-	194,730
6030 Total Expenditures	\$ 13,498,208	\$ 3,529,096	\$ 1,317,837	\$ 18,345,141
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 371,424	\$ (585,366)	\$ 26,407	\$ (187,535)
OTHER FINANCING SOURCES (USES)				
7912 Sale or Real or Personal Property	\$ 1,674	\$ -	\$ -	\$ 1,674
7080 Net Other Financing Sources (Uses)	\$ 1,674	\$ -	\$ -	\$ 1,674
1200 Net Changes in Fund Balances	\$ 373,098	\$ (585,366)	\$ 26,407	\$ (185,861)
0100 Fund Balances - Beginning (September 1)	7,381,298	1,498,600	179,620	9,059,518
3000 Fund Balances - Ending (August 31)	\$ 7,754,396	\$ 913,234	\$ 206,027	\$ 8,873,657

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2013

Net change in fund balances - total governmental funds	\$	(185,861)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the SOA.		472,077
The depreciation of capital assets used in governmental activities is not reported in the funds.		(2,195,504)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.		(1,674)
The gain or loss on the sale of capital assets is not reported in the funds.		1,674
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		32,802
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		438,184
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		1,417,397
Bond issuance costs and similar items are amortized in the SOA but not in the funds.		(506,186)
The accretion of interest on capital appreciation bonds is not reported in the funds.		238,333
(Increase) decrease in accrued interest expense from beginning of period to end of period.		11,323
The net revenue (expense) of internal service funds is reported with governmental activities.		<u>(14,793)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$</u>	<u>(292,228)</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
 AUGUST 31, 2013

Data Control Codes		Internal Service Fund
		<u> </u>
	ASSETS	
	Current Assets:	
1110	Cash and Investments	<u>\$ 161,192</u>
	Total Current Assets	<u>\$ 161,192</u>
1000	Total Assets	<u>\$ 161,192</u>
	LIABILITIES	
	Current Liabilities:	
2110	Accounts Payable	<u>\$ 34,298</u>
	Total Current Liabilities	<u>\$ 34,298</u>
2000	Total Liabilities	<u>\$ 34,298</u>
	NET POSITION	
3900	Unrestricted Net Position	<u>\$ 126,894</u>
3000	Total Net Position	<u><u>\$ 126,894</u></u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2013

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
OPERATING REVENUES	
5700 Local and Intermediate Sources	<u>\$ 6</u>
5020 Total Operating Revenues	<u>\$ 6</u>
OPERATING EXPENSES	
6400 Other Operating Costs	<u>\$ 14,799</u>
6030 Total Operating Expenses	<u>\$ 14,799</u>
1200 Change in Net Position	\$ (14,793)
0100 Total Net Position - Beginning (September 1)	<u>141,687</u>
3300 Total Net Position - Ending (August 31)	<u><u>\$ 126,894</u></u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2013

		Internal Service Fund
Cash Flows from Operating Activities:		
Cash Receipts from Operating Interest	\$	6
Cash Payments for Claims		(28,889)
		(28,889)
Net Cash Provided by (Used for) Operating Activities	\$	(28,883)
Cash Flows from Capital and Other Related Financing Activities:		
NONE		
Cash Flows from Noncapital Financing Activities:		
NONE		
Cash Flows from Investing Activities:		
NONE		
Net Increase (Decrease) in Cash and Investments	\$	(28,883)
Cash and Investments - Beginning (September 1)		190,075
		190,075
Cash and Investments - Ending (August 31)	\$	161,192
		161,192
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$	(14,793)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Increase (Decrease) in Claims Liability		(14,090)
		(14,090)
Net Cash Provided by (Used for) Operating Activities	\$	(28,883)
		(28,883)

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AUGUST 31, 2013

Data Control Codes		Agency Fund <hr/> Student Agency <hr/>
	ASSETS	
1110	Cash and Investments	<u>\$ 86,823</u>
1000	Total Assets	<u>\$ 86,823</u>
	LIABILITIES	
	Current Liabilities:	
2190	Due to Student Groups	<u>\$ 86,823</u>
2000	Total Liabilities	<u>\$ 86,823</u>
	NET POSITION	
3850	Held in Trust	<u>\$ -</u>
3000	Total Net Position	<u><u>\$ -</u></u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

A. Summary of Significant Accounting Policies

The basic financial statements of the Canton Independent School District (District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) applicable to governmental units in conjunction with the Texas Education Agency's *Financial Accountability System Resource Guide (Guide)*. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees (Board), a seven member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and as a body corporate has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency (Agency) or to the State Board of Education are reserved for the Board, and the Agency may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting entity.

