

CANTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2008

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, 2008

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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, 2008, 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 (attached list if necessary):

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Board of School Trustees
Canton Independent School District

Members of the Board:

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, 2008, which collectively comprise the District's basic financial statements as listed in the accompanying table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic 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, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2008, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and budgetary comparison information identified as required supplementary information are not a required part of the basic financial statements but are supplementary information. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Independent Auditor's Report - Continued

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedules identified as other supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required component of the basic financial statements. Such information, except for the fund balance and cash flow calculation worksheet which is marked "unaudited" and on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

December 17, 2008
Greenville, Texas

RUTHERFORD,
TAYLOR &
COMPANY, P.C.
Certified Public Accountants

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Greenville, Texas 75401

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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*

Board of School Trustees
Canton Independent School District

Members of the Board:

We have audited the basic 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, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 17, 2008. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's basic financial statements that are more than inconsequential will not be prevented or detected by the District's internal control.

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

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

Report on Internal Control – Continued

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of management, the Board of Trustees, the Texas Education Agency, and other grantors and is not intended to be and should not be used by anyone other than these specified parties.

December 17, 2008
Greenville, Texas

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REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of School Trustees
Canton Independent School District

Members of the Board:

Compliance

We have audited the compliance of the Canton Independent School District, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that are applicable to each of its major federal programs for the year ended August 31, 2008. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express opinions on the District's compliance based on our audit.

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 consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Canton Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2008.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Internal Control over Compliance - Continued

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program, such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

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

This report is intended solely for the information and use of management, the Board of Trustees, the Texas Education Agency, and other grantors, and is not intended to be and should not be used by anyone other than these specified parties.

December 17, 2008
Greenville, Texas

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2008

Summary of Auditor's Results

Type of Report on Financial Statements	Unqualified Opinion
Significant Deficiencies	None
Material Weakness Involving Significant Deficiencies	None
Noncompliance Material to the Financial Statements	None
Type of Report on Compliance with Major Programs	Unqualified Opinion
Findings and Questioned Costs for Federal Awards as Determined in Section .510 (a), OMB Circular A-133	None
Dollar threshold considered Between Type A and B Federal Programs	\$ 300,000
Low Risk Auditee Statements	The District was classified as a low risk auditee in the context of OMB Circular A-133
Major Federal Programs	Food Service Cluster School Breakfast Program (10.553) National School Lunch Program (10.555)
Pass-through Entity	Texas Education Agency

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2008

**Schedule
Reference
Number**

Findings

08-1

Expenditures over Appropriations

Criteria: Texas Education Code, Sections 44.002 through 44.006 establish the legal basis for budget development in school districts. No funds may be expended in any manner other than as provided in the adopted budget. The Texas Education Agency has adopted regulations that require compliance at the functional expenditure level.

Condition Found: The District overexpended functional expenditure categories during the year and at the year end.

Questioned Costs/Basis: None

Instances/Universe: Expenditures of the legally required budgeted funds are distributed into seventeen functional expenditure categories. The District overexpended one of the functional categories.

Effect: The District appears to not have been in compliance with Texas Education Code, Sections 44.002 through 44.006.

CANTON INDEPENDENT SCHOOL DISTRICT
STATUS OF PRIOR AUDIT FINDINGS
YEAR ENDED AUGUST 31, 2008

**Schedule
Reference
Number**

Prior Findings

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
YEAR ENDED AUGUST 31, 2008

**Schedule
Reference
Number**

Actions Planned

08-1

Expenditures over Appropriations

The District will continue to monitor and amend the budget where and when needed. Extra emphasis will be made to ensure year end expenditures are accurately reflected in the financial records.

Contact Person: Denise Stone, Business Manager

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2008

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, 2008. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net assets were \$ 10,510,771 at August 31, 2008.
- During the year, the District's expenses were \$ 1,121,985 less than the \$ 18,415,191 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was virtually unchanged from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$ 5,035,227.

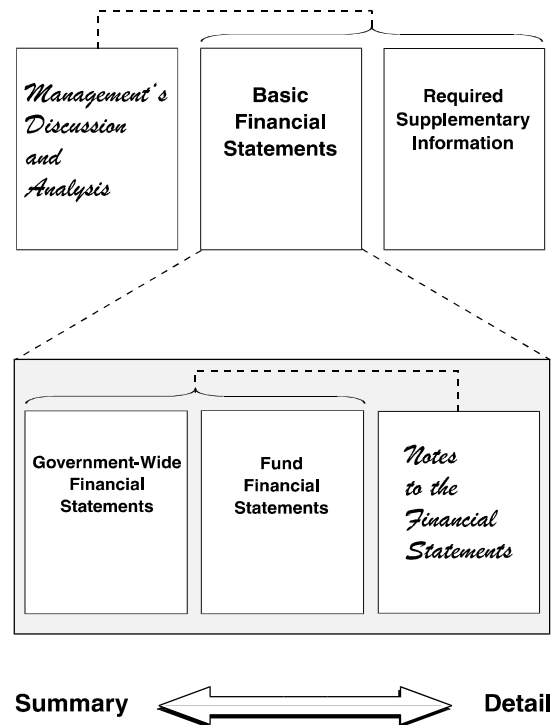
OVERVIEW OF THE FINANCIAL STATEMENTS

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.

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.

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



**CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2008**

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

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 assets 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.

<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

The two government-wide statements report the District's net assets and how they have changed. Net assets—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 assets 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 explain the relationship (or differences) between them.

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2008

- 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 assets. 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 assets were \$ 10,510,771 at August 31, 2008.

Canton Independent School District's Net Assets			Table A-1
	Governmental Activities		Total Percentage Change
	2008	2007	2007-2008
Assets:			
Cash and Cash Equivalents	\$ 13,344,434	\$ 26,970,070	-50.52%
Other Assets	2,206,054	2,326,490	-5.18%
Capital Assets less Accumulated Depreciation	45,208,154	28,619,287	57.96%
Total Assets	\$ 60,758,642	\$ 57,915,847	4.91%
Liabilities:			
Current Liabilities	\$ 4,402,596	\$ 1,961,979	124.40%
Long-term Liabilities	45,845,275	46,700,760	-1.83%
Total Liabilities	\$ 50,247,871	\$ 48,662,739	3.26%
Net Assets:			
Invested in Capital Assets, Net of Related Debt	\$ 6,760,923	\$ 5,430,876	24.49%
Restricted	955,246	880,226	8.52%
Unrestricted	2,794,602	2,942,006	-5.01%
Total Net Assets	\$ 10,510,771	\$ 9,253,108	13.59%

Approximately \$ 955,246 of the District's restricted net assets represent proceeds for debt retirement. These proceeds are restricted for debt retirement. The unrestricted net asset represents resources available to fund the programs of the District next year.

CHANGES IN NET ASSETS

The District's total revenues were \$ 18,415,191. 44% of the District's revenue comes from local property taxes (See Table A-2). 48% comes from state aid and federal grants, while only 8% relates to charges for services and other revenue sources.

The total cost of all programs and services was \$ 17,293,206. 51% of these costs are for instructional and related student support services.

