

CANTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2011

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, 2011

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibits</u>
INTRODUCTORY SECTION		
Certificate of Board.....	3	
FINANCIAL SECTION		
<u>Independent Auditor’s Reports:</u>		
Report on Basic Financial Statements	5	
Report on Compliance and Internal Controls (<i>Government Auditing Standards</i>)	7	
Report on Compliance and Internal Controls (OMB Circular A-133)	9	
Schedule of Findings and Questioned Costs	11	
Management’s Discussion and Analysis (Required Supplementary Information)	16	
<u>Basic Financial Statements:</u>		
Government-wide Financial Statements:		
Statement of Net Assets.....	25	A-1
Statement of Activities	26	B-1
Fund Financial Statements:		
Balance Sheet – Governmental Funds	27	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Assets	28	C-2
Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds.....	29	C-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	30	C-4
Statement of Net Assets – Proprietary Funds.....	31	D-1
Statement of Revenues, Expenses and Changes in		
Fund Net Assets – Proprietary Funds	32	D-2
Statement of Cash Flows – Proprietary Funds	33	D-3
Statement of Fiduciary Net Assets – Fiduciary Funds	34	E-1
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds.....	35	E-2
Notes to the Basic Financial Statements	36	F-1
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund	53	G-1
<u>Other Supplementary Information:</u>		
Schedule of Delinquent Taxes Receivable	55	J-1
Indirect Cost Computation Schedule.....	56	J-2
Budgetary Comparison Schedules Required by the Texas Education Agency:		
School Breakfast and National School Lunch Program.....	57	J-3
Debt Service Fund	58	J-4
Schedule of Required Responses to Selected School FIRST Indicators.....	59	J-5
FEDERAL AWARDS SECTION		
Schedule of Expenditures of Federal Awards	61	K-1
Notes to the Schedule of Expenditures of Federal Awards	62	K-2

CERTIFICATE OF BOARD

Canton Independent School District
Name of School District

Van Zandt
County

234-902
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and _____ **approved**/ _____ **disapproved** for the year ended August 31, 2011, at a meeting of the board of school trustees of such school district on _____.

Signature of Board Secretary

Signature of Board President

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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, 2011, 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 the 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note N to the financial statements, the District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* in 2011.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2012, 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 assessing the results of our audit.

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

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 as a whole. The schedules identified as other supplementary information identified 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 the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

January 3, 2012
Greenville, Texas

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

Board of School Trustees
Canton Independent School District

Members of the Board:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Independent School District (District) as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 3, 2012. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Report on Internal Control – Continued

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.

January 3, 2012
Greenville, Texas

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

2802 Washington Street

Greenville, Texas 75401

(903) 455-6252

Fax (903) 455-6667

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON 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 Canton Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2011. 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 an opinion 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 opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2011.

Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing 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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Internal Control over Compliance – Continued

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

The District's responses to the findings, if any, identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Board of Trustees, others within the entity, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

January 3, 2012
Greenville, Texas

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COST
 YEAR ENDED AUGUST 31, 2011

Summary of Auditor's Results (Section I)

Financial Statements –

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

Federal Awards –

Internal control over major programs: Material weaknesses identified	None
Reportable conditions identified that are not considered to be material weaknesses	None reported

Type of Auditor's report issued on compliance for major programs	Unqualified
---	-------------

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133	No
--	----

Identification of major programs	Special Education Cluster: ARRA – IDEA-B, Formula (84.391) ARRA – IDEA-B, Preschool (84.392) ARRA – Title XIV – State Fiscal Stabilization (84.314)
----------------------------------	--

Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
--	------------

Entity qualified as a low risk auditee	Yes
--	-----

Pass-through Entity	Texas Education Agency
---------------------	------------------------

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2011

Financial Statement Findings (Section II)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2011

Federal Award Findings and Questioned Costs (Section III)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2011

Prior Year Findings (Section IV)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2011

Corrective Action Plans (Section V)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

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, 2011. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

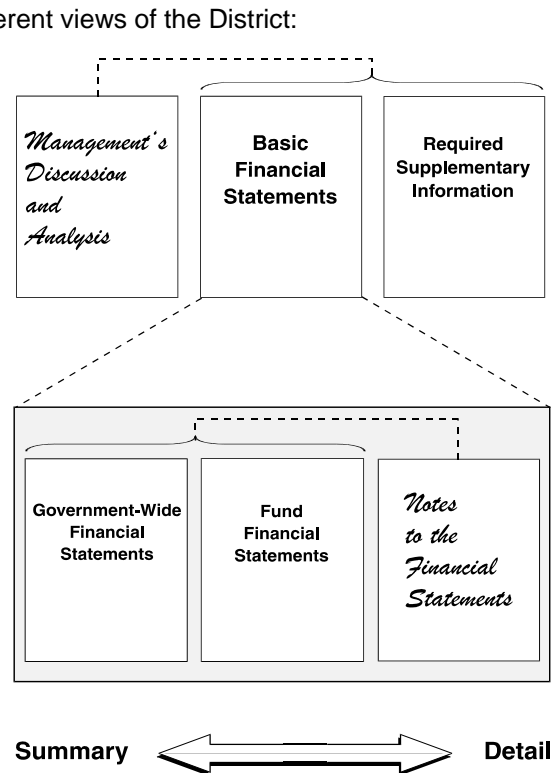
- The District's total combined net assets were \$ 10,467,611 at August 31, 2011.
- During the year, the District's expenses were \$ 196,451 more than the \$ 19,325,999 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was virtually unchanged from last year and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 6,918,549.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

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

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

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.

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 explains the relationship (or differences) between them.

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

- 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 \$ 10,467,611 at August 31, 2011.

Canton Independent School District's Net Assets			Table A-1
	Governmental Activities		Total Percentage Change
	2011	2010	2010-2011
Assets:			
Cash and Investments	\$ 8,723,678	\$ 7,416,052	17.63%
Other Assets	1,515,263	1,693,193	-10.51%
Capital Assets less Accumulated	44,537,489	46,643,495	-4.52%
Total Assets	\$ 54,776,430	\$ 55,752,740	-1.75%
Liabilities:			
Current Liabilities	\$ 769,284	\$ 683,753	12.51%
Long-term Liabilities	43,539,535	44,406,568	-1.95%
Total Liabilities	\$ 44,308,819	\$ 45,090,321	-1.73%
Net Assets:			
Invested in Capital Assets, Net of Related	\$ 4,737,402	\$ 6,121,913	-22.62%
Restricted	1,510,072	1,397,590	8.05%
Unrestricted	4,220,137	3,144,559	34.20%
Total Net Assets	\$ 10,467,611	\$ 10,664,062	-1.84%

Approximately \$ 1,497,743 of the District's restricted net assets represent funds available for debt retirement. These funds are restricted for retirement of tax supported debt. The unrestricted net asset represents resources available to fund the programs of the District next year.