The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities.

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

Government-wide Statements – The statement of net position (SNA) and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities (SOA) presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements – The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

A. Summary of Significant Accounting Policies (Continued)

The District reports the following major governmental funds:

General Fund – This is the District’s primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

Debt Service Fund - This fund is used to account for the accumulation of resources for, and the payment of federal long-term debt principal, interest and related costs.

In addition, the District reports the following fund types:

Special Revenue Funds – The District accounts for resources restricted to or designated for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a special revenue fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

Internal Service Funds – These funds are proprietary type funds. These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District’s governmental activities, this fund type is included in the “Governmental Activities” column of the government-wide financial statements.

Fiduciary Funds – These funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or other governments. These include private-purpose trust and agency funds. Private-purpose trust funds account for resources, including both principal and earnings, which must be expended according to the provision of a trust agreement, and are accounted for in essentially the same manner as proprietary funds. Agency funds are purely custodial and thus do not involve measurement of results of operations.

b. Measurement Focus – Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements – These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

A. Summary of Significant Accounting Policies (Continued)

Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund accounting," all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen not to apply future FASB Standards.

3. Budgetary Data

The official budget was prepared for adoption for the general, food service and debt service funds. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1.
- b. A meeting of the Board is called for the purpose of adopting the proposed budget with public notice given at least 10 days prior to the meeting.
- c. Prior to the expenditure of funds, the budget is adopted by the Board.

After adoption, the budget may be amended through action by the Board. Budget amendments are approved at the functional expenditure level. All amendments are before the fact and reflected in the official minutes of the Board. Budgets are controlled at the function level by personnel responsible for organizational financial reporting. All budget appropriations lapse at the year end. Budget amendments throughout the year were not significant.

4. Encumbrance Accounting

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Capital Projects Fund		-0-
Total	\$	<u>-0-</u>

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

A. Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts

Cash and Investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as a part of the District's cash and temporary investments.

For the purpose of the statement of cash flows, highly liquid investments are considered to be investments if they have a maturity of three months or less when purchased.

Fund Equity

Governmental funds utilize a fund balance presentation for equity. Fund balance is categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance – represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance – represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purpose unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance – represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The District adopted a 20% of annual operating budget expenditures as it's minimum general fund unassigned fund balance to ensure sufficient working capital and a margin of safety to address emergencies.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

A. Summary of Significant Accounting Policies (Continued)

The following schedule provides information about the specific fund balance classification by fund:

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Restricted				
Child Nutrition Program	\$ -	\$ -	\$ 16,733	\$ 16,733
Retirement of Long Term Debt	-	913,234	-	913,234
Scholarship Funds	-	-	18,690	18,690
Other Restricted Balances	-	-	471	471
Committed				
Construction	2,500,000	-	-	2,500,000
Claims and Judgements	150,000	-	-	150,000
Capital Expenditures for Equipment	300,000	-	-	300,000
Major Maintenance	300,000	-	-	300,000
Campus Activity Funds	-	-	170,133	170,133
Assigned				
Construction	1,575,000	-	-	1,575,000
Capital Expenditures for Equipment	350,000	-	-	350,000
Unassigned	2,579,396	-	-	2,579,396
Totals	<u>\$ 7,754,396</u>	<u>\$ 913,234</u>	<u>\$ 206,027</u>	<u>\$ 8,873,657</u>

Inventories

The purchase method is used to account for inventories of school supplies, athletic equipment and food products. Under this method supplies and materials are debited as expenditures when purchased.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$ 5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

Accretion

Accretion is an adjustment of the difference between the price of a bond issued at an original discount and the par value of the bond. For governmental activities debt, the accreted value is recognized as it accrues by fiscal year.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

A. Summary of Significant Accounting Policies (Continued)

6. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

7. Interfund Activities

Interfund activity results from loans, service provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfer" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

8. Vacation, Sick Leave and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave does not vest but accumulates and is recorded as an expenditure as it is paid.

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could vary from these estimates.

