

CANTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2014

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CANTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2014

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CERTIFICATE OF BOARD

Canton Independent School District
Name of School District

Van Zandt
County

234-902
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and _____ **approved**/ _____ **disapproved** for the year ended August 31, 2014, at a meeting of the board of school trustees of such school district on _____.

Signature of Board Secretary

Signature of Board President

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Independent School District (District), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Independent School District as of August 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is also not a required part of the basic financial statements.

The other supplementary information schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 26, 2014, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 26, 2014
Greenville, Texas

Rutherford, Taylor & Company, P.C.

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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Independent School District (District), as of and for the year ended August 31, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 26, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Report on Internal Control – Continued

Purpose of this Report

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

November 26, 2014
Greenville, Texas

Rutheford, Taylor & Company, P.C.

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

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Canton Independent School District's (District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and

Internal Control over Compliance – Continued

report on internal control over compliance in accordance with OMC circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

November 26, 2014
Greenville, Texas

Reutherford, Taylor & Company, P.C.

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COST
 YEAR ENDED AUGUST 31, 2014

Summary of Auditor's Results (Section I)

Financial Statements –

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

Federal Awards –

| | |
|--|---|
| Internal control over major programs: Material weaknesses identified | None |
| Significant deficiencies identified that are not considered to be material weaknesses | None reported |
| Type of Auditor's report issued on compliance for major programs | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133 | No |
| Identification of major programs | ESEA Title I Part A (84.010) ESEA Title II Part A (84.367) |
| 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, 2014

Financial Statement Findings (Section II)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2014

Federal Award Findings and Questioned Costs (Section III)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2014

Prior Year Findings (Section IV)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2014

Corrective Action Plans (Section V)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

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, 2014. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

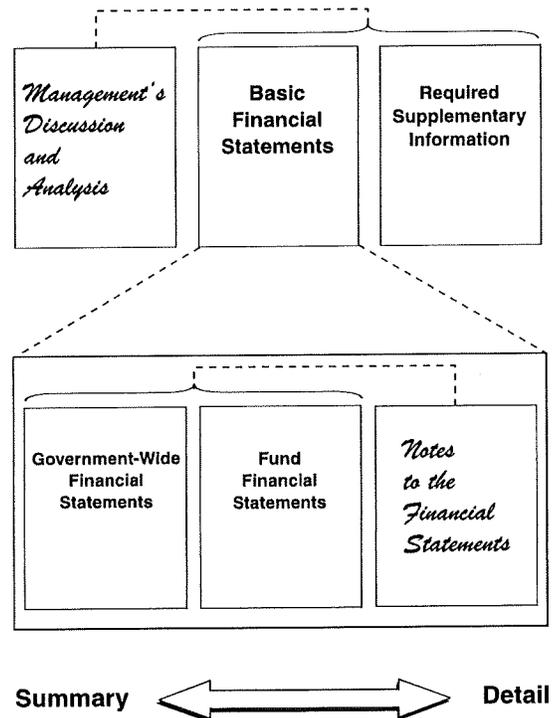
- The District's total combined net position was \$ 11,077,307 at August 31, 2014.
- During the year, the District's expenses were \$ 665,691 less than the \$ 19,572,069 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was increased less than 2.28% from last year, and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 8,515,630.

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, 2014**

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

GOVERNMENT-WIDE STATEMENTS

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

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> | • Statement of net assets | • Balance sheet | • Statement of net assets | • Statement of fiduciary net assets |
| | • Statement of activities | • Statement of revenues, expenditures & changes in fund balances | • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows | • Statement of changes in fiduciary net assets |
| <i>Accounting basis and measurement focus</i> | Accrual accounting and economic resources focus | Modified accrual accounting and current financial resources focus | Accrual accounting and economic resources focus | Accrual accounting and economic resources focus |
| <i>Type of asset/liability information</i> | All assets and liabilities, both financial and capital, short-term and long-term | Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included | All assets and liabilities, both financial and capital, and short-term and long-term | All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can |
| <i>Type of inflow/outflow information</i> | All revenues and expenses during year, regardless of when cash is received or paid | Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter | All revenues and expenses during year, regardless of when cash is received or paid | All revenues and expenses during year, regardless of when cash is received or paid |

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

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

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

FUND FINANCIAL STATEMENTS

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

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

The District has the following kinds of funds:

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

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The District's combined net position were \$ 11,077,307 at August 31, 2014.

| Canton Independent School District's Net Position | | | Table A-1 |
|---|----------------------------|----------------------|-------------------------------|
| | Governmental Activities | | Total Percentage Change |
| | 2014 | 2013 | 2013-2014 |
| Assets: | | | |
| Cash and Investments | \$ 10,414,698 | \$ 9,448,163 | 10.23% |
| Other Assets | 907,096 | 809,331 | 12.08% |
| Capital Assets less Accumulated Depreciation | 39,423,875 | 41,516,325 | -5.04% |
| Total Assets | \$ 50,745,669 | \$ 51,773,819 | -1.99% |
| Deferred Net Outflows of Resources: | | | |
| Deferred Net Outflows of Resources | \$ 589,063 | \$ 636,351 | -7.43% |
| Total Deferred Outflows of Resources | \$ 589,063 | \$ 636,351 | -7.43% |
| Liabilities: | | | |
| Current Liabilities | \$ 838,175 | \$ 814,543 | 2.90% |
| Long-term Liabilities | 40,322,873 | 41,184,010 | -2.09% |
| Total Liabilities | \$ 41,161,048 | \$ 41,998,553 | -1.99% |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ 2,583,839 | \$ 3,198,264 | -19.21% |
| Restricted | 1,489,666 | 1,028,530 | 44.83% |
| Unrestricted | 7,003,802 | 6,184,822 | 13.24% |
| Total Net Position | \$ 11,077,307 | \$ 10,411,616 | 6.39% |

Approximately \$ 1,440,553 of the District's restricted net position represent funds available for debt retirement. These funds are restricted for retirement of tax supported debt. The unrestricted net asset represents resources available to fund the programs of the District next year.

CHANGES IN NET POSITION

The District's total revenues were \$ 19,572,069. 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 \$ 18,906,378. 58% of these costs are for instruction and instructional related services.

The District's tax collection percentage rate (current and delinquent base tax only) was 100.84%. The total collection percentage rate (base tax and penalty and interest) was 103.02%.