CHANGES IN NET ASSETS

The District's total revenues were \$ 19,325,999. 46% of the District's revenue comes from local property taxes (See Table A-2). 51% comes from state aid and federal grants, while only 3% relates to charges for services and other revenue sources including investment income.

The total cost of all programs and services was \$ 19,522,450. 56% of these costs are for instruction and instructional related services.

The District's tax collection percentage rate (current and delinquent base tax only) was 99.28%. The total collection percentage rate (base tax and penalty and interest) was 101.17%.

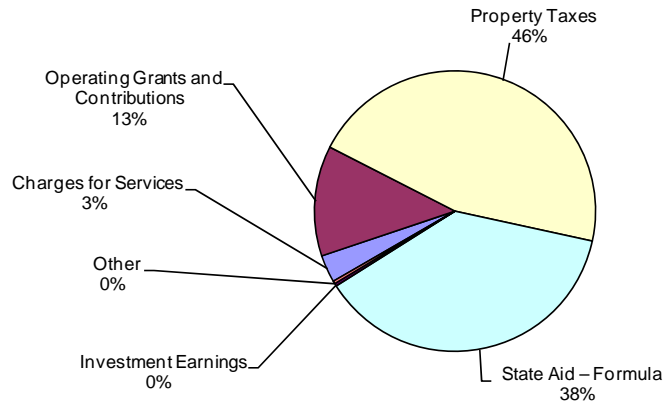
CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

GOVERNMENTAL ACTIVITIES

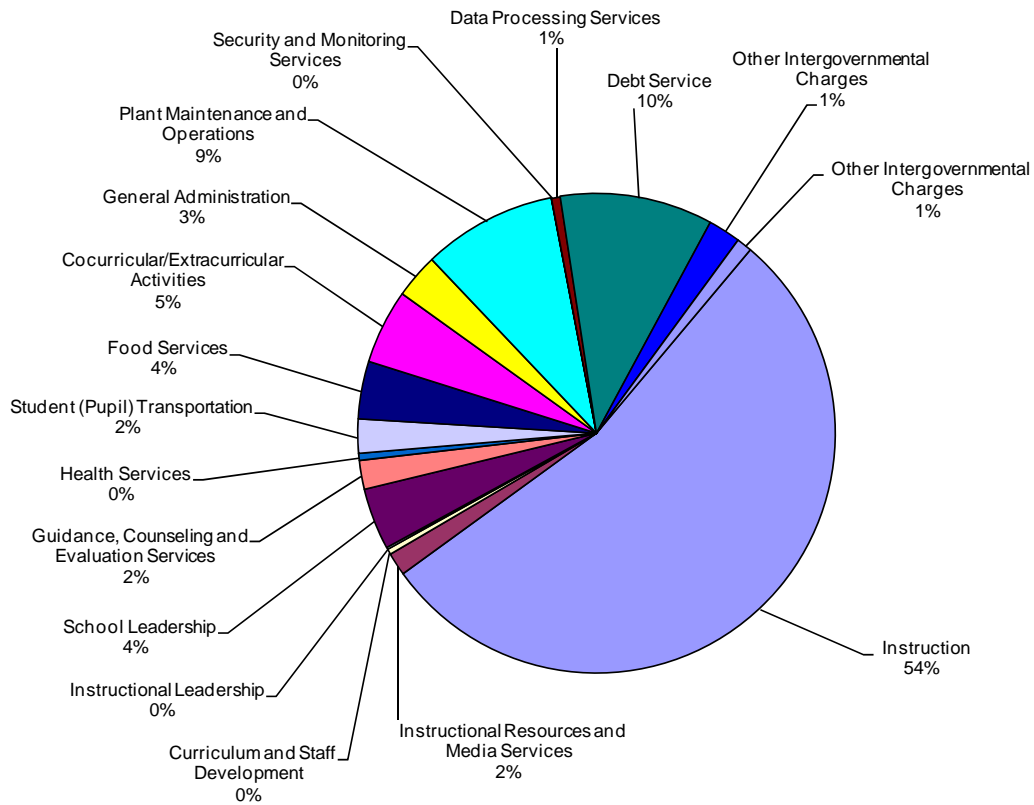
Changes in Canton Independent School District's Net Assets			Table A-2
	Governmental Activities		Total e Change
	2011	2010	2010-2011
Program Revenues:			
Charges for Services	\$ 611,025	\$ 664,370	-8.03%
Operating Grants and Contributions	2,456,228	2,520,743	-2.56%
General Revenues:			
Property Taxes	8,869,128	8,958,051	-0.99%
State Aid – Formula	7,267,383	7,245,598	0.30%
Investment Earnings	61,161	52,546	16.40%
Other	61,074	23,834	156.25%
Total Revenues	<u>\$ 19,325,999</u>	<u>\$ 19,465,142</u>	-0.71%
Expenses:			
Instruction	\$ 10,522,415	\$ 10,581,190	-0.56%
Instructional Resources and Media Services	303,024	291,668	3.89%
Curriculum and Staff Development	71,045	64,884	9.50%
Instructional Leadership	27,204	19,910	36.63%
School Leadership	812,500	685,497	18.53%
Guidance, Counseling and Evaluation Services	381,353	374,239	1.90%
Health Services	92,830	91,170	1.82%
Student (Pupil) Transportation	449,831	423,747	6.16%
Food Services	761,504	800,839	-4.91%
Cocurricular/Extracurricular Activities	983,528	1,075,858	-8.58%
General Administration	589,111	629,077	-6.35%
Plant Maintenance and Operations	1,768,362	1,733,641	2.00%
Security and Monitoring Services	1,828	-	100.00%
Data Processing Services	115,000	106,492	7.99%
Debt Service	2,012,908	2,047,121	-1.67%
Payments for Shared Service Arrangements	428,655	506,315	-15.34%
Other Intergovernmental Charges	201,352	197,934	1.73%
Total Expenses	<u>\$ 19,522,450</u>	<u>\$ 19,629,582</u>	-0.55%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ (196,451)</u>	<u>\$ (164,440)</u>	19.47%
Increase (Decrease) in Net Assets	\$ (196,451)	\$ (164,440)	19.47%
Net Assets - Beginning (September 1)	<u>10,664,062</u>	<u>10,828,502</u>	-1.52%
Net Assets - Ending (August 31)	<u>\$ 10,467,611</u>	<u>\$ 10,664,062</u>	-1.84%

CANTON INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2011

Sources of Revenues for Fiscal Year 2011 - See Table A-2



Functional Expenses for Fiscal Year 2011 - See Table A-2



CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

- 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 \$ 19,522,450.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 8,869,128.
- Some of the cost was paid by those who directly benefited from the programs \$ 611,025, or
- By grants and contributions \$ 2,456,228.