The District's tax collection percentage rate (current and delinquent base tax only) was 99.37%. The total collection percentage rate (base tax and penalty and interest) was 101.18%.

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2008

GOVERNMENTAL ACTIVITIES

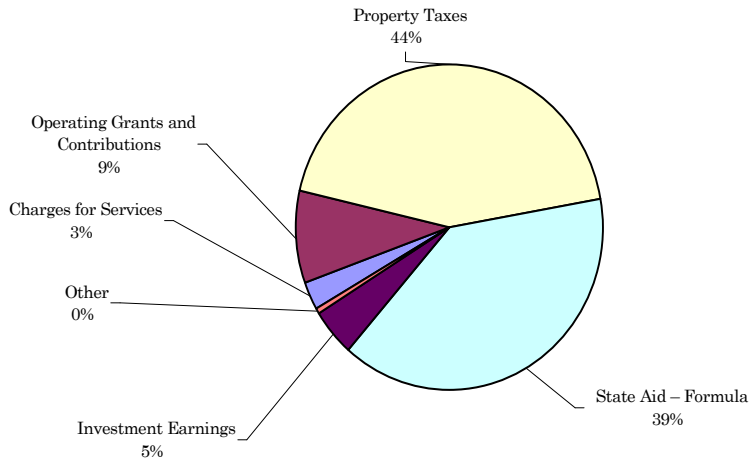
Table A-2

Changes in Canton Independent School District's Net Assets

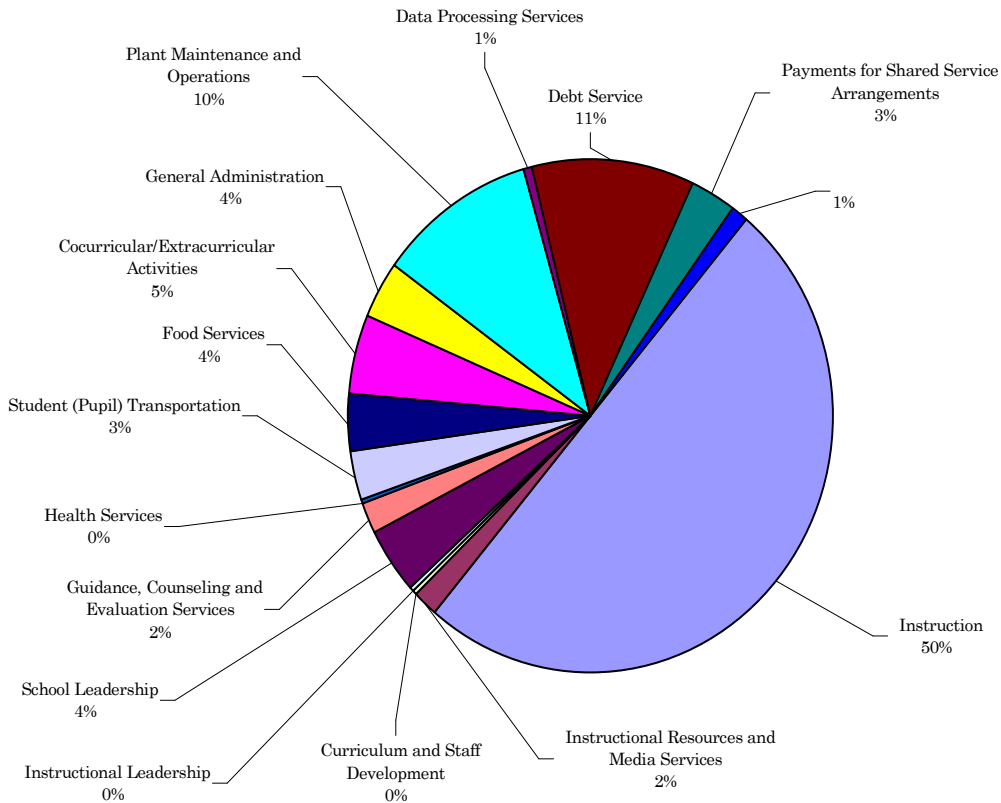
	Governmental Activities		Total Percentage Change
	2008	2007	2007-2008
Program Revenues:			
Charges for Services	\$ 487,155	\$ 571,178	-14.71%
Operating Grants and Contributions	1,691,216	1,662,608	1.72%
General Revenues:			
Property Taxes	8,054,156	8,320,253	-3.20%
State Aid – Formula	7,205,329	5,331,854	35.14%
Investment Earnings	895,193	414,189	116.13%
Other	82,142	57,495	42.87%
Total Revenues	<u>\$ 18,415,191</u>	<u>\$ 16,357,577</u>	12.58%
Expenses:			
Instruction	\$ 8,643,411	\$ 8,380,493	3.14%
Instructional Resources and Media Services	295,043	295,890	-0.29%
Curriculum and Staff Development	60,057	99,572	-39.68%
Instructional Leadership	27,826	22,283	24.88%
School Leadership	718,785	697,347	3.07%
Guidance, Counseling and Evaluation Services	358,034	353,502	1.28%
Health Services	50,103	45,122	11.04%
Student (Pupil) Transportation	496,474	443,899	11.84%
Food Services	639,333	632,453	1.09%
Cocurricular/Extracurricular Activities	876,077	817,588	7.15%
General Administration	627,749	688,975	-8.89%
Plant Maintenance and Operations	1,790,087	1,650,078	8.48%
Data Processing Services	131,984	106,467	23.97%
Debt Service	1,859,070	2,113,907	-12.06%
Payments for Shared Service Arrangements	534,173	282,021	89.41%
Other Intergovernmental Charges	185,000	-	100.00%
Total Expenses	<u>\$ 17,293,206</u>	<u>\$ 16,629,597</u>	3.99%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ 1,121,985</u>	<u>\$ (272,020)</u>	-512.46%
Increase (Decrease) in Net Assets	<u>\$ 1,121,985</u>	<u>\$ (272,020)</u>	-512.46%
Net Assets - Beginning (September 1)	\$ 9,253,108	\$ 9,581,138	-3.42%
Prior Period Adjustments	135,678	(56,010)	342.24%
Net Assets - Beginning, as restated	<u>\$ 9,388,786</u>	<u>\$ 9,525,128</u>	-1.43%
Net Assets - Ending (August 31)	<u>\$ 10,510,771</u>	<u>\$ 9,253,108</u>	13.59%

CANTON INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2008

Sources of Revenues for Fiscal Year 2008 - See Table A-2



Functional Expenses for Fiscal Year 2008 - See Table A-2



**CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2008**

- 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 \$ 17,293,206.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 8,054,156.
- Some of the cost was paid by those who directly benefited from the programs \$ 487,155, or
- By grants and contributions \$ 8,896,545.

Canton Independent School District's Net Cost of Selected District Functions							Table A-3
	<u>Total Cost of Services</u>		% Change	<u>Net Cost of Services</u>		% Change	
	2008	2007		2008	2007		
Instruction	8,643,411	8,380,493	3.14%	7,732,688	7,442,093	3.90%	
School Leadership	718,785	697,347	3.07%	692,081	672,452	2.92%	
General Administration	627,749	688,975	-8.89%	602,720	662,608	-9.04%	
Plant Maintenance and Operations	1,790,087	1,650,078	8.48%	1,714,739	1,583,883	8.26%	
Debt Service	1,859,070	2,113,907	-12.06%	1,548,890	1,692,061	-8.46%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$ 18,415,373. Any increase in state revenues is a result of an increase of students in average daily attendance. Any increase in federal revenues is primarily due to an increase in federal program revenue distributed through other agencies.