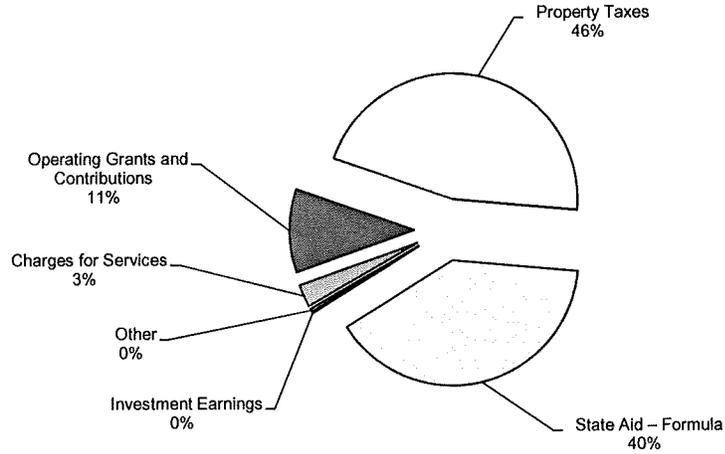
CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

GOVERNMENTAL ACTIVITIES

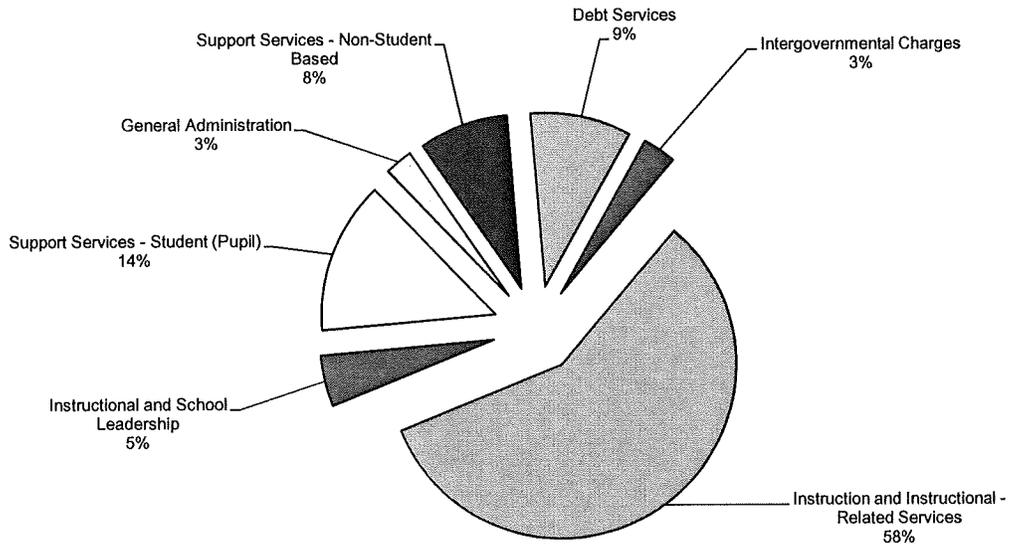
| Changes in Canton Independent School District's Net Position | | | Table A-2 |
|---|-----------------------------|-----------------------------|--|
| | Governmental Activities | | Total Percentage Change 2013-2014 |
| | 2014 | 2013 | |
| Program Revenues: | | | |
| Charges for Services | \$ 569,142 | \$ 648,860 | -12.29% |
| Operating Grants and Contributions | 2,106,219 | 1,441,359 | 46.13% |
| General Revenues: | | | |
| Property Taxes | 9,019,231 | 8,863,554 | 1.76% |
| State Aid – Formula | 7,769,386 | 7,195,250 | 7.98% |
| Investment Earnings | 23,048 | 26,131 | -11.80% |
| Other | 85,043 | 16,928 | 402.38% |
| Total Revenues | <u>\$ 19,572,069</u> | <u>\$ 18,192,082</u> | 7.59% |
| Expenses: | | | |
| Instruction | \$ 10,651,310 | \$ 9,879,658 | 7.81% |
| Instructional Resources and Media Services | 238,398 | 237,436 | 0.41% |
| Curriculum and Staff Development | 25,411 | 37,048 | -31.41% |
| Instructional Leadership | 88,325 | 25,595 | 245.09% |
| School Leadership | 809,484 | 768,748 | 5.30% |
| Guidance, Counseling and Evaluation Services | 372,538 | 348,516 | 6.89% |
| Health Services | 90,840 | 89,058 | 2.00% |
| Social Work Services | 1,618 | - | |
| Student (Pupil) Transportation | 391,295 | 373,014 | 4.90% |
| Food Services | 671,879 | 687,297 | -2.24% |
| Cocurricular/Extracurricular Activities | 1,149,260 | 1,194,091 | -3.75% |
| General Administration | 492,306 | 490,940 | 0.28% |
| Plant Maintenance and Operations | 1,427,097 | 1,533,089 | -6.91% |
| Security and Monitoring Services | 11,768 | 26,044 | -54.81% |
| Data Processing Services | 124,224 | 118,181 | 5.11% |
| Debt Service | 1,778,022 | 1,930,045 | -7.88% |
| Capital Outlay | - | 1,650 | -100.00% |
| Payments for Shared Service Arrangements | 389,775 | 549,170 | -29.02% |
| Other Intergovernmental Charges | 192,828 | 194,730 | -0.98% |
| Total Expenses | <u>\$ 18,906,378</u> | <u>\$ 18,484,310</u> | 2.28% |
| Excess (Deficiency) Before Other Resources, Uses and Transfers | <u>\$ 665,691</u> | <u>\$ (292,228)</u> | 327.80% |
| Increase (Decrease) in Net Position | <u>\$ 665,691</u> | <u>\$ (292,228)</u> | 327.80% |
| Net Position - Beginning (September 1) | <u>10,411,616</u> | <u>10,703,844</u> | -2.73% |
| Net Position - Ending (August 31) | <u><u>\$ 11,077,307</u></u> | <u><u>\$ 10,411,616</u></u> | 6.39% |

CANTON INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2014

Sources of Revenue for Fiscal Year 2014 - See Table A-2



Functional Expenses for Fiscal Year 2014 - See Table A-2



**CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014**

- Table A-3 presents the cost of selected District functions as well as the selected function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.
- The cost of all governmental activities this year was \$ 18,906,378.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 9,019,231.
- Some of the cost was paid by those who directly benefited from the programs \$ 569,142, or
- By grants and contributions \$ 2,106,219.

| 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> | |
| | 2014 | 2013 | | 2014 | 2013 | | |
| Instruction | \$ 10,651,310 | \$ 9,879,658 | 7.81% | \$ 9,553,277 | \$ 8,907,306 | 7.25% | |
| School Leadership | 809,484 | 768,748 | 5.30% | 773,555 | 740,694 | 4.44% | |
| General Administration | 492,306 | 490,940 | 0.28% | 459,205 | 472,430 | -2.80% | |
| Plant Maintenance and Operations | 1,427,097 | 1,533,089 | -6.91% | 1,354,955 | 1,448,713 | -6.47% | |
| Debt Service | 1,778,022 | 1,930,045 | -7.88% | 1,380,088 | 1,809,297 | -23.72% | |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the governmental funds totaled \$ 19,612,767. This represents an increase of \$ 1,455,161 from the prior year revenues of \$ 18,157,606. The change represents an increase in local revenues and state aid.

Expenditures in the governmental funds totaled \$ 18,471,100. This represents an increase of \$ 125,959 from the prior year expenditures of \$ 18,345,141. The change represents the general increase of costs related to the operations of the District including general cost of living and other operational costs.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 372,084 below final budget amounts. The most significant positive variance resulted from lower than expected expenses in the functional area of instruction and pupil transportation.

Resources available were \$ 287,804 above final budgeted amounts. The favorable variance was a reflection of better than expected local revenue source collections during the year.