Canton Independent School District's Net Cost of Selected District Functions							Table A-3
	<u>Total Cost of Services</u>		<u>% Change</u>	<u>Net Cost of Services</u>		<u>% Change</u>	
	2011	2010		2011	2010		
Instruction	10,522,415	10,581,190	-0.56%	9,263,128	8,786,923	5.42%	
School Leadership	812,500	685,497	18.53%	775,537	654,507	18.49%	
General Administration	589,111	629,077	-6.35%	569,158	608,202	-6.42%	
Plant Maintenance and Operations	1,768,362	1,733,641	2.00%	1,246,236	1,714,643	-27.32%	
Debt Service	2,012,908	2,047,121	-1.67%	1,723,575	1,737,818	-0.82%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the governmental funds totaled \$ 19,442,754. This represents a decrease of \$ 90,252 from the prior year revenues of \$ 19,533,006. The change represents the reduction of local property tax collections during the year related to changing economic conditions in which percentages of collections decreased. A portion of the decrease relates to the loss of funding for grants that expired during the year.

Expenditures in the governmental funds totaled \$ 18,306,275. This represents a decrease of \$ 111,894 from the prior year expenditures of \$ 18,418,169. The change represents the general decrease of costs related to the operations of the District including general cost of living and other operational costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 937,666 below final budget amounts. The most significant positive variance resulted from instruction.

Resources available were \$ 72,455 above final budgeted amounts. The favorable variance was a reflection of better than expected property tax collections during the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2011, the District had invested \$ 59,511,057 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, 2011

Canton Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change 2010-2011
	2011	2010	
Land	\$ 544,007	\$ 544,007	0.00%
Buildings and Improvements	56,895,784	56,895,784	0.00%
Equipment	698,754	644,862	8.36%
Vehicles	1,372,512	1,557,245	-11.86%
Totals at Historical Cost	\$ 59,511,057	\$ 59,641,898	-0.22%
Total Accumulated Depreciation	(14,973,568)	(12,998,403)	15.20%
Net Capital Assets	<u>\$ 44,537,489</u>	<u>\$ 46,643,495</u>	-4.52%

LONG TERM DEBT

At year-end, the District had \$ 43,539,535 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 2010-2011
	2011	2010	
Bonds Payable	\$ 39,532,547	\$ 40,193,837	-1.65%
Loans Payable	-	47,192	-100.00%
Other Debt Payable	4,006,988	4,165,539	-3.81%
Total Debt Payable	<u>\$ 43,539,535</u>	<u>\$ 44,406,568</u>	-1.95%

ECONOMIC FACTORS

The District's property valuation continues to increase as it has 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 and other legislative changes continue to impact the District's financial operations, including cash flows.

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2011

Changes in the student population will continue to affect state funding. Property values and student enrollments have remained fairly level over the last three years. Any gain or loss in appraised property values will not change the total revenue received by the District under the current state funding formula; they will simply cause a shift between State and local funding with the total revenue remaining the same. Only increases in student enrollment and attendance will increase the District's overall funding.

Student attendance rates have remained fairly steady throughout the recent periods and are expected to remain at the same level moving forward. The economic outlook for the area is for growth to continue at a slow but steady level. While property values continue to rise at minimum levels, housing has not expanded at the rate similar to the north central Texas region. The District continues to monitor resources and staffing levels.

The State has reduced funding levels for the 2011-2013 biennium which will affect the revenue levels of the District. With these reductions in funding, the District has taken action to reduce expenditures for future periods. The cuts in operations as well as staff positions are expected to resolve the effects of reduced funding levels. However, some potential cash flow delays could require the District to use its available cash reserves. At period end, the District believes present cash balances are in place to withstand any potential delays.

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, 2011

Data Control Codes	1	Governmental Activities
ASSETS		
1110	Cash and Investments	\$ 8,723,678
1225	Property Taxes Receivable, Net	467,795
1240	Due from Other Governments	502,623
1250	Accrued Interest	1,533
1290	Other Receivables, Net	57,801
1410	Deferred Expenses	66,209
1420	Capitalized Bond and Other Debt Issuance Costs, Net	419,302
	Capital Assets:	
1510	Land	544,007
1520	Building and Improvement, Net	43,464,918
1530	Furniture and Equipment, Net	528,564
1000	Total Assets	\$ 54,776,430
LIABILITIES		
2110	Accounts Payable	\$ 132,339
2140	Interest Payable	70,224
2165	Accrued Liabilities	534,650
2300	Unearned Revenues	32,071
	Noncurrent Liabilities:	
2501	Due within one year	656,457
2502	Due in more than one year	42,883,078
2000	Total Liabilities	\$ 44,308,819
NET ASSETS		
3200	Invested in Capital Assets, Net of Related Debt	\$ 4,737,402
	Restricted For:	
3820	State and Federal Programs	9,571
3850	Debt Service	1,497,743
3890	Other Purposes	2,758
3900	Unrestricted	4,220,137
3000	Total Net Assets	\$ 10,467,611