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 \$ 402,168 below final budget amounts. The most significant positive variance resulted from plant maintenance and operations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2008, the District had invested \$ 54,713,788 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-4).

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2008

Canton Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change
	2008	2007	2007-2008
Land	\$ 447,879	\$ 447,879	0.00%
Construction in Progress	16,879,282	2,288,542	100.00%
Buildings and Improvements	35,396,558	32,646,266	8.42%
Vehicles	1,424,775	1,260,231	13.06%
Equipment	565,294	559,294	1.07%
Totals at Historical Cost	\$ 54,713,788	\$ 37,202,212	47.07%
Total Accumulated Depreciation	(9,505,634)	(8,582,925)	10.75%
Net Capital Assets	<u>\$ 45,208,154</u>	<u>\$ 28,619,287</u>	57.96%

LONG TERM DEBT

At year-end the District had \$ 45,845,275 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 Long Term Debt			Table A-5
	Governmental Activities		Total Percentage Change
	2008	2007	2007-2008
Bonds Payable	\$ 41,722,914	\$ 42,522,914	-1.88%
Capital Leases Payable	66,967	97,933	-31.62%
Loans Payable	134,385	174,631	-23.05%
Other Debt Payable	3,921,009	3,905,282	0.40%
Total Debt Payable	<u>\$ 45,845,275</u>	<u>\$ 46,700,760</u>	-1.83%

ECONOMIC FACTORS

The District's property valuation continues to increase as in prior years. Local property tax rates are restricted by state statute, without local elections, to \$ 1.04 for maintenance and operation. The state funding formula was changed to provide state funds to replace the lost local property tax revenue. This change in funding could impact the District's financial operations including cash flows.

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2008

Student population has maintained a steady trend in the District. The economic outlook for the area is for growth to be relatively steady. While property values continue to rise at a comparable level, housing has expanded at a rate similar to student attendance increases. These factors allow the District to continue to maintain constant funding and staffing levels.

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 ASSETS
AUGUST 31, 2008

Data Control Codes	1 Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 13,344,434
1225 Property Taxes Receivable, Net	381,721
1240 Due from Other Governments	1,253,911
1290 Other Receivables	60,663
1410 Deferred Expenses	36,181
1420 Capitalized Bond and Other Debt Issuance Costs, Net	473,578
Capital Assets:	
1510 Land	447,879
1520 Building and Improvement, Net	27,297,062
1530 Furniture and Equipment, Net	583,931
1580 Construction in Progress	16,879,282
1000 Total Assets	\$ 60,758,642
LIABILITIES	
2110 Accounts Payable	\$ 3,988,798
2140 Interest Payable	79,843
2165 Accrued Liabilities	328,311
2300 Unearned Revenues	5,644
Noncurrent Liabilities:	
2501 Due within one year	910,055
2502 Due in more than one year	44,935,220
2000 Total Liabilities	\$ 50,247,871
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	\$ 6,760,923
Restricted For:	
3850 Debt Service	955,246
3900 Unrestricted	2,794,602
3000 Total Net Assets	\$ 10,510,771

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2008

		1	3	4	
		<u>Program Revenues</u>			Net (Expense) Revenue and Changes in Net Assets
Data				Operating	
Control			Charges for	Grants and	Governmental
Codes	Functions/Programs	Expenses	Services	Contributions	Activities
	Government Activities:				
11	Instruction	\$ 8,643,411	\$ 78,161	\$ 832,562	\$ (7,732,688)
12	Instructional Resources and Media Services	295,043	-	10,571	(284,472)
13	Curriculum and Staff Development	60,057	-	3,288	(56,769)
21	Instructional Leadership	27,826	-	9,306	(18,520)
23	School Leadership	718,785	-	26,704	(692,081)
31	Guidance, Counseling and Evaluation Services	358,034	-	13,165	(344,869)
33	Health Services	50,103	-	1,584	(48,519)
34	Student (Pupil) Transportation	496,474	-	16,448	(480,026)
35	Food Services	639,333	310,260	338,472	9,399
36	Cocurricular/Extracurricular Activities	876,077	91,559	30,670	(753,848)
41	General Administration	627,749	-	25,029	(602,720)
51	Plant Maintenance and Operations	1,790,087	7,175	68,173	(1,714,739)
53	Data Processing Services	131,984	-	5,064	(126,920)
72	Interest on Long-term Debt	1,836,978	-	310,180	(1,526,798)
73	Bond Issuance Costs and Fees	22,092	-	-	(22,092)
93	Payments for Shared Service Arrangements	534,173	-	-	(534,173)
99	Other Intergovernmental Charges	185,000	-	-	(185,000)
TG	Total Government Activities	<u>\$ 17,293,206</u>	<u>\$ 487,155</u>	<u>\$ 1,691,216</u>	<u>\$ (15,114,835)</u>
TP	Total Primary Government	<u>\$ 17,293,206</u>	<u>\$ 487,155</u>	<u>\$ 1,691,216</u>	<u>\$ (15,114,835)</u>
	General Revenues:				
MT	Property Taxes, Levied for General Purpose				\$ 5,705,800
DT	Property Taxes, Levied for Debt Service				2,348,356
IE	Investment Earnings				895,193
GC	Grants and Contributions Not Restricted to Specific Programs				7,205,329
MI	Miscellaneous				82,142
TR	Total General Revenues				<u>\$ 16,236,820</u>
CN	Change in Net Assets				<u>\$ 1,121,985</u>
NB	Net Assets - Beginning (September 1)				\$ 9,253,108
PA	Prior Period Adjustments				135,678
	Net Assets - Beginning, as restated				<u>\$ 9,388,786</u>
NE	Net Assets - Ending (August 31)				<u>\$ 10,510,771</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2008