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2014, the District had invested \$ 61,482,422 in a broad range of capital assets, including land, equipment, buildings and vehicles (See Table A-4).

| Canton Independent School District's Capital Assets | | | Table A-4 |
|--|----------------------------|----------------------|--|
| | Governmental Activities | | Total Percentage Change 2013-2014 |
| | 2014 | 2013 | |
| Land | \$ 545,657 | \$ 545,657 | 0.00% |
| Construction in Progress | 52,815 | - | 100.00% |
| Buildings and Improvements | 58,328,360 | 57,562,651 | 1.33% |
| Equipment | 677,167 | 649,688 | 4.23% |
| Vehicles | 1,878,423 | 1,707,413 | 10.02% |
| Totals at Historical Cost | \$ 61,482,422 | \$ 60,465,409 | 1.68% |
| Total Accumulated Depreciation | (21,154,924) | (18,949,084) | 11.64% |
| Net Capital Assets | <u>\$ 40,327,498</u> | <u>\$ 41,516,325</u> | -2.86% |

DEBT

At year-end, the District had \$ 39,733,630 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

| Canton Independent School District's Debt | | | Table A-5 |
|--|----------------------------|----------------------|--|
| | Governmental Activities | | Total Percentage Change 2013-2014 |
| | 2014 | 2013 | |
| Bonds Payable | \$ 36,816,209 | \$ 37,318,693 | -1.35% |
| Other Debt Payable | 3,506,665 | 3,865,317 | -9.28% |
| Total Debt Payable | <u>\$ 40,322,874</u> | <u>\$ 41,184,010</u> | -2.09% |

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2014

ECONOMIC FACTORS

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

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

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

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

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2014

1

| Data Control Codes | | <u>Governmental Activities</u> |
|--|---|------------------------------------|
| ASSETS | | |
| 1110 | Cash and Investments | \$ 10,414,698 |
| 1225 | Property Taxes Receivable, Net | 391,993 |
| 1240 | Due from Other Governments | 384,069 |
| 1250 | Accrued Interest | 504 |
| 1290 | Other Receivables, Net | 29,603 |
| 1410 | Unrealized Expenses | 100,927 |
| | Capital Assets: | |
| 1510 | Land | 545,657 |
| 1520 | Building and Improvement, Net | 38,825,403 |
| 1530 | Furniture and Equipment, Net | 903,623 |
| 1580 | Construction in Progress | 52,815 |
| 1000 | Total Assets | <u>\$ 51,649,292</u> |
| DEFERRED OUTFLOWS OF RESOURCES: | | |
| 1700 | Total Deferred Outflows of Resources | <u>\$ 589,063</u> |
| LIABILITIES | | |
| 2110 | Accounts Payable | \$ 148,607 |
| 2140 | Interest Payable | 56,004 |
| 2165 | Accrued Liabilities | 496,931 |
| 2300 | Unearned Revenues | 136,633 |
| | Noncurrent Liabilities: | |
| 2501 | Due within one year | 763,159 |
| 2502 | Due in more than one year | 39,559,714 |
| 2000 | Total Liabilities | <u>\$ 41,161,048</u> |
| NET POSITION | | |
| 3200 | Net Investment in Capital Assets | \$ 2,583,839 |
| | Restricted For: | |
| 3820 | State and Federal Programs | 26,825 |
| 3850 | Debt Service | 1,440,553 |
| 3890 | Other | 22,288 |
| 3900 | Unrestricted | 7,003,802 |
| 3000 | Total Net Position | <u>\$ 11,077,307</u> |

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2014

| Data Control | Codes Functions/Programs | 1 Expenses | 3 Program Revenues | | 4 Net (Expense) Revenue and Changes in Net Assets |
|--------------------------|--|----------------------|-------------------------|--|---|
| | | | Charges for Services | Operating Grants and Contributions | |
| Governmental Activities: | | | | | |
| 11 | Instruction | \$ 10,651,310 | \$ 83,706 | \$ 1,014,327 | \$ (9,553,277) |
| 12 | Instructional Resources and Media Services | 238,398 | - | 9,992 | (228,406) |
| 13 | Curriculum and Staff Development | 25,411 | - | 1,164 | (24,247) |
| 21 | Instructional Leadership | 88,325 | - | 4,046 | (84,279) |
| 23 | School Leadership | 809,484 | - | 35,929 | (773,555) |
| 31 | Guidance, Counseling and Evaluation Services | 372,538 | - | 20,997 | (351,541) |
| 32 | Social Work Services | 1,618 | - | 74 | (1,544) |
| 33 | Health Services | 90,840 | - | 3,750 | (87,090) |
| 34 | Student (Pupil) Transportation | 391,295 | - | 13,340 | (377,955) |
| 35 | Food Services | 671,879 | 225,602 | 451,726 | 5,449 |
| 36 | Cocurricular/Extracurricular Activities | 1,149,260 | 242,161 | 41,292 | (865,807) |
| 41 | General Administration | 492,306 | 10,617 | 22,484 | (459,205) |
| 51 | Plant Maintenance and Operations | 1,427,097 | 7,056 | 65,086 | (1,354,955) |
| 52 | Security and Monitoring Services | 11,768 | - | 533 | (11,235) |
| 53 | Data Processing Services | 124,224 | - | 5,690 | (118,534) |
| 72 | Interest on Long-term Debt | 1,776,087 | - | 397,934 | (1,378,153) |
| 73 | Debt Issuance Costs and Fees | 1,935 | - | - | (1,935) |
| 93 | Payments for Shared Service Arrangements | 389,775 | - | 17,855 | (371,920) |
| 99 | Other Intergovernmental Charges | 192,828 | - | - | (192,828) |
| TG | Total Governmental Activities | <u>\$ 18,906,378</u> | <u>\$ 569,142</u> | <u>\$ 2,106,219</u> | <u>\$ (16,231,017)</u> |
| TP | Total Primary Government | <u>\$ 18,906,378</u> | <u>\$ 569,142</u> | <u>\$ 2,106,219</u> | <u>\$ (16,231,017)</u> |
| General Revenues: | | | | | |
| MT | Property Taxes, Levied for General Purpose | | | | \$ 6,379,292 |
| DT | Property Taxes, Levied for Debt Service | | | | 2,639,939 |
| IE | Investment Earnings | | | | 23,048 |
| GC | Grants and Contributions Not Restricted to Specific Programs | | | | 7,769,386 |
| MI | Miscellaneous | | | | 85,043 |
| TR | Total General Revenues | | | | <u>\$ 16,896,708</u> |
| CN | Change in Net Position | | | | \$ 665,691 |
| NB | Net Position - Beginning (September 1) | | | | <u>10,411,616</u> |
| NE | Net Position - Ending (August 31) | | | | <u>\$ 11,077,307</u> |