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2011

Data Control Codes	1	3	4	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
11 Instruction	\$ 10,522,415	\$ 171,127	\$ 1,088,160	\$ (9,263,128)
12 Instructional Resources and Media Services	303,024	-	15,254	(287,770)
13 Curriculum and Staff Development	71,045	-	5,065	(65,980)
21 Instructional Leadership	27,204	-	2,066	(25,138)
23 School Leadership	812,500	-	36,963	(775,537)
31 Guidance, Counseling and Evaluation Services	381,353	-	19,065	(362,288)
33 Health Services	92,830	-	4,708	(88,122)
34 Student (Pupil) Transportation	449,831	-	14,603	(435,228)
35 Food Services	761,504	342,642	418,794	(68)
36 Cocurricular/Extracurricular Activities	983,528	92,176	19,867	(871,485)
41 General Administration	589,111	-	19,953	(569,158)
51 Plant Maintenance and Operations	1,768,362	5,080	517,046	(1,246,236)
52 Security and Monitoring Services	1,828	-	-	(1,828)
53 Data Processing Services	115,000	-	5,351	(109,649)
72 Interest on Long-term Debt	1,991,881	-	289,333	(1,702,548)
73 Debt Issuance Costs and Fees	21,027	-	-	(21,027)
93 Payments for Shared Service Arrangements	428,655	-	-	(428,655)
99 Other Intergovernmental Charges	201,352	-	-	(201,352)
TG Total Governmental Activities	<u>\$ 19,522,450</u>	<u>\$ 611,025</u>	<u>\$ 2,456,228</u>	<u>\$ (16,455,197)</u>
TP Total Primary Government	<u>\$ 19,522,450</u>	<u>\$ 611,025</u>	<u>\$ 2,456,228</u>	<u>\$ (16,455,197)</u>
General Revenues:				
MT Property Taxes, Levied for General Purpose				\$ 6,271,624
DT Property Taxes, Levied for Debt Service				2,597,504
IE Investment Earnings				61,161
GC Grants and Contributions Not Restricted to Specific Programs				7,267,383
MI Miscellaneous				61,074
TR Total General Revenues				<u>\$ 16,258,746</u>
CN Change in Net Assets				\$ (196,451)
NB Net Assets - Beginning (September 1)				<u>10,664,062</u>
NE Net Assets - Ending (August 31)				<u>\$ 10,467,611</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS				
1110 Cash and Investments	\$ 6,948,851	\$ 1,394,494	\$ 153,819	\$ 8,497,164
1225 Property Taxes Receivable, Net	336,026	131,769	-	467,795
1240 Due from Other Governments	387,466	24,814	90,343	502,623
1250 Accrued Interest	1,533	-	-	1,533
1290 Other Receivables, Net	40,911	16,890	-	57,801
1410 Deferred Expenditures	66,209	-	-	66,209
1000 Total Assets	<u>\$ 7,780,996</u>	<u>\$ 1,567,967</u>	<u>\$ 244,162</u>	<u>\$ 9,593,125</u>
LIABILITIES				
Current Liabilities:				
2110 Accounts Payable	\$ 16,894	\$ -	\$ 30,615	\$ 47,509
2160 Accrued Wages Payable	482,301	-	41,535	523,836
2200 Accrued Expenditures	8,686	-	2,128	10,814
2300 Unearned Revenues	354,566	131,769	13,531	499,866
2000 Total Liabilities	<u>\$ 862,447</u>	<u>\$ 131,769</u>	<u>\$ 87,809</u>	<u>\$ 1,082,025</u>
FUND BALANCES				
Nospendable Fund Balance:				
3430 Prepaid Items	\$ 66,209	\$ -	\$ -	\$ 66,209
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	-	-	9,571	9,571
3480 Retirement of Long-Term Debt	-	1,436,198	-	1,436,198
3490 Other Restrictions of Fund Balance	-	-	2,758	2,758
Committed Fund Balances:				
3510 Construction	2,500,000	-	-	2,500,000
3520 Claims and Judgements	150,000	-	-	150,000
3530 Capital Expenditures for Equipment	300,000	-	-	300,000
3545 Other Committed Fund Balance	300,000	-	144,024	444,024
Assigned Fund Balances:				
3550 Construction	750,000	-	-	750,000
3570 Capital Expenditures for Equipment	350,000	-	-	350,000
3600 Unrestricted	2,502,340	-	-	2,502,340
3000 Total Fund Balances	<u>\$ 6,918,549</u>	<u>\$ 1,436,198</u>	<u>\$ 156,353</u>	<u>\$ 8,511,100</u>
4000 Total Liabilities and Fund Balances	<u>\$ 7,780,996</u>	<u>\$ 1,567,967</u>	<u>\$ 244,162</u>	<u>\$ 9,593,125</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, 2011

Total fund balances - Balance Sheet (governmental funds)	\$	8,511,100
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.		44,537,489
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		467,795
The assets and liabilities of internal service funds are included in governmental activities in the SNA.		141,684
Payables for bond principal which are not due in the current period are not reported in the funds.		(39,532,547)
Payables for debt interest which are not due in the current period are not reported in the funds.		(70,224)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.		(4,006,988)
Other long-term assets which are not available for current-period expenditures and are deferred in the funds.		<u>419,302</u>
Net assets of governmental activities - Statement of Net Assets	\$	<u><u>10,467,611</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, 2011

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES				
5700 Local and Intermediate Sources	\$ 6,573,626	\$ 2,610,130	\$ 561,549	\$ 9,745,305
5800 State Program Revenues	7,829,695	289,333	70,628	8,189,656
5900 Federal Program Revenues	-	-	1,507,793	1,507,793
5020 Total Revenues	\$ 14,403,321	\$ 2,899,463	\$ 2,139,970	\$ 19,442,754
EXPENDITURES				
Current:				
0011 Instruction	\$ 8,008,854	\$ -	\$ 832,331	\$ 8,841,185
0012 Instructional Resources and Media Services	278,452	-	4,979	283,431
0013 Curriculum and Staff Development	70,229	-	816	71,045
0021 Instructional Leadership	26,102	-	1,102	27,204
0023 School Leadership	789,624	-	-	789,624
0031 Guidance, Counseling and Evaluation Services	364,225	-	448	364,673
0033 Health Services	83,987	-	-	83,987
0034 Student (Pupil) Transportation	374,456	-	-	374,456
0035 Food Services	-	-	756,584	756,584
0036 Cocurricular/Extracurricular Activities	767,445	-	4,603	772,048
0041 General Administration	578,807	-	10,302	589,109
0051 Plant Maintenance and Operations	1,254,437	-	501,776	1,756,213
0052 Security and Monitoring Services	1,828	-	-	1,828
0053 Data Processing Services	115,000	-	-	115,000
0071 Principal on Long-term Debt	47,192	661,290	-	708,482
0072 Interest on Long-term Debt	2,555	2,135,909	-	2,138,464
0073 Debt Issuance Cost and Fees	-	2,935	-	2,935
0093 Payments for Shared Service Arrangements	428,655	-	-	428,655
0099 Other Intergovernmental Charges	201,352	-	-	201,352
6030 Total Expenditures	\$ 13,393,200	\$ 2,800,134	\$ 2,112,941	\$ 18,306,275
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ 1,010,121	\$ 99,329	\$ 27,029	\$ 1,136,479
OTHER FINANCING SOURCES (USES)				
7912 Sale of Real or Personal Property	\$ 1,225	\$ -	\$ -	\$ 1,225
7080 Net Other Financing Sources (Uses)	\$ 1,225	\$ -	\$ -	\$ 1,225
1200 Net Changes in Fund Balances	\$ 1,011,346	\$ 99,329	\$ 27,029	\$ 1,137,704
0100 Fund Balances - Beginning (September 1)	5,907,203	1,336,869	129,324	7,373,396
3000 Fund Balances - Ending (August 31)	\$ 6,918,549	\$ 1,436,198	\$ 156,353	\$ 8,511,100