10. Data Control Codes

Data control codes refer to the account code structure prescribed by the Agency in the *Guide*. The Agency requires the District to display these codes in its financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

11. Accounting System

In accordance with Texas Education Code, Chapter 44, Subchapter A, the District adopted and implemented an accounting system which at least meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. The District's accounting system uses codes and the code structure presented in the accounting code section of the *Guide*. Mandatory codes are utilized in the form provided in that section.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

B. Deposits, Securities and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At August 31, 2013, it appears all District cash deposits were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. The District's deposits appear to have been properly secured throughout the fiscal year.

The District's investment policies and types of investments are governed by the Public Funds Investment Act. The Act requires specific training, reporting and establishment of local policies. The District appears to have been in substantial compliance with the requirements of the Act.

State statutes and local policy authorize the District to invest in the following types of investment goods:

- a. obligations of the U.S. or its agencies or instrumentalities,
- b. obligations of the State of Texas or its agencies,
- c. obligations guaranteed by the U.S. or State of Texas or their agencies or instrumentalities,
- d. obligations of other states, agencies or political subdivisions having a national investment rating of "A" or greater,
- e. guaranteed or secured certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include deposits in Texpool, LOGIC, certificates of deposit and Lone Star Investment Pool. All Texpool, Lone Star, certificates of deposit and LOGIC investments are reported at their share price (fair value) and are presented as cash and investments.

Texas Local Government Investment Pool (TexPool) has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools and permit eligible governmental entities to jointly invest their funds in authorized investments.

The Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company, (Trust Company), which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc. (Federated), under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to TexPool by Federated. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

The fund is rated AAAM by Standard & Poor's rating agency. This rating is the highest principal stability fund rating assigned by Standard & Poor's. This rating, as well as the operational policies and procedures, allow the fund to comply with the requirements of the Public Funds Investment Act.

The *Lone Star Investment Pool* is an investment pool available to governmental entities. The pool was established under the guidance of the Texas Public Funds Investment Act. A board of directors, made up of members of the pool, is responsible for the overall operation of the pool. The Board has employed various third party organizations to assist in the operations. These third parties are as follows: American Beacon Advisors and BNY Mellon Cash Investment Strategies – Investment Managers, RBC Wealth Management – Investment Consultant, Bank of New York Mellon – Custodian, First Public – Administration. In combination with these third party organizations, the pool has received a AAAM rating from Standard and Poor's. This rating allows the pool to meet the standards required by the Texas Public Funds Investment Act.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

B. Deposits, Securities and Investments (Continued)

Local Government Investment Cooperative (LOGIC) was organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Public Funds Investment Act allows eligible local governments, state agencies and nonprofit corporations of the State of Texas to jointly invest their funds in permitted investments.

The Cooperative's governing body is a six-member Board of Directors (Board) comprised of employees, officers or elected officials of participant Government Entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the Co-Administrators of LOGIC.

Day to day administration of LOGIC will be performed by First Southwest Asset Management, Inc. and JPMorgan Chase Investment Management, Inc. First Southwest will provide administrative, participant support and marketing services. JPMorgan Chase will provide investment management, custody, fund accounting and transfer agency services.

Portfolios will maintain a AAA or equivalent rating from at least one nationally recognized rating agency in compliance with the requirements of the Public Funds Investment Act. Class A Units of LOGIC I are currently rated AAAM by Standard & Poor's.

The following table identifies the District's investment at August 31, 2013:

	<u>Credit Rating</u>	<u>Fair Value</u>
TexPool	AAAm	\$ 136,279
Lone Star Investment Pool	AAAm	3,751,330
LOGIC	AAAm	1,140,247
Certificate of Deposit	n/a	<u>1,000,000</u>
Total		<u><u>\$ 6,027,856</u></u>

In addition, the following is disclosed regarding coverage of combined cash balances on the date of highest balance:

- a. Name of bank: American National Bank of Texas, Canton, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 7,911,433.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 5,187,613, and occurred during the month of January, 2013.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 500,000.

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

B. Deposits, Securities and Investments (Continued)

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the Districts' name. At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

C. Property Taxes

Property taxes are levied by October 1, in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1, of the year following the October 1 levy date. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period.

Property taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Section 33.05, Property Tax Code, requires the tax collector for the District to cancel and remove from the delinquent tax rolls a tax on real property that has been delinquent for more than 20 years or a tax on personal property that has been delinquent for more than 10 years. Delinquent taxes meeting this criteria may not be canceled if litigation concerning these taxes is pending.