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS					
1110 Cash and Cash Equivalents	\$ 4,306,307	\$ 512,986	\$ 8,123,676	\$ 206,414	\$ 13,149,383
1225 Property Taxes Receivable, Net	292,746	88,975	-	-	381,721
1240 Due from Other Governments	1,217,744	7,180	-	28,987	1,253,911
1260 Due from Other Funds	163,465	401,251	-	-	564,716
1290 Other Receivables	43,778	16,885	-	-	60,663
1410 Deferred Expenditures	36,181	-	-	-	36,181
1000 Total Assets	<u>\$ 6,060,221</u>	<u>\$ 1,027,277</u>	<u>\$ 8,123,676</u>	<u>\$ 235,401</u>	<u>\$ 15,446,575</u>
LIABILITIES					
Current Liabilities:					
2110 Accounts Payable	\$ 19,245	\$ -	\$ 3,917,867	\$ 11,855	\$ 3,948,967
2160 Accrued Wages Payable	306,224	-	-	15,250	321,474
2170 Due to Other Funds	401,251	-	163,465	-	564,716
2200 Accrued Expenditures	5,528	-	-	1,309	6,837
2300 Unearned Revenues	292,746	88,974	-	5,644	387,364
2000 Total Liabilities	<u>\$ 1,024,994</u>	<u>\$ 88,974</u>	<u>\$ 4,081,332</u>	<u>\$ 34,058</u>	<u>\$ 5,229,358</u>
FUND BALANCES					
Reserved Fund Balances:					
3420 Debt Service	\$ -	\$ 938,303	\$ -	\$ -	\$ 938,303
3450 Reserve for Food Service	-	-	-	19,970	19,970
3490 Other Reserves of Fund Balance	-	-	4,042,344	181,373	4,223,717
Designated Fund Balances:					
3510 Construction	950,000	-	-	-	950,000
3520 Claims and Judgements	150,000	-	-	-	150,000
3530 Capital Expenditures for Equipment	300,000	-	-	-	300,000
3590 Other Designated Fund Balance	300,000	-	-	-	300,000
3600 Unrestricted	3,335,227	-	-	-	3,335,227
3000 Total Fund Balances	<u>\$ 5,035,227</u>	<u>\$ 938,303</u>	<u>\$ 4,042,344</u>	<u>\$ 201,343</u>	<u>\$ 10,217,217</u>
4000 Total Liabilities and Fund Balances	<u>\$ 6,060,221</u>	<u>\$ 1,027,277</u>	<u>\$ 8,123,676</u>	<u>\$ 235,401</u>	<u>\$ 15,446,575</u>

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 ASSETS
 AUGUST 31, 2008

Total fund balances - Balance Sheet (governmental funds)	\$	10,217,217
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not reported in the funds.		45,208,154
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		381,720
The assets and liabilities of internal service funds are included in governmental activities in the SNA.		155,220
Payables for bond principal which are not due in the current period are not reported in the funds.		(42,947,766)
Payables for capital leases which are not due in the current period are not reported in the funds.		(66,967)
Payables for debt interest which are not due in the current period are not reported in the funds.		(79,843)
Payables for notes which are not due in the current period are not reported in the funds.		(134,385)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(2,696,157)
Other long-term assets which are not available for current-period expenditures and are deferred in the funds.		473,578
		<hr style="border-top: 1px solid black;"/>
Net assets of governmental activities - Statement of Net Assets	\$	<u><u>10,510,771</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, 2008

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES					
5700 Local and Intermediate Sources	\$ 6,110,480	\$ 2,343,429	\$ 706,318	\$ 358,601	\$ 9,518,828
5800 State Program Revenues	7,564,111	309,726	-	243,509	8,117,346
5900 Federal Program Revenues	-	-	-	779,199	779,199
5020 Total Revenues	\$ 13,674,591	\$ 2,653,155	\$ 706,318	\$ 1,381,309	\$ 18,415,373
EXPENDITURES					
Current:					
0011 Instruction	\$ 7,279,683	\$ -	\$ -	\$ 687,684	\$ 7,967,367
0012 Instructional Resources and Media Services	275,504	-	-	-	275,504
0013 Curriculum and Staff Development	59,034	-	-	1,023	60,057
0021 Instructional Leadership	19,259	-	-	8,567	27,826
0023 School Leadership	695,963	-	-	-	695,963
0031 Guidance, Counseling and Evaluation Services	278,712	-	-	62,674	341,386
0033 Health Services	41,272	-	-	-	41,272
0034 Student (Pupil) Transportation	593,214	-	-	-	593,214
0035 Food Services	-	-	-	628,762	628,762
0036 Cocurricular/Extracurricular Activities	799,334	-	-	2,000	801,334
0041 General Administration	623,804	-	-	1,094	624,898
0051 Plant Maintenance and Operations	1,782,729	-	-	-	1,782,729
0053 Data Processing Services	131,984	-	-	-	131,984
0071 Principal on Long-term Debt	71,212	800,000	-	-	871,212
0072 Interest on Long-term Debt	14,744	1,810,848	-	-	1,825,592
0073 Bond Issuance Cost and Fees	-	3,500	-	-	3,500
0081 Capital Outlay	-	-	17,341,032	-	17,341,032
0093 Payments for Shared Service Arrangements	518,724	-	-	15,449	534,173
0099 Other Intergovernmental Charges	185,000	-	-	-	185,000
6030 Total Expenditures	\$ 13,370,172	\$ 2,614,348	\$ 17,341,032	\$ 1,407,253	\$ 34,732,805
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 304,419	\$ 38,807	\$ (16,634,714)	\$ (25,944)	\$ (16,317,432)
1200 Net Changes in Fund Balances	\$ 304,419	\$ 38,807	\$ (16,634,714)	\$ (25,944)	\$ (16,317,432)
0100 Fund Balances - Beginning (September 1)	\$ 4,595,130	\$ 899,496	\$ 20,677,058	\$ 227,287	\$ 26,398,971
1300 Prior Period Adjustments	135,678	-	-	-	135,678
Fund Balances - Beginning, as restated	\$ 4,730,808	\$ 899,496	\$ 20,677,058	\$ 227,287	\$ 26,534,649
3000 Fund Balances - Ending (August 31)	\$ 5,035,227	\$ 938,303	\$ 4,042,344	\$ 201,343	\$ 10,217,217

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, 2008

Net change in fund balances - total governmental funds	\$	(16,317,431)
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the SOA.		17,511,576
The depreciation of capital assets used in governmental activities is not reported in the funds.		(922,709)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(182)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		(18,151)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		800,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.		30,966
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		40,246
Bond issuance costs and similar items are amortized in the SOA but not in the funds.		(18,592)
The accretion of interest on capital appreciation bonds is not reported in the funds.		2,424
(Increase) decrease in accrued interest expense from beginning of period to end of period.		4,341
The net revenue (expense) of internal service funds is reported with governmental activities.		9,497
		<hr style="border-top: 1px solid black;"/>
Change in net assets of governmental activities - Statement of Activities	\$	<u><u>1,121,985</u></u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
AUGUST 31, 2008

Data Control Codes		Internal Service Fund
		<u> </u>
	ASSETS	
	Current Assets:	
1110	Cash and Cash Equivalents	\$ <u>195,051</u>
	Total Current Assets	\$ <u>195,051</u>
1000	Total Assets	\$ <u>195,051</u>
	LIABILITIES	
	Current Liabilities:	
2110	Accounts Payable	\$ <u>39,831</u>
	Total Current Liabilities	\$ <u>39,831</u>
2000	Total Liabilities	\$ <u>39,831</u>
	NET ASSETS	
3900	Unrestricted Net Assets	\$ <u>155,220</u>
3000	Total Net Assets	\$ <u><u>155,220</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 ASSETS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2008

<u>Data Control Codes</u>	<u>Internal Service Fund</u>
OPERATING REVENUES	
5700 Local and Intermediate Sources	<u>\$ 60,688</u>
5020 Total Operating Revenues	<u>\$ 60,688</u>
OPERATING EXPENSES	
6400 Other Operating Costs	<u>\$ 51,191</u>
6030 Total Operating Expenses	<u>\$ 51,191</u>
1200 Change in Net Assets	\$ 9,497
0100 Total Net Assets - Beginning (September 1)	<u>145,723</u>
3300 Total Net Assets - Ending (August 31)	<u><u>\$ 155,220</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, 2008