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, 2011

Net change in fund balances - total governmental funds	\$	1,137,704
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the SOA.		53,892
The depreciation of capital assets used in governmental activities is not reported in the funds.		(2,159,898)
Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds.		(1,225)
The gain or loss on the sale of capital assets is not reported in the funds.		1,225
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(10,635)
Revenues in the SOA not providing current financial resources are not reported as revenue in the funds.		(107,345)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		31,104
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		661,290
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		47,192
Bond issuance costs and similar items are amortized in the SOA but not in the funds.		(18,092)
The accretion of interest on capital appreciation bonds is not reported in the funds.		113,832
(Increase) decrease in accrued interest expense from beginning of period to end of period.		1,647
The net revenue (expense) of internal service funds is reported with governmental activities.		39,243
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		<u>13,615</u>
Change in net assets of governmental activities - Statement of Activities	\$	<u>(196,451)</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUNDS
AUGUST 31, 2011

Data Control Codes		Internal Service Fund
		<u> </u>
	ASSETS	
	Current Assets:	
1110	Cash and Investments	\$ <u>226,514</u>
	Total Current Assets	\$ <u>226,514</u>
1000	Total Assets	\$ <u>226,514</u>
	LIABILITIES	
	Current Liabilities:	
2110	Accounts Payable	\$ <u>84,830</u>
	Total Current Liabilities	\$ <u>84,830</u>
2000	Total Liabilities	\$ <u>84,830</u>
	NET ASSETS	
3900	Unrestricted Net Assets	\$ <u>141,684</u>
3000	Total Net Assets	\$ <u><u>141,684</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, 2011

Data Control Codes	Internal Service Fund
OPERATING REVENUES	
5700 Local and Intermediate Sources	\$ 108,595
5020 Total Operating Revenues	\$ 108,595
OPERATING EXPENSES	
6400 Other Operating Costs	\$ 69,352
6030 Total Operating Expenses	\$ 69,352
1200 Change in Net Assets	\$ 39,243
0100 Total Net Assets - Beginning (September 1)	102,441
3300 Total Net Assets - Ending (August 31)	\$ 141,684

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2011

		Internal Service Fund
Cash Flows from Operating Activities:		
Cash Receipts from Operating Interest	\$	16
Cash Receipts from Quasi-External Operating Transfers		108,579
Cash Payments for Claims		(41,061)
Cash Payments for Reinsurance and Administration		(26,437)
		(26,437)
Net Cash Provided by (Used for) Operating Activities	\$	41,097
		41,097
Cash Flows from Capital and Other Related Financing Activities:		
NONE		
Cash Flows from Noncapital Financing Activities:		
NONE		
Cash Flows from Investing Activities:		
NONE		
Net Increase (Decrease) in Cash and Investments	\$	41,097
Cash and Investments - Beginning (September 1)		185,417
		185,417
Cash and Investments - Ending (August 31)	\$	226,514
		226,514
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income (Loss)	\$	39,243
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Increase (Decrease) in Claims Liability		1,854
		1,854
Net Cash Provided by (Used for) Operating Activities	\$	41,097
		41,097

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS
AUGUST 31, 2011

Data Control Codes		Private-Purpose Trust Funds	Agency Fund
		Hurley Scholarship	Student Agency
	ASSETS		
1110	Cash and Investments	\$ 10,426	\$ 84,238
1000	Total Assets	\$ 10,426	\$ 84,238
	LIABILITIES		
	Current Liabilities:		
2190	Due to Student Groups	\$ -	\$ 84,238
2000	Total Liabilities	\$ -	\$ 84,238
	NET ASSETS		
3850	Held in Trust	\$ 10,426	\$ -
3000	Total Net Assets	\$ 10,426	\$ -

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, 2011

	Private-purpose Trust Funds
	Hurley Scholarship
REVENUES	
Donations	\$ 4,850
Total Revenues	\$ 4,850
 EXPENSES	
Scholarship Payments	\$ 500
Total Expenses	\$ 500
Changes in Net Assets	\$ 4,350
Net Assets - Beginning (September 1)	6,076
Net Assets - Ending (August 31)	\$ 10,426

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

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, 2011

A. Summary of Significant Accounting Policies (Continued)

The District reports the following major governmental funds:

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

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

In addition, the District reports the following fund types:

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

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

b. Measurement Focus – Basis of Accounting

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies (Continued)

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

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

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

3. Budgetary Data

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

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

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

4. Encumbrance Accounting

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts

Cash and Investments

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

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

Fund Equity

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

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

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

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

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

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

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

A. Summary of Significant Accounting Policies (Continued)

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

	General Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable				
Prepays	\$ 66,209	\$ -	\$ -	\$ 66,209
Restricted				
Child Nutrition Program	-	-	7,654	7,654
Technology Allotment	-	-	483	483
Advanced Placement Incentives	-	-	1,434	1,434
Retirement of Long Term Debt	-	1,436,198	-	1,436,198
Scholarship Funds	-	-	1,330	1,330
Other Restricted Balances	-	-	1,428	1,428
Committed				
Construction	2,500,000	-	-	2,500,000
Claims and Judgements	150,000	-	-	150,000
Capital Expenditures for Equipment	300,000	-	-	300,000
Major Maintenance	300,000	-	-	300,000
Campus Activity Funds	-	-	144,024	144,024
Assigned				
Construction	750,000	-	-	750,000
Capital Expenditures for Equipment	350,000	-	-	350,000
Unassigned	2,502,340	-	-	2,502,340
Totals	<u>\$ 6,918,549</u>	<u>\$ 1,436,198</u>	<u>\$ 156,353</u>	<u>\$ 8,511,100</u>

Inventories

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

Capital Assets

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

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

Asset Class	Estimated Useful Lives
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, 2011

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, 2011

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, 2011, it appears all District cash deposits were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. The District's deposits appear to have been properly secured throughout the fiscal year.