The District levied taxes on property within the District at \$ 1.04 to fund general operations and \$ 0.431 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 596,788,980.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

D. Capital Assets

Capital asset activities during the year ended August 31, 2013 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 544,007	\$ 1,650	\$ -	\$ 545,657
Total Capital Assets not being Depreciated	\$ 544,007	\$ 1,650	\$ -	\$ 545,657
Capital Assets being Depreciated:				
Building and Improvements	\$ 57,548,372	\$ 129,396	\$ 115,117	\$ 57,562,651
Equipment	521,080	128,608	-	649,688
Vehicles	1,531,690	212,423	36,700	1,707,413
Total Capital Assets being Depreciated	\$ 59,601,142	\$ 470,427	\$ 151,817	\$ 59,919,752
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 15,466,938	\$ 2,066,914	\$ 115,117	\$ 17,418,735
Equipment	380,105	45,663	-	425,768
Vehicles	1,058,354	82,927	36,700	1,104,581
Total Accumulated Depreciation	\$ 16,905,397	\$ 2,195,504	\$ 151,817	\$ 18,949,084
Total Capital Assets being Depreciated, Net	\$ 42,695,745	\$ (1,725,077)	\$ -	\$ 40,970,668
Governmental Activities Capital Assets, Net	\$ 43,239,752	\$ (1,723,427)	\$ -	\$ 41,516,325

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,815,349
Instructional Resources and Media Services	20,310
School Leadership	25,200
Guidance, Counseling and Evaluation Services	17,111
Health Services	8,986
Student (Pupil) Transportation	83,733
Food Services	4,920
Cocurricular/Extracurricular Activities	211,050
General Administration	-
Plant Maintenance and Operations	8,845
Total	\$ 2,195,504

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

E. Long Term Obligations

Long-Term Obligation Activity

Long-term obligation activities during the year ended August 31, 2013 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 38,736,090	\$ -	\$ 1,417,397	\$ 37,318,693	\$ 502,484
Accreted Interest Payable	3,104,282	269,270	507,603	2,865,949	-
Unamortized Premium (Discount)	1,480,358	-	480,990	999,368	-
Total Governmental Activities	<u>\$ 43,320,730</u>	<u>\$ 269,270</u>	<u>\$ 2,405,990</u>	<u>\$ 41,184,010</u>	<u>\$ 502,484</u>

Bonds

The District has issued various series of general obligation bonds to fund facility construction and improvements. Bonds mature at various times with varying rates of interest. The bonds issued require the District to levy an ad valorem tax annually to retire the current maturities.

Bonds outstanding at August 31, 2013, are as follows:

Description	Interest Rate	Original Amount	Outstanding Balances
Unlimited Tax School Building Bonds, Series 1999	4.70%	\$ 5,206,903	\$ 1,399,861
Unlimited Tax Refunding Bonds, Series 2006	3.85%	9,330,000	8,775,000
Unlimited Tax School Building Bonds, Series 2007	4.84%	22,891,011	22,408,832
Unlimited Tax Refunding Bonds, Series 2011	2.24%	4,835,000	4,735,000
Totals			<u>\$ 37,318,693</u>

Maturity requirements on bonded debt at August 31, 2013, are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2014	\$ 502,484	\$ 2,097,119	\$ 2,599,603
2015	763,159	2,011,544	2,774,703
2016	738,899	2,034,004	2,772,903
2017	718,503	2,051,525	2,770,028
2018	816,283	1,948,137	2,764,420
2019- 2023	6,634,365	7,127,205	13,761,570
2024- 2028	6,550,000	7,410,674	13,960,674
2029- 2033	10,240,000	3,786,156	14,026,156
2034- 2038	10,355,000	1,067,625	11,422,625
Totals	<u>\$ 37,318,693</u>	<u>\$ 29,533,989</u>	<u>\$ 66,852,682</u>

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

F. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: All risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System includes a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778 or by downloading the report from the TRS internet website, www.trs.state.tx.us, under the TRS publication heading.