		Internal Service Fund
Cash Flows from Operating Activities:		
Cash Receipts from Quasi-External Operating Transfers	\$	60,688
Cash Payments for Goods and Services		(56,507)
Net Cash Provided by (Used for) Operating Activities	\$	4,181
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 Cash Equivalents	\$	4,181
Cash and Cash Equivalents - Beginning (September 1)		190,870
Cash and Cash Equivalents - Ending (August 31)	\$	195,051
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$	9,497
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Increase (Decrease) in Claims Liability		(5,316)
Net Cash Provided by (Used for) Operating Activities	\$	4,181

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
AUGUST 31, 2008

Data Control Codes		Private-purpose Trust Funds	Agency Fund
<u> </u>		<u>Concord Trust</u>	<u>Student</u>
		<u>Scholarship</u>	<u>Agency</u>
	ASSETS		
1110	Cash and Cash Equivalents	\$ 712	\$ 91,898
1000	Total Assets	\$ 712	\$ 91,898
	LIABILITIES		
	Current Liabilities:		
2190	Due to Student Groups	\$ -	\$ 91,898
2000	Total Liabilities	\$ -	\$ 91,898
	NET ASSETS		
3000	Total Net Assets	\$ 712	\$ -

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2008

	Private-purpose Trust Funds
	Concord Trust Scholarship
REVENUES	
Donations	\$ 1,843
Total Revenues	\$ 1,843
EXPENSES	
Scholarship Payments	\$ 3,000
Total Expenses	\$ 3,000
Changes in Net Assets	\$ (1,157)
Net Assets - Beginning (September 1)	1,869
Net Assets - Ending (August 31)	\$ 712

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

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 assets (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, 2008

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.

Capital Projects Fund – This fund accounts for proceeds of long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions. Upon completion of a project, any unused bond proceeds are transferred to the Debt Service Fund and are used to retire related bond principal.

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:

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

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2008

A. Summary of Significant Accounting Policies (Continued)

actually received. 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, 2008

A. Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts

Cash and Cash Equivalents

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 cash equivalents if they have a maturity of three months or less when purchased.

Fund Equity

In the Fund Financial Statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. Unreserved fund balance indicates that portion which is available for appropriation in future periods. Fund balance reserves have been established for long-term debt, inventory supplies, and food service.

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

Debt Issuance Costs

Debt issuance costs are included in noncurrent assets. Unamortized premium or discounts and refunding gains or losses are reflected in net long-term obligations. Both debt issuance costs and other debts are amortized over the lives of the related debt issues using the straight line method.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

A. Summary of Significant Accounting Policies (Continued)

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.

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 assets.

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.

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, 2008

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, 2008, 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 securitized certificates of deposit issued by a bank domiciled in the State of Texas, or
- f. fully collateralized repurchase agreements.

District investments include investments 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 cash equivalents.

The Texas Local Government Investment Pool (Texpool) is managed by the Texas Comptroller of Public Accounts. The Comptroller is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate Texpool. In addition, the Texpool Advisory Board advises on Texpool's investment policy. This 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 Lone Star Investment Pool is managed by the Board of Directors of the Texas Association of School Boards. This Board is comprised of elected members of the organization. An advisory board of qualified investment members advised the directors on investment decisions.

The LOGIC Investment Pool is managed by an appointed Board of Directors. The Board is comprised of elected members of the organization. An advisory board of qualified investment members advises the Directors on investment decisions.

Investments can be categorized according to three levels of custodial credit risk. These three levels of custodial risk are as follows:

- | | |
|------------|--|
| Category 1 | Insured or registered, or securities held by the District or its agent in the District's name. |
| Category 2 | Uninsured and unregistered, with securities held by the financial institution's trust department or agency in the District's name. |
| Category 3 | Uninsured and unregistered, with securities held by the financial institution, or by its trust department or agent but not in the District's name. |

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

B. Deposits, Securities and Investments (Continued)

The following table categorizes the District's investment at August 31, 2008, using these three levels of custodial credit risk.

	<u>Category</u> <u>1</u>	<u>Category</u> <u>2</u>	<u>Category</u> <u>3</u>	<u>Fair</u> <u>Value</u>
Texpool *				\$ 927,666
LOGIC *				9,642,489
Lone Star Investment Pool *				<u>1,080,143</u>
Total				<u>\$ 11,650,298</u>

* Local government pool investments are based upon a contract and not the security itself. Therefore, these type of investments are not categorized above.

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, Terrell, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 2,102,449.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 2,061,379, and occurred during the month of August 2008.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 106,291.

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.

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.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

B. Deposits, Securities and Investments (Continued)

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 \$.431 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 592,765,580.

D. Capital Assets

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets not being depreciated:				
Land	\$ 447,879	\$ -0-	\$ -0-	\$ 447,879
Construction in Progress	2,288,542	17,288,138	2,697,398	16,879,282
Total Capital Assets not being depreciated	<u>\$ 2,736,421</u>	<u>\$ 17,288,138</u>	<u>\$ 2,697,398</u>	<u>\$ 17,327,161</u>
Capital Assets being depreciated:				
Buildings and Improvements	\$ 32,646,266	\$ 2,750,292	\$ -0-	\$ 35,396,558
Equipment	559,294	6,000	-0-	565,294
Vehicles	1,260,231	164,544	-0-	1,424,775
Total Capital Assets being depreciated	<u>\$ 34,465,791</u>	<u>\$ 2,920,836</u>	<u>\$ -0-</u>	<u>\$ 37,386,627</u>

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

D. Capital Assets (Continued)

	Beginning Balances	Increases	Decreases	Ending Balances
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 7,282,084	\$ 817,412	\$ -0-	\$ 8,099,496
Equipment	372,972	32,232	-0-	405,204
Vehicles	927,869	73,065	-0-	1,000,934
Total Accumulated Depreciation	<u>\$ 8,582,925</u>	<u>\$ 922,709</u>	<u>\$ -0-</u>	<u>\$ 9,505,634</u>
Total Capital Assets being depreciated, net	<u>\$ 25,882,866</u>	<u>\$ 1,998,127</u>	<u>\$ -0-</u>	<u>\$ 27,880,993</u>
Governmental Activities Capital Assets, net	<u>\$ 28,619,287</u>	<u>\$ 19,286,265</u>	<u>\$ 2,697,398</u>	<u>\$ 45,208,154</u>

Depreciation was charged to functions as follows:

Instruction	\$ 685,541
Instructional Resources and Media Services	19,539
School Leadership	22,822
Guidance, Counseling and Evaluation Services	16,648
Health Services	8,832
Student (Pupil) Transportation	67,804
Food Services	10,571
Cocurricular/Extracurricular Activities	74,743
General Administration	2,851
Plant Maintenance and Operations	<u>13,358</u>
Total	<u>\$ 922,709</u>