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

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

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

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

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

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

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

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

B. Deposits, Securities and Investments (Continued)

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

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

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

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

The following table identifies the District's investment at August 31, 2011:

	<u>Credit Rating</u>	<u>Fair Value</u>
TexPool	AAAM	\$ 135,989
Lone Star Investment Pool	AAAM	3,220,548
LOGIC	AAAM	133,765
Certificate of Deposit	n/a	<u>2,000,000</u>
Total		<u>\$ 5,490,302</u>

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

- a. Name of bank: American National Bank of Texas, Canton, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 8,098,051.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 7,139,465, and occurred during the month of January, 2011.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 500,000.

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

a. Credit Risk

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

B. Deposits, Securities and Investments (Continued)

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

C. Property Taxes

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

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

The District levied taxes on property within the District at \$ 1.04 to fund general operations and \$ 0.431 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 596,685,244.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

D. Capital Assets

Capital asset activities during the year ended August 31, 2011 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 544,007	\$ -	\$ -	\$ 544,007
Total Capital Assets not being Depreciated	\$ 544,007	\$ -	\$ -	\$ 544,007
Capital Assets being Depreciated:				
Building and Improvements	\$ 56,895,784	\$ -	\$ -	\$ 56,895,784
Equipment	644,862	53,892	-	698,754
Vehicles	1,557,245	-	184,733	1,372,512
Total Capital Assets being Depreciated	\$ 59,097,891	\$ 53,892	\$ 184,733	\$ 58,967,050
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 11,392,916	\$ 2,037,950	\$ -	\$ 13,430,866
Equipment	486,048	45,937	-	531,985
Vehicles	1,119,439	76,011	184,733	1,010,717
Total Accumulated Depreciation	\$ 12,998,403	\$ 2,159,898	\$ 184,733	\$ 14,973,568
Total Capital Assets being Depreciated, Net	\$ 46,099,488	\$ (2,106,006)	\$ -	\$ 43,993,482
Governmental Activities Capital Assets, Net	\$ 46,643,495	\$ (2,106,006)	\$ -	\$ 44,537,489

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,787,980
Instructional Resources and Media Services	19,593
School Leadership	22,876
Guidance, Counseling and Evaluation Services	16,680
Health Services	8,843
Student (Pupil) Transportation	75,375
Food Services	4,920
Cocurricular/Extracurricular Activities	211,480
General Administration	2
Plant Maintenance and Operations	12,149
Total	\$ 2,159,898

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

E. Long Term Obligations

Long-Term Obligation Activity

Long-term obligation activities during the year ended August 31, 2011 were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 40,193,837	\$ -	\$ 661,290	\$ 39,532,547	\$ 656,457
Loans Payable	47,192	-	47,192	-	-
Accreted Interest Payable	3,433,978	334,878	448,710	3,320,146	-
Unamortized Premium (Discount)	1,126,342	-	49,255	1,077,087	-
Unamortized Refunding (Gain) Loss	(408,397)	-	(18,152)	(390,245)	-
Sick Leave Payable	13,615	-	13,615	-	-
Total Governmental Activities	<u>\$ 44,406,567</u>	<u>\$ 334,878</u>	<u>\$ 1,201,910</u>	<u>\$ 43,539,535</u>	<u>\$ 656,457</u>

Bonds

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

Bonds outstanding at August 31, 2011, are as follows:

Description	Interest Rate	Original Amount	Outstanding Balances
Unlimited Tax School Building Bonds, Series 1999	4.70%	\$ 5,206,903	\$ 2,063,715
Unlimited Tax School Building and Refunding Bonds, Series 2003	4.49%	6,575,000	5,905,000
Unlimited Tax Refunding Bonds, Series 2006	3.85%	9,330,000	8,915,000
Unlimited Tax School Building Bonds, Series 2007	4.84%	22,891,011	22,648,832
Totals			<u>\$ 39,532,547</u>

Maturity requirements on bonded debt at August 31, 2011, are as follows:

Year Ending August 31	Principal	Interest	Total Requirements
2011	\$ 656,457	\$ 2,201,753	\$ 2,858,210
2012	672,397	2,184,511	2,856,908
2013	667,484	2,190,773	2,858,257
2014	758,159	2,100,683	2,858,842
2015	738,899	2,119,818	2,858,717
2016-2020	5,449,151	8,839,158	14,288,309
2021-2025	6,185,000	8,090,665	14,275,665
2026-2030	9,580,000	4,710,140	14,290,140
2031-2035	12,040,000	2,240,966	14,280,966
2036-2040	2,785,000	69,624	2,854,624
Totals	<u>\$ 39,532,547</u>	<u>\$ 34,748,091</u>	<u>\$ 74,280,638</u>

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

F. Pension Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. State law provided for a member contribution rate of 6.4% for fiscal year 2011, 2010 and 2009, and a state contribution rate of 6.644% for fiscal years 2011 and 2010 and 6.58% for fiscal year 2009. In certain instances the reporting district is required to make all or a portion of the state's 6.644% contribution, limited to 6.4% for the period of September through December 2009. The District's employees' contributions to the System for the periods ended August 31, 2011, 2010 and 2009 were \$ 551,756, \$ 543,415, and \$ 533,517, respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2011, 2010 and 2009 were \$ 97,925, \$ 91,802, and \$ 97,986, 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 \$ 489,185 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, 2011

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 2011, 2010 and 2009. 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 \$ 73,629 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 23,844 for subsidies for Medicare Part D.

H. Risk Management

Health Care

During the year ended August 31, 2011, 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, 2010, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

During the year ended August 31, 2011, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Local Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2010, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

H. Risk Management (Continued)

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 \$ 77,805 for the 10-11 fiscal year. Additionally, the District incurred fixed costs of \$ 25,260 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 \$ 84,830 included \$ 60,294 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.

Changes in the workers' compensation claims liability amounts in periods of 2011 and 2010 are represented below:

	<u>2011</u>	<u>2010</u>
Beginning Claims Liability	\$ 82,976	\$ 42,267
Claims Incurred (Reduced)	42,915	78,605
Claim Payments	<u>(41,061)</u>	<u>(37,896)</u>
Ending Claims Liability	<u>\$ 84,830</u>	<u>\$ 82,976</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 2011, 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 does not appear to be involved in any litigation as of August 31, 2011.