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) State statute prohibits benefit improvements, if as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2013, 2012 and 2011, and a state contribution rate of 6.0% for fiscal year 2013 and 2012 and 6.644% for fiscal year 2011. In certain instances, the reporting district is required to make all or a portion of the state's 6.0% contribution, increased to 6.644% for the 2011 fiscal year. The District's employees' contributions to the System for the periods ended August 31, 2013, 2012 and 2011 were \$ 542,525, \$ 548,038, and \$ 551,756 respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2013, 2012 and 2011 were \$ 93,978, \$ 96,086, and \$ 97,925 respectively.

3. On-Behalf Payments

In accordance with GASB Statement No. 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 424,053 are reflected in the general fund basic financial statements.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

G. School District Retiree Health Plan

1. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS website at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. Per Texas Insurance Code, Chapters 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 70,676 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 44,222 for subsidies for Medicare Part D and participation in the Early Retirement Reissuance Programs.

H. Risk Management

Health Care

During the year ended August 31, 2013, employees of the Canton Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 225 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to TRS Activecare (Blue Cross/Blue Shield). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the Canton Independent School District and TRS Activecare (Blue Cross/Blue Shield) is renewable December 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross/Blue Shield are available for the year ended December 31, 2012, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

H. Risk Management (Continued)

Unemployment Compensation Pool

During the year ended August 31, 2013, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Local Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued each month until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for Unemployment Compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2012, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

The District no longer participates in the East Texas Educational Insurance Association Workers' Compensation Self Insurance Joint Fund.

The District was partially self-funded for losses related to workers compensation claims. The District will be responsible for pool claims throughout the claim liability period of the pool. The balances remaining in the workers compensation self insurance fund are available for these pool claims as well as the claims of the District incurred prior to the purchase of commercial insurance. The following reflects the District's liability activities for its claims for the previous year and current year.

Changes in the workers' compensation claims liability amounts in periods of 2013 and 2012 are represented below:

	<u>2013</u>	<u>2012</u>
Beginning Claims Liability	\$ 48,388	\$ 84,830
Claims Incurred (Reduced)	14,480	(23,030)
Claim Payments	<u>(28,570)</u>	<u>(13,412)</u>
Ending Claims Liability	<u>\$ 34,298</u>	<u>\$ 48,388</u>

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

H. Risk Management (Continued)

Other Risk Management

The 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. During fiscal year 2013, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Litigation

The District does not appear to be involved in any litigation as of August 31, 2013.

J. Commitments and Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2013, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

K. Shared Service Arrangements

The District participates in cooperative programs with other local districts. The District does not account for revenue or expenditures of these programs and does not disclose them in these financial statements.

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Van Zandt County Special Ed. Cooperative	Edgewood Independent School District	Special Education
Block Grant	Region X Education Services Center	Title II Part A Title III Part A Title IV Part A Title I Part A Carl Perkins Grant

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

L. Revenue from Local and Intermediate Sources

During the year ended August 31, 2013, the District received revenue from local and intermediate sources consisting of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Totals
Property Tax Collections	\$ 6,247,509	\$ 2,583,244	\$ -	\$ 8,830,753
Investment Income	22,911	3,131	89	26,131
Rent	10,612	-	-	10,612
Food Service Income	-	-	263,484	263,484
Gifts and Bequests	5,300	-	24,525	29,825
Cocurricular/Extracurricular Activities	83,764	-	256,350	340,114
Tuition and Fees	23,718	-	-	23,718
Miscellaneous	25,072	30	2,749	27,851
Totals	\$ 6,418,886	\$ 2,586,405	\$ 547,197	\$ 9,552,488

M. Receivables

Receivables at August 31, 2013, for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General Fund	Service Fund	Gvoernmental Funds	Totals
Due from Other Governments	\$ 447,022	\$ -	\$ 44,688	\$ 491,710
Property Taxes Receivable	403,331	161,192	-	564,523
Less: Allowance for Uncollectible				
Property Taxes	(40,333)	(16,119)	-	(56,452)
Other Receivables	22,879	7,707	-	30,586
Net Receivables	\$ 832,899	\$ 152,780	\$ 44,688	\$ 1,030,367

N. Subsequent Events

The District's management has evaluated subsequent events through December 23, 2013, the date which the financial statements were available for use.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2013

O. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settleup with the State will occur some 9 to 10 months following the fiscal year end.

Funding is earned for: 1) Available – annual allocation based on prior year enrollment; 2) Foundation – annual allocation based on student attendance, property tax collections and valuations, and special student population; 3) Instructional Facilities Allotment – based on property wealth; and 4) Existing Debt Allotment – based on eligible debt, student attendance and property wealth. Various other sources are received but not reconciled here as these are the major sources of funding.