E. Long Term Obligations

Long-Term Obligation Activity

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental Activities</u>					
General Obligation Bonds	\$ 42,522,914	\$ -0-	\$ 800,000	\$ 41,722,914	\$ 835,000
Capital Leases Payable	97,933	-0-	30,966	66,967	32,615
Tax Notes Payable	174,631	-0-	40,246	134,385	42,440
Accreted Interest Payable	2,835,291	370,565	65,000	3,140,856	-0-
Unamortized Premium	1,532,841	-0-	307,989	1,224,852	-0-
Unamortized Gain (Loss)	<u>(462,850)</u>	<u>-0-</u>	<u>(18,151)</u>	<u>(444,699)</u>	<u>-0-</u>
Total Governmental Activities	<u>\$ 46,700,760</u>	<u>\$ 370,565</u>	<u>\$ 1,226,050</u>	<u>\$ 45,845,275</u>	<u>\$ 910,055</u>

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

E. Long Term Obligations (Continued)

Bonds

Bonds outstanding at August 31, 2008, are as follows:

Description	Interest Rate	Original Amount	Outstanding Balance
Unlimited Tax School Building Bonds, Series 1999	4.70%	5,206,903	\$ 3,436,903
Unlimited Tax School Building and Refunding Bonds, Series 2003	4.49%	6,575,000	6,290,000
Unlimited Tax Refunding Bonds, Series 2006	3.85%	9,330,000	9,105,000
Unlimited Tax School Building Bonds, Series 2007	4.84%	22,891,011	22,891,011
Totals			\$ 41,722,914

Debt service requirements on bonded debt at August 31, 2008, are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2009	\$ 835,000	\$ 1,775,723	\$ 2,610,723
2010	694,077	2,051,785	2,745,862
2011	661,290	2,135,909	2,797,199
2012	656,457	2,201,753	2,858,210
2013	672,397	2,184,511	2,856,908
2014-2018	3,714,327	10,574,283	14,288,610
2019-2023	6,879,366	7,406,715	14,286,081
2024-2028	6,785,000	7,497,049	14,282,049
2029-2033	10,470,000	3,816,156	14,286,156
2034-2038	10,355,000	1,067,625	11,422,625
Totals	\$ 41,722,914	\$ 40,711,509	\$ 82,434,423

Maintenance Tax Notes

The District issued maintenance tax notes in prior years. This tax maintenance note was issued under authority of Texas Education Code, Section 45.108. This tax maintenance note was issued for the purpose of paying costs incurred with the maintenance, repairs, rehabilitation or replacement of building systems of existing school properties. The maintenance tax notes were issued June 18, 2001, in the amount of \$ 383,438.

Description	Interest Rate	Issued Date	Outstanding Balance
Maintenance Tax Notes, Series 2001	5.45%	6/18/01	\$ 134,385

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

E. Long Term Obligations (Continued)

Debt service requirements on the maintenance tax notes at August 31, 2008, are as follows:

<u>Year Ending</u> <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirements</u>
2009	\$ 42,440	\$ 7,324	\$ 49,764
2010	44,753	5,011	49,764
2011	47,192	2,572	49,764
Totals	<u>\$ 134,385</u>	<u>\$ 14,907</u>	<u>\$ 149,292</u>

Capital Leases

The District is obligated under certain leases accounted for as capital leases. The leases recorded here meet the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

The following schedule lists personal property leased:

<u>Description</u>	<u>Interest</u> <u>Rate</u>	<u>Date of</u> <u>Agreement</u>	<u>Original Property</u> <u>Value</u>
Citizens National Bank – Emergency Management System	5.32%	01/20/00	\$ 273,178

The lease terms are for ten (10) years. The terms call for annual payments over the life of the lease.

The following is a schedule of the future minimum lease payments under the capitalized lease together with the present value of the net minimum lease payments as of August 31, 2008.

<u>Year Ending</u> <u>August 31</u>	<u>Annual</u> <u>Lease Payment</u>
2009	\$ 36,181
2010	<u>36,181</u>
Total Minimum Lease Payments	\$ 72,362
Less: Amount Representing Interest	<u>(5,395)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 66,697</u>

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

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

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the District's covered payroll. In certain instances, the District is required to make all or a portion of the State's 6% contribution. Contributions are not actuarially determined but are legally established each biennium by the legislature of the State of Texas. The District's employees' contributions to the System for the periods ended August 31, 2008, 2007, and 2006 were \$ 483,477, \$ 504,422, and \$ 448,608, respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2008, 2007, and 2006 were \$ 91,497, \$ 79,897, and \$ 75,191, 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 \$ 454,775 are reflected in the general fund basic financial statements.

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.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

G. School District Retiree Health Plan (Continued)

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 2008, 2007, 2006. 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 \$ 69,115 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 18,990 for subsidies for Medicare Part D.

H. Risk Management

Health Care

During the year ended August 31, 2008, 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, 2007, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Workers' Compensation

The District participates in the East Texas Educational Insurance Association Workers' Compensation Self Insurance Joint Fund. The District is partially self-funded to a loss fund maximum of \$ 78,775 for the 07-08 fiscal year. Additionally, the District incurred fixed costs of \$ 30,313 for their share of claims administration, loss control, record keeping and cost of excess insurance.

Claims administration is provided by Claims Administrative Services, Inc. Reinsurance is provided for aggregate claim losses exceeding \$ 225,000. The fixed cost charge is based on total payroll paid by the District. Increases or decreases in the fixed costs will adjust subsequent year charges.

The accrued liability for workers' compensation self insurance of \$ 39,831 included \$ 82,347 of incurred but not reported claims. This liability is based on the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues," which require that a liability for claims be reported if information indicates that it is probable that a liability has been incurred and the amount of loss can be reasonably estimated. The liability recorded is an undiscounted actuarial calculation.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

H. Risk Management (Continued)

Changes in the workers' compensation claims liability amounts in periods of 2007 and 2008 are represented below:

	<u>2008</u>	<u>2007</u>
Claims Payable - Beginning	\$ 45,147	\$ 91,398
Claims Incurred (Reduced)	670	(23,292)
Claim Payments	<u>(5,986)</u>	<u>(23,292)</u>
Claims Payable - Ending	<u>\$ 39,831</u>	<u>\$ 45,147</u>

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 2008, the District purchased commercial insurance to cover these liabilities. There were not 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 is not involved in any litigation as of August 31, 2008.

J. Prior Period Adjustments

The increase in net assets reflected on Exhibit B-1 consists of adjustments for state aid reallocations in the prior year totaling \$ 135,678.