J. Commitments and Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2011, 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, 2011

K. Shared Service Arrangements

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

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

L. Revenue from Local and Intermediate Sources

During the year ended August 31, 2011, the District received revenue from local and intermediate sources consisting of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Totals
Property Tax Collections	\$ 6,282,929	\$ 2,596,833	\$ -	\$ 8,879,762
Investment Income	45,662	13,297	2,201	61,160
Food Service Income	-	-	342,641	342,641
Gifts and Bequests	12,250	-	3,207	15,457
Cocurricular/Extracurricular Activities	79,926	-	213,449	293,375
Tuition and Fees	26,999	-	-	26,999
Miscellaneous	125,860	-	51	125,911
Total Local Revenues	\$ 6,573,626	\$ 2,610,130	\$ 561,549	\$ 9,745,305

M. Receivables

Receivables at August 31, 2011, for the District's individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General Fund	Debt Service Fund	Other Governmental Funds	Totals
Due from Other Governments	\$ 387,466	\$ 24,814	\$ 90,343	\$ 502,623
Property Taxes Receivable	373,362	146,410	-	519,772
Less: Allowance for Uncollectible				
Property Taxes	(37,336)	(14,641)	-	(51,977)
Other Receivables	42,444	16,890	-	59,334
Net Receivables	\$ 765,936	\$ 173,473	\$ 90,343	\$ 1,029,752

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011

N. Change in Accounting Principle

The District implemented Governmental Accounting Standard Board Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions* during the year. The Statement applies to the governmental fund types and reclassifies the beginning of year fund balances to reflect the appropriate nonspendable, restricted, committed, assigned and unassigned classifications. Note A provides the definitions and disclosures required by the new pronouncement.

O. Subsequent Events

The District's management has evaluated subsequent events through January 3, 2012, the date which the financial statements were available for use.

REQUIRED SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700	\$ 6,440,778	\$ 6,518,028	\$ 6,573,626	\$ 55,598
5800	7,767,838	7,812,838	7,829,695	16,857
5020 Total Revenues	\$ 14,208,616	\$ 14,330,866	\$ 14,403,321	\$ 72,455
EXPENDITURES				
Instruction and Instructional Related Services:				
0011	\$ 8,371,917	\$ 8,474,848	\$ 8,008,854	\$ 465,994
0012	284,228	283,228	278,452	4,776
0013	76,472	76,472	70,229	6,243
	\$ 8,732,617	\$ 8,834,548	\$ 8,357,535	\$ 477,013
Instructional and School Leadership:				
0021	\$ 28,327	\$ 28,327	\$ 26,102	\$ 2,225
0023	802,959	802,959	789,624	13,335
	\$ 831,286	\$ 831,286	\$ 815,726	\$ 15,560
Support Services - Student (Pupil):				
0031	\$ 360,359	\$ 366,359	\$ 364,225	\$ 2,134
0033	89,946	88,946	83,987	4,959
0034	432,021	432,716	374,456	58,260
0035	2,491	2,491	-	2,491
0036	858,756	870,136	767,445	102,691
	\$ 1,743,573	\$ 1,760,648	\$ 1,590,113	\$ 170,535
Administrative Support Services:				
0041	\$ 616,012	\$ 616,012	\$ 578,807	\$ 37,205
	\$ 616,012	\$ 616,012	\$ 578,807	\$ 37,205
Support Services - Nonstudent Based:				
0051	\$ 1,397,282	\$ 1,397,282	\$ 1,254,437	\$ 142,845
0052	5,000	5,000	1,828	3,172
0053	115,227	118,471	115,000	3,471
	\$ 1,517,509	\$ 1,520,753	\$ 1,371,265	\$ 149,488
Debt Service:				
0071	\$ 44,773	\$ 44,773	\$ 47,192	\$ (2,419)
0072	6,000	6,000	2,555	3,445
0073	1,000	1,000	-	1,000
	\$ 51,773	\$ 51,773	\$ 49,747	\$ 2,026
Intergovernmental Charges:				
0093	\$ 505,000	\$ 505,000	\$ 428,655	\$ 76,345
0099	210,846	210,846	201,352	9,494
	\$ 715,846	\$ 715,846	\$ 630,007	\$ 85,839
6030 Total Expenditures	\$ 14,208,616	\$ 14,330,866	\$ 13,393,200	\$ 937,666
1100				
	\$ -	\$ -	\$ 1,010,121	\$ 1,010,121
OTHER FINANCING SOURCES (USES)				
7912	\$ -	\$ -	\$ 1,225	\$ 1,225
7080 Net Other Financing Sources (Uses)	\$ -	\$ -	\$ 1,225	\$ 1,225
1200	\$ -	\$ -	\$ 1,011,346	\$ 1,011,346
0100	5,907,203	5,907,203	5,907,203	-
3000 Fund Balance - Ending (August 31)	\$ 5,907,203	\$ 5,907,203	\$ 6,918,549	\$ 1,011,346

OTHER SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2011

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates Maintenance	2 Debt Service	3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2010	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2011
XXXX	2002 and Prior Years	Various	Various	Various	\$ 7,438	\$ -	\$ 227	\$ 26	\$ (1,253)	\$ 5,932
2002	2003	1.4037	0.0154	356,501,670	2,871	-	326	36	(728)	1,781
2003	2004	1.4337	0.2891	392,273,115	6,181	-	1,423	287	(1,432)	3,039
2004	2005	1.4337	0.2891	414,242,454	10,104	-	2,474	499	(1,666)	5,465
2005	2006	1.4600	0.2305	471,532,505	14,051	-	3,750	592	(2,513)	7,196
2006	2007	1.3340	0.2200	529,880,245	26,764	-	8,021	1,323	(2,872)	14,548
2007	2008	1.0400	0.4310	541,147,859	48,369	-	11,122	4,609	(2,597)	30,041
2008	2009	1.0400	0.4310	572,939,973	110,383	-	32,450	13,448	(3,455)	61,030
2009	2010	1.0400	0.4310	601,881,033	305,427	-	123,368	51,026	(11,663)	119,370
2010	2011	1.0400	0.4310	596,685,244	-	8,777,240	5,980,284	2,478,358	(47,228)	271,370
1000	TOTALS				\$ 531,588	\$ 8,777,240	\$ 6,163,445	\$ 2,550,204	\$ (75,407)	\$ 519,772