	<u>Available</u>	<u>Foundation</u>	<u>IFA</u>	<u>EDA</u>
CY Summary of Finances (SOF)	\$ 902,723	\$ 6,045,765	\$ 120,748	\$ 236,577
Prior Year Settle Ups	-	(12,484)	-	-
August Instructional Days Change	<u>(6,123)</u>	<u>28,769</u>	<u>-</u>	<u>-</u>
Financial Statement Earnings	<u>\$ 896,600</u>	<u>\$ 6,062,050</u>	<u>\$ 120,748</u>	<u>\$ 236,577</u>
Financial Statement Amounts				
SOF Receivable (Overpayment)	-	(185,438)	(7,055)	(13,817)
August Instructional Days Receivable	14,146	209,781	-	-

* Overpayments are represented in the financial statements as Unearned Revenue (government-wide and governmental).

P. Change in Accounting Principle

The District implemented the following Governmental Accounting Standard Board Statements during the year. The provisions impact the financial reporting for the District. Statement 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, created new reporting classifications and terminology for reporting information under the economic resources basis of accounting. Statement 65, Items Previously Reported as Assets and Liabilities, reclassifies items that have, in previous financial reports, been reported as assets or liabilities. Both Statement 63 and 65 relate to similar account classifications within the financial statements and are implemented in conjunction during the year. Statement 60, Service Concession Arrangements, is adopted with no implication on the District as the District has no current service concession arrangements. Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and Technical Corrections, are a codification of all applicable literature of the FASB and AICPA issued prior to November 30, 1989 into GASB literature. Statement 61, The Financial Reporting Entity: Omnibus, restructures the reporting entity to require the presentation of component units under new requirements in the financial reports of primary reporting unit.

REQUIRED SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	\$ 6,389,078	\$ 6,389,428	\$ 6,418,886	\$ 29,458	
5800	7,253,576	7,443,576	7,450,746	7,170	
5020 Total Revenues	\$ 13,642,654	\$ 13,833,004	\$ 13,869,632	\$ 36,628	
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	\$ 7,850,843	\$ 7,820,739	\$ 7,746,083	\$ 74,656	
0012	220,125	220,914	217,103	3,811	
0013	37,626	37,626	37,048	578	
	\$ 8,108,594	\$ 8,079,279	\$ 8,000,234	\$ 79,045	
Instructional and School Leadership:					
0021	\$ 25,667	\$ 25,667	\$ 25,595	\$ 72	
0023	757,496	747,496	743,548	3,948	
	\$ 783,163	\$ 773,163	\$ 769,143	\$ 4,020	
Support Services - Student (Pupil):					
0031	\$ 341,616	\$ 342,116	\$ 331,405	\$ 10,711	
0033	87,063	87,063	80,072	6,991	
0034	543,925	543,925	468,779	75,146	
0036	772,713	791,685	784,688	6,997	
	\$ 1,745,317	\$ 1,764,789	\$ 1,664,944	\$ 99,845	
Administrative Support Services:					
0041	\$ 535,205	\$ 535,205	\$ 490,592	\$ 44,613	
	\$ 535,205	\$ 535,205	\$ 490,592	\$ 44,613	
Support Services - Nonstudent Based:					
0051	\$ 1,547,777	\$ 1,605,777	\$ 1,581,845	\$ 23,932	
0052	5,000	75,000	70,527	4,473	
0053	119,441	119,441	118,181	1,260	
	\$ 1,672,218	\$ 1,800,218	\$ 1,770,553	\$ 29,665	
Capital Outlay:					
0081	\$ -	\$ 130,350	\$ 58,842	\$ 71,508	
	\$ -	\$ 130,350	\$ 58,842	\$ 71,508	
Intergovernmental Charges:					
0093	\$ 505,000	\$ 550,000	\$ 549,170	\$ 830	
0099	200,000	200,000	194,730	5,270	
	\$ 705,000	\$ 750,000	\$ 743,900	\$ 6,100	
6030 Total Expenditures	\$ 13,549,497	\$ 13,833,004	\$ 13,498,208	\$ 334,796	
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ 93,157	\$ -	\$ 371,424	\$ 371,424
OTHER FINANCING SOURCES (USES)					
7912	\$ -	\$ -	\$ 1,674	\$ 1,674	
7080 Net Other Financing Sources (Uses)	\$ -	\$ -	\$ 1,674	\$ 1,674	
1200	Net Change in Fund Balance	93,157	-	373,098	373,098
0100	Fund Balance - Beginning (September 1)	7,381,298	7,381,298	7,381,298	-
3000 Fund Balance - Ending (August 31)	\$ 7,474,455	\$ 7,381,298	\$ 7,754,396	\$ 373,098	