K. 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, 2008, 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.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2008

L. 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
Van Zandt DAEP	Grand Saline Independent School District	Alternative Education
Block Grant	Region X Education Services Center	Title II Part A Title III Part A Title IV Part A Title V Part A
Vocational Cooperative	Martin Mills Independent School District	Vocational Education

M. Revenue from Local and Intermediate Sources

During the year ended August 31, 2008, the District received revenue from local and intermediate sources consisting of the following:

<u>Local Revenue Sources:</u>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property Tax Collections – Current	\$ 5,429,241	\$ 2,250,004	\$ -0-	\$ -0-	\$ 7,679,245
Property Tax Collections – Delinquent Penalties, Interest and Other	218,138	32,884	-0-	-0-	251,022
Tax-Related Income	93,390	30,678	-0-	-0-	124,068
Investment Income	210,615	29,863	654,318	399	895,195
Food Service Income	-0-	-0-	-0-	310,259	310,259
Gifts and Bequests	18,912	-0-	-0-	1,750	20,662
Extracurricular Activities	72,647	-0-	-0-	-0-	72,647
Other	67,537	-0-	52,000	46,193	165,730
Total Local Revenue	\$ 6,110,480	\$ 2,343,429	\$ 706,318	\$ 358,601	\$ 9,518,828

M. Revenue from Local and Intermediate Sources

Interfund Payables and Receivables

Interfund payables and receivable consisted of the following as of August 31, 2008:

<u>Payable Fund</u>	<u>Receivable Fund</u>	<u>Amount</u>
Capital Project Fund	General Fund	\$ 163,465
General Fund	Debt Service Fund	401,251
Total		\$ 564,716

REQUIRED SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2008

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 6,229,886	\$ 6,251,860	\$ 6,110,480	\$ (141,380)
5800	State Program Revenues	7,372,936	7,500,480	7,564,111	63,631
5020	Total Revenues	\$ 13,602,822	\$ 13,752,340	\$ 13,674,591	\$ (77,749)
EXPENDITURES					
0010	Instruction and Instructional Related Services:				
0011	Instruction	\$ 7,579,016	\$ 7,540,142	\$ 7,279,683	\$ 260,459
0012	Instructional Resources and Media Services	282,769	286,519	275,504	11,015
0013	Curriculum and Staff Development	68,963	68,963	59,034	9,929
	Total Instruction and Instr. Related Services	<u>\$ 7,930,748</u>	<u>\$ 7,895,624</u>	<u>\$ 7,614,221</u>	<u>\$ 281,403</u>
0020	Instructional and School Leadership:				
0021	Instructional Leadership	\$ 25,275	\$ 25,275	\$ 19,259	\$ 6,016
0023	School Leadership	689,028	713,985	695,963	18,022
	Total Instructional and School Leadership	<u>\$ 714,303</u>	<u>\$ 739,260</u>	<u>\$ 715,222</u>	<u>\$ 24,038</u>
0030	Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	\$ 280,429	\$ 290,429	\$ 278,712	\$ 11,717
0033	Health Services	42,614	47,614	41,272	6,342
0034	Student (Pupil) Transportation	609,623	636,623	593,214	43,409
0036	Cocurricular/Extracurricular Activities	797,159	839,844	799,334	40,510
	Total Support Services - Student (Pupil)	<u>\$ 1,729,825</u>	<u>\$ 1,814,510</u>	<u>\$ 1,712,532</u>	<u>\$ 101,978</u>
0040	Administrative Support Services:				
0041	General Administration	\$ 820,361	\$ 643,361	\$ 623,804	\$ 19,557
	Total Administrative Support Services	<u>\$ 820,361</u>	<u>\$ 643,361</u>	<u>\$ 623,804</u>	<u>\$ 19,557</u>
0050	Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	\$ 1,787,517	\$ 1,862,517	\$ 1,782,729	\$ 79,788
0053	Data Processing Services	137,621	144,621	131,984	12,637
	Total Support Services - Nonstudent Based	<u>\$ 1,925,138</u>	<u>\$ 2,007,138</u>	<u>\$ 1,914,713</u>	<u>\$ 92,425</u>
0070	Debt Service:				
0071	Principal on Long-term Debt	\$ 71,232	\$ 71,232	\$ 71,212	\$ 20
0072	Interest on Long-Term Debt	18,215	18,215	14,744	3,471
	Total Debt Service	<u>\$ 89,447</u>	<u>\$ 89,447</u>	<u>\$ 85,956</u>	<u>\$ 3,491</u>
0090	Intergovernmental Charges:				
0093	Payments for Shared Service Arrangements	\$ 393,000	\$ 398,000	\$ 518,724	\$ (120,724)
0099	Other Intergovernmental Charges		185,000	185,000	-
	Total Intergovernmental Charges	<u>\$ 393,000</u>	<u>\$ 583,000</u>	<u>\$ 703,724</u>	<u>\$ (120,724)</u>
6030	Total Expenditures	\$ 13,602,822	\$ 13,772,340	\$ 13,370,172	\$ 402,168
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ (20,000)	\$ 304,419	\$ 324,419
1200	Net Change in Fund Balance	\$ -	\$ (20,000)	\$ 304,419	\$ 324,419
0100	Fund Balance - Beginning (September 1)	\$ 4,595,130	\$ 4,595,130	\$ 4,595,130	\$ -
1300	Prior Period Adjustments	-	-	135,678	135,678
	Fund Balance - Beginning, as restated	<u>\$ 4,595,130</u>	<u>\$ 4,595,130</u>	<u>\$ 4,730,808</u>	<u>\$ 135,678</u>
3000	Fund Balance - Ending (August 31)	\$ 4,595,130	\$ 4,575,130	\$ 5,035,227	\$ 460,097

OTHER SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2008

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2007	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2008
		Maintenance	2 Debt Service							
XXXX	1999 and Prior Years	Various	Various	Various	\$ 1,272	\$ -	\$ 159	\$ 23	\$ (1)	\$ 1,089
	1999 2000	1.2772	0.2200	305,517,726	1,339	-	87	15	1	1,238
	2000 2001	1.3072	0.2200	333,032,832	2,577	-	89	15	1	2,474
	2001 2002	1.3684	0.1588	338,598,153	3,654	-	164	19	-	3,471
	2002 2003	1.4037	0.0154	356,501,670	4,017	-	(207)	(23)	(525)	3,722
	2003 2004	1.4337	0.2891	392,273,115	14,082	-	3,541	714	4,170	13,997
	2004 2005	1.4337	0.2891	414,242,454	31,251	-	9,393	1,894	3,072	23,036
	2005 2006	1.4600	0.2305	471,532,505	74,615	-	27,604	4,358	1,312	43,965
	2006 2007	1.3340	0.2200	529,880,245	291,529	-	156,860	25,869	(33,209)	75,591
	2007 2008	1.0400	0.4310	592,765,580	-	7,960,285	5,429,241	2,250,003	(25,490)	255,551
1000	TOTALS				\$ 424,336	\$ 7,960,285	\$ 5,626,931	\$ 2,282,887	\$ (50,669)	\$ 424,134

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED AUGUST 31, 2008

FUNCTION 41 AND RELATED FUNCTION 53 - 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			\$ 168,662	\$ 284,581		\$ 1,094	\$ 454,337
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		10,313					10,313
6212	Audit Services				10,350			10,350
6213	Tax Appraisal and Collection		5,641					5,641
621X	Other Prof. Services			10,549	15,625			26,174
6220	Tuition and Transfer Payments							-
6230	Education Service Centers	1,171		1,494	1,150			3,815
6240	Contr. Maint. And Repair					12,370		12,370
6250	Utilities							-
6260	Rentals				3,598			3,598
6290	Miscellaneous Contr.				7,472			7,472
6310	Operational Supplies, Materials							-
6320	Textbooks and Reading			599	381			980
6330	Testing Materials							-
63XX	Other Supplies, Materials			7,555	29,617			37,172
6410	Travel, Subsistence, Stipends			4,909	7,526			12,435
6420	Ins. And Bonding Costs				12,850			12,850
6430	Election Costs	3,161						3,161
6490	Miscellaneous Operating			8,361	23,341			31,702
6500	Debt Service							-
6600	Capital Outlay							-
TOTAL		\$ 4,332	\$ 15,954	\$ 202,129	\$ 396,491	\$ 12,370	\$ 1,094	\$ 632,370