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2014

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Governmental Funds | 98 Total Governmental Funds |
|---|----------------------------|-------------------------------|--------------------------------|--------------------------------------|
| ASSETS | | | | |
| 1110 Cash and Investments | \$ 8,854,342 | \$ 1,365,470 | \$ 136,684 | \$ 10,356,496 |
| 1225 Property Taxes Receivable, Net | 279,576 | 112,417 | - | 391,993 |
| 1240 Due from Other Governments | 232,968 | 10,019 | 141,082 | 384,069 |
| 1250 Accrued Interest | 504 | - | - | 504 |
| 1290 Other Receivables, Net | 20,952 | 8,651 | - | 29,603 |
| 1410 Unrealized Expenditures | 100,927 | - | - | 100,927 |
| | | | | \$ - |
| 1000 Total Assets | <u>\$ 9,489,269</u> | <u>\$ 1,496,557</u> | <u>\$ 277,766</u> | <u>\$ 11,263,592</u> |
| LIABILITIES | | | | |
| Current Liabilities: | | | | |
| 2110 Accounts Payable | \$ 100,965 | \$ - | \$ 20,427 | \$ 121,392 |
| 2160 Accrued Wages Payable | 462,366 | - | 23,965 | 486,331 |
| 2200 Accrued Expenditures | 8,383 | - | 2,217 | 10,600 |
| 2300 Unearned Revenues | 122,376 | - | 14,257 | 136,633 |
| 2000 Total Liabilities | <u>\$ 694,090</u> | <u>\$ -</u> | <u>\$ 60,866</u> | <u>\$ 754,956</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| 2600 Total Deferred Inflows of Resources | <u>\$ 279,576</u> | <u>\$ 112,417</u> | <u>\$ -</u> | <u>\$ 391,993</u> |
| FUND BALANCES | | | | |
| Restricted Fund Balances: | | | | |
| 3450 Federal/State Funds Grants | \$ - | \$ - | \$ 25,825 | \$ 25,825 |
| 3480 Retirement of Long-Term Debt | - | 1,384,140 | - | 1,384,140 |
| 3490 Other Restrictions of Fund Balance | - | - | 22,788 | 22,788 |
| 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 | - | 168,287 | 468,287 |
| Assigned Fund Balances: | | | | |
| 3550 Construction | 2,175,000 | - | - | 2,175,000 |
| 3570 Capital Expenditures for Equipment | 350,000 | - | - | 350,000 |
| 3600 Unassigned | 2,740,630 | - | - | 2,740,630 |
| 3000 Total Fund Balances | <u>\$ 8,515,630</u> | <u>\$ 1,384,140</u> | <u>\$ 216,900</u> | <u>\$ 10,116,670</u> |
| 4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances | <u>\$ 9,489,296</u> | <u>\$ 1,496,557</u> | <u>\$ 277,766</u> | <u>\$ 11,263,619</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 POSITION
 AUGUST 31, 2014

| | | |
|--|----|--------------------|
| Total fund balances - Balance Sheet (governmental funds) | \$ | 10,116,670 |
| <p>Amounts reported for governmental activities in the statement of net position are different because:</p> | | |
| Capital assets used in governmental activities are not reported in the funds. | | 40,327,498 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | | 391,993 |
| The assets and liabilities of internal service funds are included in governmental activities in the SNA. | | 30,960 |
| Payables for bond principal which are not due in the current period are not reported in the funds. | | (36,816,209) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | | (56,004) |
| Other long-term liabilities which are not due and payable in the current period are not reported in the funds. | | <u>(2,917,601)</u> |
| Net position of governmental activities - Statement of Net Position | \$ | <u>11,077,307</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, 2014

| Data Control Codes | 10 General Fund | 50 Debt Service Fund | Other Governmental Funds | 98 Total Governmental Funds |
|--|-----------------------|-------------------------------|--------------------------------|--------------------------------------|
| REVENUES | | | | |
| 5700 Local and Intermediate Sources | \$ 6,613,446 | \$ 2,674,510 | \$ 457,414 | \$ 9,745,370 |
| 5800 State Program Revenues | 8,384,066 | 397,934 | 377,309 | 9,159,309 |
| 5900 Federal Program Revenues | 5,091 | - | 702,997 | 708,088 |
| 5020 Total Revenues | \$ 15,002,603 | \$ 3,072,444 | \$ 1,537,720 | \$ 19,612,767 |
| EXPENDITURES | | | | |
| Current: | | | | |
| 0011 Instruction | \$ 8,155,999 | \$ - | \$ 676,688 | \$ 8,832,687 |
| 0012 Instructional Resources and Media Services | 218,139 | - | - | 218,139 |
| 0013 Curriculum and Staff Development | 25,411 | - | - | 25,411 |
| 0021 Instructional Leadership | 88,325 | - | - | 88,325 |
| 0023 School Leadership | 784,335 | - | - | 784,335 |
| 0031 Guidance, Counseling and Evaluation Services | 350,517 | - | 4,941 | 355,458 |
| 0032 Social Work Services | 1,618 | - | - | 1,618 |
| 0033 Health Services | 81,864 | - | - | 81,864 |
| 0034 Student (Pupil) Transportation | 382,443 | - | - | 382,443 |
| 0035 Food Services | - | - | 666,959 | 666,959 |
| 0036 Cocurricular/Extracurricular Activities | 788,693 | - | 176,783 | 965,476 |
| 0041 General Administration | 490,830 | - | 1,476 | 492,306 |
| 0051 Plant Maintenance and Operations | 1,463,914 | - | - | 1,463,914 |
| 0052 Security and Monitoring Services | 28,350 | - | - | 28,350 |
| 0053 Data Processing Services | 124,224 | - | - | 124,224 |
| 0071 Principal on Long-term Debt | - | 1,025,000 | - | 1,025,000 |
| 0072 Interest on Long-term Debt | - | 1,574,603 | - | 1,574,603 |
| 0073 Debt Issuance Cost and Fees | - | 1,935 | - | 1,935 |
| 0081 Capital Outlay | 775,450 | - | - | 775,450 |
| 0093 Payments for Shared Service Arrangements | 389,775 | - | - | 389,775 |
| 0099 Other Intergovernmental Charges | 192,828 | - | - | 192,828 |
| 6030 Total Expenditures | \$ 14,342,715 | \$ 2,601,538 | \$ 1,526,847 | \$ 18,471,100 |
| 1100 Excess (Deficiency) of Revenues Over Expenditures | \$ 659,888 | \$ 470,906 | \$ 10,873 | \$ 1,141,667 |
| OTHER FINANCING SOURCES (USES) | | | | |
| 7912 Sale or Real or Personal Property | \$ 1,346 | \$ - | \$ - | \$ 1,346 |
| 7915 Transfers In | 100,000 | - | - | 100,000 |
| 7080 Net Other Financing Sources (Uses) | \$ 101,346 | \$ - | \$ - | \$ 101,346 |
| 1200 Net Changes in Fund Balances | \$ 761,234 | \$ 470,906 | \$ 10,873 | \$ 1,243,013 |
| 0100 Fund Balances - Beginning (September 1) | 7,754,396 | 913,234 | 206,027 | 8,873,657 |
| 3000 Fund Balances - Ending (August 31) | \$ 8,515,630 | \$ 1,384,140 | \$ 216,900 | \$ 10,116,670 |

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, 2014

| | | |
|--|----|-----------------|
| Net change in fund balances - total governmental funds | \$ | 1,243,013 |
| | | |
| Amounts reported for governmental activities in the statement of activities are different because: | | |
| | | |
| Capital outlays are not reported as expenses in the SOA. | | 1,059,919 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | | (2,248,746) |
| Trade-in or disposal of capital assets decrease net assets in the SOA but not in the funds. | | (1,346) |
| The gain or loss on the sale of capital assets is not reported in the funds. | | 1,346 |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | | (116,078) |
| Expenses not requiring the use of current financial resources are not reported as expenditures in the funds. | | 24,630 |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | | 502,484 |
| The accretion of interest on capital appreciation bonds is not reported in the funds. | | 286,735 |
| (Increase) decrease in accrued interest expense from beginning of period to end of period. | | 9,667 |
| The net revenue (expense) of internal service funds is reported with governmental activities. | | <u>(95,933)</u> |
| | | |
| Change in net position of governmental activities - Statement of Activities | \$ | <u>665,691</u> |