OTHER SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2013

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2012	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2013
		Maintenance	Debt Service							
XXXX	2004 and Prior Years	Various	Various	Various	\$ 9,711	\$ -	\$ 2,675	\$ 360	\$ (1)	\$ 6,675
2004	2005	1.433700	0.289100	414,242,454	5,098	-	495	100	(136)	4,367
2005	2006	1.460000	0.230500	471,532,505	6,491	-	657	104	(66)	5,664
2006	2007	1.334000	0.220000	529,880,245	13,045	-	1,912	315	(136)	10,682
2007	2008	1.040000	0.431000	541,147,859	22,409	-	5,026	2,083	(412)	14,888
2008	2009	1.040000	0.431000	572,939,973	40,738	-	10,347	4,288	640	26,743
2009	2010	1.040000	0.431000	601,881,033	69,492	-	13,177	5,461	(3,037)	47,817
2010	2011	1.040000	0.431000	596,685,244	127,514	-	24,777	10,268	(7,161)	85,308
2011	2012	1.040000	0.431000	596,246,865	233,580	-	59,829	24,795	(12,441)	136,515
2012	2013	1.040000	0.431000	596,788,980	-	8,778,766	6,028,113	2,498,190	(26,600)	225,863
1000	TOTALS				\$ 528,078	\$ 8,778,766	\$ 6,147,008	\$ 2,545,964	\$ (49,350)	\$ 564,522

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST 2013-2014
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED AUGUST 31, 2013

FUNCTION 41 AND RELATED FUNCTION 99 - GENERAL ADMINISTRATION

Account Number		1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs			\$ 196,734	\$ 191,241			\$ 387,975
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							-
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)							-
6211	Legal Services	1,975						1,975
6212	Audit Services				12,100			12,100
6213	Tax Appraisal and Collection		214,799					214,799
621X	Other Prof. Services			10,124	4,320			14,444
6220	Tuition and Transfer Payments							-
6230	Education Service Centers			9,508				9,508
6240	Contr. Maint. And Repair					444		444
6250	Utilities							-
6260	Rentals				7,955			7,955
6290	Miscellaneous Contr.				1,728			1,728
6310	Operational Supplies, Materials							-
6320	Textbooks and Reading				280			280
6330	Testing Materials							-
63XX	Other Supplies, Materials			2,895	3,585			6,480
6410	Travel, Subsistence, Stipends			2,264	3,233		87	5,584
6420	Ins. And Bonding Costs				3,500			3,500
6430	Election Costs	2,806						2,806
6490	Miscellaneous Operating			12,395	5,425			17,820
6500	Debt Service							-
6600	Capital Outlay							-

TOTAL \$ 4,781 \$ 214,799 \$ 233,920 \$ 233,367 \$ 444 \$ 87 \$ 687,398

Total expenditures for General and Special Revenue Funds: (9) \$ 14,816,045

LESS: Deductions and Unallowable Costs
 FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 473,728
Total Debt & Lease (6500)	(11) -
Plant Maintenance (Function 51, 6100-6400)	(12) 1,524,244
Food (Function XX, 6341 and 6499)	(13) 1,803
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	233,367
Subtotal	2,233,142

Net Allowed Direct Cost \$ 12,582,903

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15) 57,562,651
Historical Cost of Buildings over 50 years old	(16) 681,017
Amount of Federal Money in Building Cost (Net of # 16)	(17) -
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18) 2,357,101
Historical Cost of Furniture & Equipment over 16 years old	(19) 353,435
Amount of Federal Money in Furniture & Equipment (Net of # 19)	(20) -

(8) Note A - \$ 1,728 53 expenditures and \$ 194,730 Function 99 expenditures are included in this report on administrative costs.