Total expenditures for General and Special Revenue Funds: (9) \$ 14,777,424

LESS: Deductions and Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 170,994
Total Debt & Lease (6500)	(11) \$ 85,956
Plant Maintenance (Function 51, 6100-6400)	(12) \$ 1,776,729
Food (Function XX, 6341 and 6499)	(13) \$ 5,109
Stipends (6413)	(14) \$ -
Column 4 (above) - Total Indirect Cost	\$ 396,491
Subtotal	2,435,279
Net Allowed Direct Cost	\$ 12,342,145

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15) \$ 35,396,558
Historical Cost of Buildings over 50 years old	(16) \$ 368,490
Amount of Federal Money in Building Cost (Net of # 16)	(17) \$ -
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18) \$ 1,990,069
Historical Cost of Furniture & Equipment over 16 years old	(19) \$ 588,105
Amount of Federal Money in Furniture & Equipment (Net of # 19)	(20) \$ -

(8) Note A - \$ 7,472 Function 53 expenditures are included in this report on administrative costs.

CANTON INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUND AS OF AUGUST 31, 2008

“UNAUDITED”

Data Control Codes	Explanation	Amount
1.	Total General Fund Balance 8/31/08 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>5,035,227</u>
2.	Total General Fund Reserve Fund Balance (from Exhibit C-1 – total of object 3400s for the General Fund only)	\$ <u>6,375</u>
3.	Total General Fund Designated Fund Balance (from Exhibit C-1 – total of object 3500s for the General Fund only)	\$ <u>1,700,000</u>
4.	Estimate amount needed to cover fall cash flow deficits in General Fund (net of borrowed funds and funds representing deferred revenues)	\$ <u>-0-</u>
5.	Estimate of one month’s average cash disbursements during the regular school session (9/1/08 - 5/31/09)	\$ <u>1,400,000</u>
6.	Estimate of delayed payments from state sources (58XX) including August payment delay	\$ <u>1,500,000</u>
7.	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) Or District’s calculated earned state aid amount.	\$ <u>-0-</u>
8.	Estimate of delayed payments from federal sources (59XX)	\$ <u>50,000</u>
9.	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and Prior to issuance of bonds)	\$ <u>-0-</u>
10.	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	\$ <u>4,656,375</u>
11.	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (1-10)	\$ <u><u>378,852</u></u>

The District continues to experience student population growth. Excess balances will be used to offset increased expenditures due to growth.

CANTON INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2008

Data Control Codes	Budgeted Amounts			Actual	Variance with Final Budget Positive (Negative)
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 373,286	\$ 373,286	\$ 310,260	\$ (63,026)
5800	State Program Revenues	18,000	18,000	18,259	259
5900	Federal Program Revenues	295,000	295,000	320,213	25,213
5020	Total Revenues	\$ 686,286	\$ 686,286	\$ 648,732	\$ (37,554)
EXPENDITURES					
Current:					
0030	Support Services - Student (Pupil):				
0035	Food Services	\$ 686,286	\$ 686,286	\$ 628,762	\$ 57,524
	Total Support Service - Student (Pupil)	\$ 686,286	\$ 686,286	\$ 628,762	\$ 57,524
6030	Total Expenditures	\$ 686,286	\$ 686,286	\$ 628,762	\$ 57,524
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 19,970	\$ 19,970
OTHER FINANCING SOURCES (USES)					
7915	Operating Transfers In	\$ -	\$ -	\$ -	\$ -
7080	Net Other Financing Sources (Uses)	\$ -	\$ -	\$ -	\$ -
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 19,970	\$ 19,970
0100	Fund Balance - Beginning (September 1)	-	-	-	-
3000	Fund Balance - Ending (August 31)	\$ -	\$ -	\$ 19,970	\$ 19,970

CANTON INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2008

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final		Positive (Negative)	
REVENUES					
5700	Local and Intermediate Sources	\$ 2,435,456	\$ 2,435,456	\$ 2,343,429	\$ (92,027)
5800	State Program Revenues	268,544	268,544	309,726	41,182
5020	Total Revenues	\$ 2,704,000	\$ 2,704,000	\$ 2,653,155	\$ (50,845)
EXPENDITURES					
0070	Debt Service:				
0071	Principal on Long-term Debt	\$ 800,000	\$ 800,000	\$ 800,000	\$ -
0072	Interest on Long-term Debt	1,900,000	1,900,000	1,810,848	89,152
0073	Bond Issuance Costs and Fees	4,000	4,000	3,500	500
	Total Debt Service	<u>\$ 2,704,000</u>	<u>\$ 2,704,000</u>	<u>\$ 2,614,348</u>	<u>\$ 89,652</u>
6030	Total Expenditures	\$ 2,704,000	\$ 2,704,000	\$ 2,614,348	\$ 89,652
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 38,807	\$ 38,807
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 38,807	\$ 38,807
0100	Fund Balance - Beginning (September 1)	899,495	899,495	899,495	-
3000	Fund Balance - Ending (August 31)	\$ 899,495	\$ 899,495	\$ 938,302	\$ 38,807

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2008

<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 unqualified 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?	\$ 3,140,856

FEDERAL AWARDS SECTION

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2008

(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>			
Passed through the Texas Education Agency:			
ESEA Title I Part A - Improving Basic Programs	84.010A	08610101234902	\$ 329,221
ESEA Title I Part A - Improving Basic Programs	84.010A	09610101234902	13,041
ESEA Title II Part D - Enhancing Education Through Technology	84.318	08630001234902	2,785
Carl D. Perkins - Vocational Education	84.048	0842000623490210	<u>15,449</u>
Total Passed through the Texas Education Agency			<u>\$ 360,496</u>
Passed through the Education Service Center, Region X:			
ESEA Title II Part A - Teacher and Principal Training	84.367A	234-902	\$ 68,546
ESEA Title II Part A - Teacher and Principal Training	84.367A	234-902	2,233
ESEA Title III Part A - English Language Acquisition	84.365	234-902	3,529
ESEA Title IV Part A - Safe and Drug Free Schools	84.186	234-902	2,334
ESEA Title V Part A - Innovative Programs	84.298	234-902	130
SSA Career and Technology Grant	84.048	234-902	<u>21,718</u>
Total Passed through Education Service Center, Region X			<u>\$ 98,490</u>
Total Department of Education			<u>\$ 458,986</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Education Agency:			
School Breakfast Program *	10.553	7140071	\$ 72,786
National School Lunch Program *	10.555	7130071	<u>217,911</u>
Total passed through the Texas Education Agency			\$ 290,697
Passed through the Texas Department of Human Services:			
USDA Food Distribution	10.550	234002A	<u>29,516</u>
Total Department of Agriculture			<u>\$ 320,213</u>
Total Expenditures of Federal Awards			<u>\$ 779,199</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, 2008

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, 2008.