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST
 GENERAL AND SPECIAL REVENUE FUNDS
 YEAR ENDED AUGUST 31, 2011

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	\$ -	\$ -	\$ 199,997	\$ 255,811	\$ -	\$ -	\$ 455,808
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)							-
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)							-
6211	Legal Services					1,923		1,923
6212	Audit Services				11,550			11,550
6213	Tax Appraisal and Collection		208,579					208,579
621X	Other Prof. Services			15,391	7,888			23,279
6220	Tuition and Transfer Payments							-
6230	Education Service Centers			800	1,906			2,706
6240	Contr. Maint. And Repair					3,625		3,625
6250	Utilities							-
6260	Rentals				9,399			9,399
6290	Miscellaneous Contr.				9,986			9,986
6310	Operational Supplies, Materials							-
6320	Textbooks and Reading			498	239			737
6330	Testing Materials							-
63XX	Other Supplies, Materials			18,848	4,384			23,232
6410	Travel, Subsistence, Stipends			4,056	3,036		355	7,447
6420	Ins. And Bonding Costs				6,844			6,844
6430	Election Costs	4,837						4,837
6490	Miscellaneous Operating			15,363	20,566			35,929
6500	Debt Service							-
6600	Capital Outlay							-
TOTAL		\$ 4,837	\$ 208,579	\$ 254,953	\$ 331,609	\$ 5,548	\$ 355	\$ 805,881

Total expenditures for General and Special Revenue Funds: (9) \$ 15,506,141

LESS: Deductions and Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10) \$ 69,142
Total Debt & Lease (6500)	(11) 49,747
Plant Maintenance (Function 51, 6100-6400)	(12) 1,745,463
Food (Function XX, 6341 and 6499)	(13) 2,136
Stipends (6413)	(14) -
Column 4 (above) - Total Indirect Cost	331,609
Subtotal	2,198,097
Net Allowed Direct Cost	\$ 13,308,044

CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15) 56,895,784
Historical Cost of Buildings over 50 years old	(16) 456,541
Amount of Federal Money in Building Cost (Net of # 16)	(17) -
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18) 2,071,266
Historical Cost of Furniture & Equipment over 16 years old	(19) 517,443
Amount of Federal Money in Furniture & Equipment (Net of # 19)	(20) -

(8) Note A - \$ 15,420 Function 53 expenditures and \$ 201,352 Function 99 expenditures are included in this report on administrative costs.

CANTON INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final		Positive (Negative)	
REVENUES					
5700	Local and Intermediate Sources	\$ 340,438	\$ 340,438	\$ 343,132	\$ 2,694
5800	State Program Revenues	5,300	5,300	6,664	1,364
5900	Federal Program Revenues	429,000	429,000	412,130	(16,870)
5020	Total Revenues	\$ 774,738	\$ 774,738	\$ 761,926	\$ (12,812)
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 774,738	\$ 774,738	\$ 754,272	\$ 20,466
	Total Support Service - Student (Pupil)	\$ 774,738	\$ 774,738	\$ 754,272	\$ 20,466
6030	Total Expenditures	\$ 774,738	\$ 774,738	\$ 754,272	\$ 20,466
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ -	\$ -	\$ 7,654	\$ 7,654
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 7,654	\$ 7,654
0100	Fund Balance - Beginning (September 1)	-	-	-	-
3000	Fund Balance - Ending (August 31)	\$ -	\$ -	\$ 7,654	\$ 7,654

CANTON INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final		Positive (Negative)	
REVENUES					
5700	Local and Intermediate Sources	\$ 2,501,537	\$ 2,501,537	\$ 2,610,130	\$ 108,593
5800	State Program Revenues	207,862	207,862	289,333	81,471
5020	Total Revenues	\$ 2,709,399	\$ 2,709,399	\$ 2,899,463	\$ 190,064
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ 661,290	\$ 661,290	\$ 661,290	\$ -
0072	Interest on Long-term Debt	2,135,909	2,135,909	2,135,909	-
0073	Debt Issuance Costs and Fees	4,000	4,000	2,935	1,065
	Total Debt Service	<u>\$ 2,801,199</u>	<u>\$ 2,801,199</u>	<u>\$ 2,800,134</u>	<u>\$ 1,065</u>
6030	Total Expenditures	\$ 2,801,199	\$ 2,801,199	\$ 2,800,134	\$ 1,065
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	\$ (91,800)	\$ (91,800)	\$ 99,329	\$ 191,129
1200	Net Change in Fund Balance	\$ (91,800)	\$ (91,800)	\$ 99,329	\$ 191,129
0100	Fund Balance - Beginning (September 1)	1,336,869	1,336,869	1,336,869	-
3000	Fund Balance - Ending (August 31)	\$ 1,245,069	\$ 1,245,069	\$ 1,436,198	\$ 191,129

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2011

<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?	\$ 3,320,146

FEDERAL AWARDS SECTION

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

(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	84.010	10610101234902	\$ 7,258
ARRA - ESEA Title I Part A	84.398	10551001234902	3,984
ARRA - ESEA Title II Part D - Technology	84.386	10553001234902	95
Title XIV - State Fiscal Stabilization*	84.394	10557001234902	39,523
Title XIV - State Fiscal Stabilization*	84.394	11557001234902	555,573
Education Jobs Fund	84.410	11550101234902	<u>26,296</u>
Total Passed through the Texas Education Agency			<u>\$ 632,729</u>
Passed through the Edgewood Independent School District:			
ARRA - IDEA B Formula*	84.391	10554001234903	\$ 166,498
ARRA - IDEA B Preschool*	84.392	10555001234903	<u>4,220</u>
Total Passed through the Edgewood Independent School District			<u>\$ 170,718</u>
Passed through the Education Service Center, Region X:			
ESEA Title I Part A - Improving Basic Programs	84.010	11610101057950	\$ 203,097
ESEA Title I Part A - Improving Basic Programs	84.010	12610101057950	18,186
Carl Perkins Career and Technology Grant	84.048	11420006057950	11,449
Carl Perkins Career and Technology Grant	84.048	12420006057950	812
ESEA Title II Part A - Teacher and Principal Training	84.367	11694501057950	52,851
ESEA Title III Part A - English Language Acquisition	84.365	11671001057950	5,373
ESEA Title IV Part A - Safe and Drug Free Schools	84.186	11691001057950	<u>448</u>
Total Passed through Education Service Center, Region X			<u>\$ 292,216</u>
Total Department of Education			<u>\$ 1,095,663</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program	10.553	71401101	\$ 91,433
National School Lunch Program	10.555	71301101	286,942
USDA Food Distribution	10.550	234002A	<u>33,755</u>
Total Department of Agriculture			<u>\$ 412,130</u>
Total Expenditures of Federal Awards			<u>\$ 1,507,793</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, 2011

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, 2011.