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
AUGUST 31, 2014

| Data Control Codes | | Internal Service Fund |
|--------------------------|---------------------------|--------------------------------|
| | | <hr/> |
| | ASSETS | |
| | Current Assets: | |
| 1110 | Cash and Investments | \$ <u>58,175</u> |
| | Total Current Assets | \$ <u>58,175</u> |
| 1000 | Total Assets | \$ <u>58,175</u> |
| | LIABILITIES | |
| | Current Liabilities: | |
| 2110 | Accounts Payable | \$ <u>27,215</u> |
| | Total Current Liabilities | \$ <u>27,215</u> |
| 2000 | Total Liabilities | \$ <u>27,215</u> |
| | NET POSITION | |
| 3900 | Unrestricted Net Position | \$ <u>30,960</u> |
| 3000 | Total Net Position | \$ <u><u>30,960</u></u> |

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2014

| <u>Data Control Codes</u> | | <u>Internal Service Fund</u> |
|---|--|--------------------------------------|
| OPERATING REVENUES | | |
| 5700 | Local and Intermediate Sources | <u>\$ 4,067</u> |
| 5020 | Total Operating Revenues | <u>\$ 4,067</u> |
| Income (Loss) before Contributions and Transfers | | |
| 8911 | Transfers Out | <u>\$ (100,000)</u> |
| 1200 | Change in Net Position | \$ (95,933) |
| 0100 | Total Net Position - Beginning (September 1) | <u>126,893</u> |
| 3300 | Total Net Position - Ending (August 31) | <u>\$ 30,960</u> |

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED AUGUST 31, 2014

| | Internal Service Fund |
|--|-----------------------------|
| Cash Flows from Operating Activities: | |
| Cash Payments for Claims | \$ (3,017) |
| Net Cash Provided by (Used for) Operating Activities | \$ (3,017) |
| Cash Flows from Capital and Other Related Financing Activities: | |
| NONE | |
| Cash Flows from Noncapital Financing Activities: | |
| Transfer to Operating Fund | (100,000) |
| Cash Flows from Investing Activities: | |
| NONE | |
| Net Increase (Decrease) in Cash and Investments | \$ (103,017) |
| Cash and Investments - Beginning (September 1) | 161,192 |
| Cash and Investments - Ending (August 31) | \$ 58,175 |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities | 4,067 |
| Operating Income (Loss) | |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities: | |
| Increase (Decrease) in Claims Liability | (7,084) |
| Net Cash Provided by (Used for) Operating Activities | \$ (3,017) |

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AUGUST 31, 2014

| Data Control Codes | | Agency Fund <hr/> Student Agency <hr/> |
|--------------------------|---------------------------|--|
| | ASSETS | |
| 1110 | Cash and Investments | \$ 101,595 |
| 1000 | Total Assets | \$ 101,595 |
| | LIABILITIES | |
| | Current Liabilities: | |
| 2190 | Due to Student Groups | \$ 101,595 |
| 2000 | Total Liabilities | \$ 101,595 |
| | NET POSITION | |
| 3850 | Held in Trust | \$ - |
| 3000 | Total Net Position | \$ - |

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

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

2. Basis of Presentation – Basis of Accounting

a. Basis of Presentation

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

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

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

The District reports the following major governmental funds:

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

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

In addition, the District reports the following fund types:

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

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

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

b. Measurement Focus – Basis of Accounting

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

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, 2014

A. Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts

Cash and Investments

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

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

Fund Equity

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

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

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

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

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

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

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

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

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|------------------------------------|---------------------|------------------------------|---|----------------------|
| Restricted | | | | |
| Child Nutrition Program | \$ - | \$ - | \$ 25,825 | \$ 25,825 |
| Retirement of Long Term Debt | - | 1,384,140 | - | 1,384,140 |
| Scholarship Funds | - | - | 20,528 | 20,528 |
| Other Restricted Balances | - | - | 2,260 | 2,260 |
| 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 | - | - | 168,287 | 168,287 |
| Assigned | | | | |
| Construction | 2,175,000 | - | - | 2,175,000 |
| Capital Expenditures for Equipment | 350,000 | - | - | 350,000 |
| Unassigned | 2,740,630 | - | - | 2,740,630 |
| Totals | <u>\$ 8,515,630</u> | <u>\$ 1,384,140</u> | <u>\$ 216,900</u> | <u>\$ 10,116,670</u> |

Inventories

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

Capital Assets

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

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

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

Accretion

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

A. Summary of Significant Accounting Policies (Continued)

6. Receivable and Payable Balances

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

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

7. Interfund Activities

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

8. Vacation, Sick Leave and Other Compensated Absences

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

9. Use of Estimates

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

10. Data Control Codes

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

11. Accounting System

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

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, 2014, 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, 2014

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, 2014:

| | <u>Credit Rating</u> | <u>Fair Value</u> |
|---------------------------|--------------------------|----------------------------|
| TexPool | AAAm | \$ 76,480 |
| Lone Star Investment Pool | AAAm | 2,865,870 |
| LOGIC | AAAm | 1,062,534 |
| Certificate of Deposit | n/a | <u>1,000,000</u> |
| Total | | <u><u>\$ 5,004,884</u></u> |

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

- a. Name of bank: American National Bank of Texas, Canton, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 7,544,154.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 5,697,303, and occurred during the month of February, 2014.
- 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, 2014

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 \$ 602,807,886.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

D. Capital Assets

Capital asset activities during the year ended were as follows:

| | Beginning Balance | Increases | Decreases | Ending Balances |
|--|----------------------|-----------------------|------------------|----------------------|
| Governmental Activities: | | | | |
| Capital Assets not Being Depreciated: | | | | |
| Land | \$ 545,657 | \$ - | \$ - | \$ 545,657 |
| Total Construction in Progress | - | 52,815 | - | 52,815 |
| Total Capital Assets not being Depreciated | \$ 545,657 | \$ 52,815 | \$ - | \$ 598,472 |
| Capital Assets being Depreciated: | | | | |
| Building and Improvements | \$ 57,562,651 | \$ 765,709 | \$ - | \$ 58,328,360 |
| Equipment | 649,688 | 27,479 | - | 677,167 |
| Vehicles | 1,707,413 | 213,916 | 42,906 | 1,878,423 |
| Total Capital Assets being Depreciated | \$ 59,919,752 | \$ 1,007,104 | \$ 42,906 | \$ 60,883,950 |
| Less Accumulated Depreciation for : | | | | |
| Buildings and Improvements | \$ 17,418,735 | \$ 2,084,222 | \$ - | \$ 19,502,957 |
| Equipment | 425,768 | 61,561 | - | 487,329 |
| Vehicles | 1,104,581 | 102,963 | 42,906 | 1,164,638 |
| Total Accumulated Depreciation | \$ 18,949,084 | \$ 2,248,746 | \$ 42,906 | \$ 21,154,924 |
| Total Capital Assets being Depreciated, Net | \$ 40,970,668 | \$ (1,241,642) | \$ - | \$ 39,729,026 |
| Governmental Activities Capital Assets, Net | \$ 41,516,325 | \$ (1,188,827) | \$ - | \$ 40,327,498 |