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 334,600	\$ 334,600	\$ 263,573	\$ (71,027)
5800	State Program Revenues	4,200	4,200	6,084	1,884
5900	Federal Program Revenues	426,354	426,354	412,615	(13,739)
5020	Total Revenues	\$ 765,154	\$ 765,154	\$ 682,272	\$ (82,882)
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 765,154	\$ 765,154	\$ 682,272	\$ 82,882
	Total Support Service - Student (Pupil)	\$ 765,154	\$ 765,154	\$ 682,272	\$ 82,882
6030	Total Expenditures	\$ 765,154	\$ 765,154	\$ 682,272	\$ 82,882
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ -	\$ -
1200	Net Change in Fund Balance	\$ -	\$ -	\$ -	\$ -
0100	Fund Balance - Beginning (September 1)	16,733	16,733	16,733	-
3000	Fund Balance - Ending (August 31)	\$ 16,733	\$ 16,733	\$ 16,733	\$ -

CANTON INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2013

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 2,513,286	\$ 2,513,286	\$ 2,586,405	\$ 73,119
5800	State Program Revenues	<u>285,382</u>	<u>285,382</u>	<u>357,325</u>	<u>71,943</u>
5020	Total Revenues	<u>\$ 2,798,668</u>	<u>\$ 2,798,668</u>	<u>\$ 2,943,730</u>	<u>\$ 145,062</u>
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ 672,397	\$ 1,421,793	\$ 1,417,397	\$ 4,396
0072	Interest on Long-term Debt	2,122,271	2,122,271	2,109,464	12,807
0073	Debt Issuance Costs and Fees	<u>4,000</u>	<u>4,000</u>	<u>2,235</u>	<u>1,765</u>
	Total Debt Service	<u>\$ 2,798,668</u>	<u>\$ 3,548,064</u>	<u>\$ 3,529,096</u>	<u>\$ 18,968</u>
6030	Total Expenditures	<u>\$ 2,798,668</u>	<u>\$ 3,548,064</u>	<u>\$ 3,529,096</u>	<u>\$ 18,968</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ (749,396)</u>	<u>\$ (585,366)</u>	<u>\$ 164,030</u>
1200	Net Change in Fund Balance	\$ -	\$ (749,396)	\$ (585,366)	\$ 164,030
0100	Fund Balance - Beginning (September 1)	<u>1,498,600</u>	<u>1,498,600</u>	<u>1,498,600</u>	<u>-</u>
3000	Fund Balance - Ending (August 31)	<u>\$ 1,498,600</u>	<u>\$ 749,204</u>	<u>\$ 913,234</u>	<u>\$ 164,030</u>

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2013

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weakness in internal codes?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end?	\$ 2,865,949

FEDERAL AWARDS SECTION

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2013

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Grantor Identifying Number	(03) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
ESEA Title I Part A - Improving Basic Programs*	84.010	14610101057950	\$ 10,241
ESEA Title I Part A - Improving Basic Programs*	84.010	13610101057950	158,460
Carl Perkins Career and Technology Grant	84.048	13420006057950	11,563
ESEA Title II Part A - Teacher and Principal Training	84.367	14694501057950	4,032
ESEA Title II Part A - Teacher and Principal Training	84.367	13694501057950	62,181
ESEA Title III Part A - English Language Acquisition	84.365	13671001057950	<u>6,493</u>
Total Department of Education			<u>\$ 252,970</u>
<u>U.S. DEPARTMENT OF ENERGY</u>			
Passed through the Texas Energy Conservation Office (SECO):			
Energy Conservation for Instructional Buildings	84.041	CS-1208	<u>\$ 16,253</u>
Total Department of Energy			<u>\$ 16,253</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program	10.553	0600	\$ 84,525
National School Lunch Program	10.555	0600	290,518
USDA Food Distribution	10.550	234002A	<u>37,572</u>
Total Department of Agriculture			<u>\$ 412,615</u>
Total Expenditures of Federal Awards			<u>\$ 681,838</u>

* Denotes Major Program

See accompanying notes to the schedule of expenditures of federal awards.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2013

A. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Canton Independent School District and is presented on the modified accrual basis of accounting. Expenditures are recognized in the accounting period in which a fund liability occurs. Funds are considered earned to the extent of expenditures made.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

B. Food Distribution

Nonmonetary assistance is reported in the schedule at the fair market value of the commodities received and disbursed. No provision has been made for amounts on hand at August 31, 2013.