Depreciation was charged to governmental activities functions as follows:

| | |
|--|---------------------|
| Instruction | \$ 1,858,150 |
| Instructional Resources and Media Services | 20,259 |
| School Leadership | 25,149 |
| Guidance, Counseling and Evaluation Services | 17,080 |
| Health Services | 8,976 |
| Student (Pupil) Transportation | 100,088 |
| Food Services | 4,920 |
| Cocurricular/Extracurricular Activities | 207,728 |
| Plant Maintenance and Operations | 6,258 |
| Security | 139 |
| Total | \$ 2,248,747 |

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

E. Long Term Obligations

Long-Term Obligation Activity

Long-term obligation activities during the year were as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances | Amounts Due Within One Year |
|---------------------------------|-----------------------|-------------------|---------------------|----------------------|-----------------------------------|
| <u>Governmental Activities:</u> | | | | | |
| Bonds Payable | \$ 37,318,693 | \$ - | \$ 502,484 | \$ 36,816,209 | \$ 763,159 |
| Accreted Interest Payable | 2,865,949 | 235,781 | 522,516 | 2,579,214 | - |
| Unamortized Premium (Discount) | 999,369 | - | 71,918 | 927,451 | - |
| Total Governmental Activities | <u>\$ 41,184,011</u> | <u>\$ 235,781</u> | <u>\$ 1,096,918</u> | <u>\$ 40,322,874</u> | <u>\$ 763,159</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 year end are as follows:

| Description | Interest Rate | Original Amount | Outstanding Balances |
|--|------------------|--------------------|-------------------------|
| Unlimited Tax School Building Bonds, Series 1999 | 4.70% | \$ 5,206,903 | \$ 1,095,757 |
| Unlimited Tax Refunding Bonds, Series 2006 | 3.85% | 9,330,000 | 8,700,000 |
| Unlimited Tax School Building Bonds, Series 2007 | 4.84% | 22,891,011 | 22,285,452 |
| Unlimited Tax Refunding Bonds, Series 2011 | 2.24% | 4,835,000 | 4,735,000 |
| Totals | | | <u>\$ 36,816,209</u> |

Maturity requirements on bonded debt at year end are as follows:

| Year Ending August 31 | Principal | Interest | Total Requirements |
|--------------------------|----------------------|----------------------|-----------------------|
| 2015 | \$ 763,159 | \$ 2,011,544 | \$ 2,774,703 |
| 2016 | 738,899 | 2,034,004 | 2,772,903 |
| 2017 | 718,503 | 2,051,525 | 2,770,028 |
| 2018 | 816,283 | 1,948,137 | 2,764,420 |
| 2019 | 1,154,366 | 1,603,502 | 2,757,868 |
| 2020- 2024 | 6,994,999 | 6,754,153 | 13,749,152 |
| 2025- 2029 | 6,905,000 | 7,115,764 | 14,020,764 |
| 2030- 2034 | 10,770,000 | 3,308,366 | 14,078,366 |
| 2035- 2039 | 7,955,000 | 609,875 | 8,564,875 |
| Totals | <u>\$ 36,816,209</u> | <u>\$ 27,436,870</u> | <u>\$ 64,253,079</u> |

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

F. Pension Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system during the fiscal year; (2) State statute prohibits benefit improvements, if as a result of a particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or if the amortization period already exceeds 31 years, the period would be increased by such action. State law provides for a member contribution rate of 6.4% for fiscal years 2014, 2013 and 2012, and a state contribution rate of 6.8% for fiscal year 2014 and 6.4% for fiscal years 2013 and 6.0% for fiscal year 2012. In certain instances, the reporting district is required to make all or a portion of the state's 6.4% contribution. The District's employees' contributions to the System for the periods ended August 31, 2014, 2013 and 2012 were \$ 565,531, \$ 542,525, and \$ 548,038 respectively. Contributions from private grants and from the District for salaries above the statutory minimum for the periods ended August 31, 2014, 2013 and 2012 were \$ 110,050, \$ 93,978, and \$ 96,086 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 \$ 535,726 are reflected in the general fund basic financial statements.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

G. School District Retiree Health Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2014, 2013 and 2012. 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 \$ 78,783 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 23,912 for subsidies for Medicare Part D and participation in the Early Retirement Reissuance Programs.

H. Risk Management

Health Care

During the year ended 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, 2013, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

H. Risk Management (Continued)

Unemployment Compensation Pool

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2013, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

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

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

Changes in the workers' compensation claims liability amounts in periods of 2014 and 2013 are represented below:

| | <u>2014</u> | <u>2013</u> |
|----------------------------|------------------|------------------|
| Beginning Claims Liability | \$ 34,298 | \$ 48,388 |
| Claims Incurred (Reduced) | (4,066) | 14,480 |
| Claim Payments | <u>(3,017)</u> | <u>(28,570)</u> |
| Ending Claims Liability | <u>\$ 27,215</u> | <u>\$ 34,298</u> |

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

H. Risk Management (Continued)

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Litigation

The District does not appear to be involved in any litigation as of year end.

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, 2014, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

K. Shared Service Arrangements

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

L. Revenue from Local and Intermediate Sources

During the year ended 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 | \$ 6,462,715 | \$ 2,672,595 | \$ - | \$ 9,135,310 |
| Investment Income | 21,121 | 1,915 | 11 | 23,047 |
| Rent | 7,056 | - | - | 7,056 |
| Food Service Income | - | - | 224,951 | 224,951 |
| Gifts and Bequests | 1,760 | - | 11,539 | 13,299 |
| Cocurricular/Extracurricular Activities | 73,463 | - | 213,668 | 287,131 |
| Tuition and Fees | 29,037 | - | - | 29,037 |
| Miscellaneous | 18,294 | - | 7,245 | 25,539 |
| Totals | \$ 6,613,446 | \$ 2,674,510 | \$ 457,414 | \$ 9,745,370 |

M. Receivables

Receivables at year end 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 | \$ 232,968 | \$ 10,019 | \$ 141,082 | \$ 384,069 |
| Property Taxes Receivable | 310,640 | 124,908 | - | 435,548 |
| Less: Allowance for Uncollectible | | | | |
| Property Taxes | (31,064) | (12,491) | - | (43,555) |
| Other Receivables | 21,456 | 8,651 | - | 30,107 |
| Net Receivables | \$ 534,000 | \$ 131,087 | \$ 141,082 | \$ 806,169 |

N. Subsequent Events

The District's management has evaluated subsequent events through November 26, 2014, the date which the financial statements were available for use.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2014

O. State Aid Reconciliation

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

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

| | <u>Available</u> | <u>Foundation</u> | <u>IFA</u> | <u>EDA</u> |
|--------------------------------------|-------------------|---------------------|-------------------|-------------------|
| CY Summary of Finances (SOF) | \$ 511,018 | \$ 7,248,624 | \$ 134,404 | \$ 263,530 |
| Prior Year Settle Ups | - | 703 | - | - |
| August Instructional Days Change | <u>369</u> | <u>8,672</u> | <u>-</u> | <u>-</u> |
| Financial Statement Earnings | <u>\$ 511,387</u> | <u>\$ 7,257,999</u> | <u>\$ 134,404</u> | <u>\$ 263,530</u> |
| Financial Statement Amounts | | | | |
| SOF Receivable (Overpayment) | - | (102,009) | 3,381 | 6,638 |
| August Instructional Days Receivable | 14,515 | 218,453 | - | - |

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

REQUIRED SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2014

| Data Control Codes | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) | |
|---|---|----------------------|----------------------|--|-------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| 5700 | Local and Intermediate Sources | \$ 6,727,078 | \$ 6,429,078 | \$ 6,613,446 | \$ 184,368 |
| 5800 | State Program Revenues | 7,787,721 | 8,285,721 | 8,384,066 | 98,345 |
| 5900 | Federal Program Revenues | - | - | 5,091 | 5,091 |
| 5020 | Total Revenues | <u>\$ 14,514,799</u> | <u>\$ 14,714,799</u> | <u>\$ 15,002,603</u> | <u>\$ 287,804</u> |
| EXPENDITURES | | | | | |
| Instruction and Instructional Related Services: | | | | | |
| 0011 | Instruction | \$ 8,047,128 | \$ 8,158,829 | \$ 8,155,999 | \$ 2,830 |
| 0012 | Instructional Resources and Media Services | 224,635 | 224,635 | 218,139 | 6,496 |
| 0013 | Curriculum and Staff Development | 38,361 | 38,361 | 25,411 | 12,950 |
| | Total Instruction and Instr. Related Services | <u>\$ 8,310,124</u> | <u>\$ 8,421,825</u> | <u>\$ 8,399,549</u> | <u>\$ 22,276</u> |
| Instructional and School Leadership: | | | | | |
| 0021 | Instructional Leadership | \$ 131,802 | \$ 91,802 | \$ 88,325 | \$ 3,477 |
| 0023 | School Leadership | 794,502 | 794,502 | 784,335 | 10,167 |
| | Total Instructional and School Leadership | <u>\$ 926,304</u> | <u>\$ 886,304</u> | <u>\$ 872,660</u> | <u>\$ 13,644</u> |
| Support Services - Student (Pupil): | | | | | |
| 0031 | Guidance, Counseling and Evaluation Services | \$ 384,306 | \$ 353,806 | \$ 350,517 | \$ 3,289 |
| 0032 | Social Work Services | - | 2,500 | 1,618 | 882 |
| 0033 | Health Services | 88,282 | 88,282 | 81,864 | 6,418 |
| 0034 | Student (Pupil) Transportation | 545,006 | 549,771 | 382,443 | 167,328 |
| 0036 | Cocurricular/Extracurricular Activities | 788,598 | 791,632 | 788,693 | 2,939 |
| | Total Support Services - Student (Pupil) | <u>\$ 1,806,192</u> | <u>\$ 1,785,991</u> | <u>\$ 1,605,135</u> | <u>\$ 180,856</u> |
| Administrative Support Services: | | | | | |
| 0041 | General Administration | \$ 523,768 | \$ 523,768 | \$ 490,830 | \$ 32,938 |
| | Total Administrative Support Services | <u>\$ 523,768</u> | <u>\$ 523,768</u> | <u>\$ 490,830</u> | <u>\$ 32,938</u> |
| Support Services - Nonstudent Based: | | | | | |
| 0051 | Plant Maintenance and Operations | \$ 1,580,527 | \$ 1,493,027 | \$ 1,463,914 | \$ 29,113 |
| 0052 | Security and Monitoring Services | 56,500 | 34,500 | 28,350 | 6,150 |
| 0053 | Data Processing Services | 121,384 | 143,384 | 124,224 | 19,160 |
| | Total Support Services - Nonstudent Based | <u>\$ 1,758,411</u> | <u>\$ 1,670,911</u> | <u>\$ 1,616,488</u> | <u>\$ 54,423</u> |
| Capital Outlay: | | | | | |
| 0081 | Capital Outlay | \$ 215,000 | \$ 825,000 | \$ 775,450 | \$ 49,550 |
| | Total Capital Outlay | <u>\$ 215,000</u> | <u>\$ 825,000</u> | <u>\$ 775,450</u> | <u>\$ 49,550</u> |
| Intergovernmental Charges: | | | | | |
| 0093 | Payments for Shared Service Arrangements | \$ 505,000 | \$ 395,000 | \$ 389,775 | \$ 5,225 |
| 0099 | Other Intergovernmental Charges | 206,000 | 206,000 | 192,828 | 13,172 |
| | Total Intergovernmental Charges | <u>\$ 711,000</u> | <u>\$ 601,000</u> | <u>\$ 582,603</u> | <u>\$ 18,397</u> |
| 6030 | Total Expenditures | <u>\$ 14,250,799</u> | <u>\$ 14,714,799</u> | <u>\$ 14,342,715</u> | <u>\$ 372,084</u> |
| 1100 | Excess (Deficiency) of Revenues Over Expenditures | \$ 264,000 | \$ - | \$ 659,888 | \$ 659,888 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| 7912 | Sale of Real or Personal Property | \$ - | \$ - | \$ 1,346 | \$ 1,346 |
| 7915 | Transfers In | - | - | 100,000 | 100,000 |
| 7080 | Net Other Financing Sources (Uses) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 101,346</u> | <u>\$ 101,346</u> |
| 1200 | Net Change in Fund Balance | 264,000 | - | 761,234 | 761,234 |
| 0100 | Fund Balance - Beginning (September 1) | 7,754,396 | 7,754,396 | 7,754,396 | - |
| 3000 | Fund Balance - Ending (August 31) | <u>\$ 8,018,396</u> | <u>\$ 7,754,396</u> | <u>\$ 8,515,630</u> | <u>\$ 761,234</u> |

OTHER SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2014

| Tax Roll Year | Last Ten Years Ended August 31 | 1 | | 2 | | 3 | | 10 Beginning Balance 9/1/2013 | 20 Current Year's Total Levy | 30 Maintenance Tax Collections | 30a Debt Service Tax Collections | 40 Entire Year's Adjustments | 50 Ending Balance 8/31/2014 |
|---------------|--------------------------------|-------------|-----------|--------------|--|-------------|-------------|----------------------------------|---------------------------------|-----------------------------------|-------------------------------------|---------------------------------|--------------------------------|
| | | Maintenance | Tax Rates | Debt Service | Assessed/Appraised Value For School Tax Purposes | Various | Various | | | | | | |
| XXXX | 2005 and Prior Years | Various | Various | Various | Various | Various | Various | \$ 11,042 | \$ - | \$ 1,068 | \$ 214 | \$ (3,117) | \$ 6,643 |
| 2005 | 2006 | 1.460000 | 0.230500 | 0.230500 | 471,532,505 | 471,532,505 | 471,532,505 | 5,664 | - | 1,272 | 201 | (261) | 3,930 |
| 2006 | 2007 | 1.334000 | 0.220000 | 0.220000 | 529,880,245 | 529,880,245 | 529,880,245 | 10,682 | - | 1,938 | 320 | (1,427) | 6,997 |
| 2007 | 2008 | 1.040000 | 0.431000 | 0.431000 | 541,147,859 | 541,147,859 | 541,147,859 | 14,888 | - | 2,502 | 1,037 | (2,334) | 9,015 |
| 2008 | 2009 | 1.040000 | 0.431000 | 0.431000 | 572,939,973 | 572,939,973 | 572,939,973 | 26,743 | - | 6,260 | 2,594 | (1,205) | 16,684 |
| 2009 | 2010 | 1.040000 | 0.431000 | 0.431000 | 601,881,033 | 601,881,033 | 601,881,033 | 47,817 | - | 12,250 | 5,077 | (1,832) | 28,658 |
| 2010 | 2011 | 1.040000 | 0.431000 | 0.431000 | 596,685,244 | 596,685,244 | 596,685,244 | 85,308 | - | 27,022 | 11,198 | (3,993) | 43,095 |
| 2011 | 2012 | 1.040000 | 0.431000 | 0.431000 | 596,246,865 | 596,246,865 | 596,246,865 | 136,515 | - | 49,630 | 20,568 | (4,710) | 61,607 |
| 2012 | 2013 | 1.040000 | 0.431000 | 0.431000 | 596,788,980 | 596,788,980 | 596,788,980 | 225,863 | - | 99,823 | 41,369 | (2,550) | 82,121 |
| 2013 | 2014 | 1.040000 | 0.431000 | 0.431000 | 602,807,886 | 602,807,886 | 602,807,886 | - | 8,867,304 | 6,120,602 | 2,536,519 | (33,385) | 176,798 |
| 1000 | TOTALS | | | | | | | \$ 564,522 | \$ 8,867,304 | \$ 6,322,367 | \$ 2,619,097 | \$ (54,814) | \$ 435,548 |

CANTON INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2014

| Data Control Codes | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) | |
|-------------------------------------|--|-------------------------|-------------------------|---|------------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| 5700 | Local and Intermediate Sources | \$ 301,000 | \$ 301,000 | \$ 225,614 | \$ (75,386) |
| 5800 | State Program Revenues | 4,200 | 4,200 | 6,211 | 2,011 |
| 5900 | Federal Program Revenues | <u>432,112</u> | <u>432,112</u> | <u>443,814</u> | <u>11,702</u> |
| 5020 | Total Revenues | <u>\$ 737,312</u> | <u>\$ 737,312</u> | <u>\$ 675,639</u> | <u>\$ (61,673)</u> |
| EXPENDITURES | | | | | |
| Current: | | | | | |
| Support Services - Student (Pupil): | | | | | |
| 0035 | Food Services | <u>\$ 737,312</u> | <u>\$ 737,312</u> | <u>\$ 666,547</u> | <u>\$ 70,765</u> |
| | Total Support Service - Student (Pupil) | <u>\$ 737,312</u> | <u>\$ 737,312</u> | <u>\$ 666,547</u> | <u>\$ 70,765</u> |
| 6030 | Total Expenditures | <u>\$ 737,312</u> | <u>\$ 737,312</u> | <u>\$ 666,547</u> | <u>\$ 70,765</u> |
| 1100 | Excess (Deficiency) of Revenues Over Expenditures | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,092</u> | <u>\$ 9,092</u> |
| 1200 | Net Change in Fund Balance | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,092</u> | <u>\$ 9,092</u> |
| 0100 | Fund Balance - Beginning (September 1) | <u>16,733</u> | <u>16,733</u> | <u>16,733</u> | <u>-</u> |
| 3000 | Fund Balance - Ending (August 31) | <u><u>\$ 16,733</u></u> | <u><u>\$ 16,733</u></u> | <u><u>\$ 25,825</u></u> | <u><u>\$ 9,092</u></u> |

CANTON INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2014

| Data Control Codes | Budgeted Amounts | | Actual | Variance with Final Budget Positive (Negative) | |
|--------------------------|--|---------------------|---------------------|---|-------------------|
| | Original | Final | | | |
| REVENUES | | | | | |
| 5700 | Local and Intermediate Sources | \$ 2,418,367 | \$ 2,418,367 | \$ 2,674,510 | \$ 256,143 |
| 5800 | State Program Revenues | 185,236 | 185,236 | 397,934 | 212,698 |
| 5020 | Total Revenues | \$ 2,603,603 | \$ 2,603,603 | \$ 3,072,444 | \$ 468,841 |
| EXPENDITURES | | | | | |
| Debt Service: | | | | | |
| 0071 | Principal on Long-term Debt | \$ 502,484 | \$ 502,484 | \$ 502,484 | \$ - |
| 0072 | Interest on Long-term Debt | 2,097,119 | 2,097,119 | 2,097,119 | - |
| 0073 | Debt Issuance Costs and Fees | 4,000 | 4,000 | 1,935 | 2,065 |
| | Total Debt Service | <u>\$ 2,603,603</u> | <u>\$ 2,603,603</u> | <u>\$ 2,601,538</u> | <u>\$ 2,065</u> |
| 6030 | Total Expenditures | \$ 2,603,603 | \$ 2,603,603 | \$ 2,601,538 | \$ 2,065 |
| 1100 | Excess (Deficiency) of Revenues Over Expenditures | \$ - | \$ - | \$ 470,906 | \$ 470,906 |
| 1200 | Net Change in Fund Balance | \$ - | \$ - | \$ 470,906 | \$ 470,906 |
| 0100 | Fund Balance - Beginning (September 1) | 913,234 | 913,234 | 913,234 | - |
| 3000 | Fund Balance - Ending (August 31) | \$ 913,234 | \$ 913,234 | \$ 1,384,140 | \$ 470,906 |

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2014

| <u>Data Control Codes</u> | | <u>Response</u> |
|-----------------------------------|--|-----------------|
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations? | No |
| SF4 | Did the district receive a clean audit? Was there an unmodified opinion in the Annual Financial Report? | Yes |
| SF5 | Did the Annual Financial Report disclose any instances of material weakness in internal codes? | No |
| SF9 | Was there any disclosure in the Annual Financial Report of material noncompliance? | No |
| SF10 | What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year end? | \$ 2,579,214 |

FEDERAL AWARDS SECTION

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2014

| (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 | 15610101234902 | \$ 10,335 |
| ESEA Title I Part A - Improving Basic Programs* | 84.010 | 14610101234902 | 151,650 |
| Carl Perkins Career and Technology Grant | 84.048 | 14420006234902 | 10,473 |
| IDEA - B Formula | 84.027 | 156600012349026600 | 17,267 |
| IDEA - B Preschool | 84.173 | 156610012349026610 | <u>136</u> |
| Total passed through the Texas Education Agency | | | <u>\$ 189,861</u> |
| Passed through Education Service Center, Region X: | | | |
| ESEA Title II Part A - Teacher and Principal Training | 84.367 | 15694501057950 | 4,469 |
| ESEA Title II Part A - Teacher and Principal Training | 84.367 | 14694501057950 | 59,403 |
| ESEA Title III Part A - English Language Acquisition | 84.365 | 14671001057950 | <u>5,450</u> |
| Total passed through Education Service Center, Region X | | | <u>\$ 69,322</u> |
| Total Department of Education | | | <u>\$ 259,183</u> |
| <u>U.S. DEPARTMENT OF AGRICULTURE</u> | | | |
| Passed through the Texas Department of Agriculture: | | | |
| School Breakfast Program | 10.553 | 0600 | \$ 94,033 |
| National School Lunch Program | 10.555 | 0600 | 309,733 |
| USDA Food Distribution | 10.550 | 234002A | <u>40,008</u> |
| Total Department of Agriculture | | | <u>\$ 443,774</u> |
| Total Expenditures of Federal Awards | | | <u>\$ 702,957</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, 2014

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, 2014.