

**CANTON INDEPENDENT SCHOOL DISTRICT**  
**ANNUAL FINANCIAL REPORT**  
**YEAR ENDED AUGUST 31, 2018**

**RUTHERFORD, TAYLOR & COMPANY, P.C.**  
*Certified Public Accountants*  
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CANTON INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
YEAR ENDED AUGUST 31, 2018

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### CERTIFICATE OF BOARD

Canton Independent School District  
Name of School District

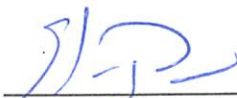
Van Zandt  
County

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, 2018, at a meeting of the board of school trustees of such school district on November 16, 2018.



\_\_\_\_\_  
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

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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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

### **Change in Accounting Principle**

As discussed in Note Q to the financial statements, in 2018 the District adopted various accounting pronouncements issued by the Governmental Accounting Standards Board. Our opinions are not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

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

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The schedules identified in the table of contents as other supplementary information are presented for the purpose of additional analysis, and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 12, 2018, 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 12, 2018  
Greenville, Texas

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COMPANY, P.C.  
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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*

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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, 2018, 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 12, 2018.

**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.

Rutherford, Taylor & Company PC

November 12, 2018  
Greenville, Texas



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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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 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, 2018. 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2018.

**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 with the Uniform Guidance – Continued

report on internal control over compliance in accordance with the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Rutherford, Taylor & Company, P.C." The signature is written in a cursive, flowing style.

November 12, 2018  
Greenville, Texas

CANTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
YEAR ENDED AUGUST 31, 2018

**Summary of Auditor's Results (Section I)**

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*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 the Uniform Guidance	No
Identification of major programs	Special Education Cluster: IDEA-B Formula (84.027) IDEA-B Preschool (84.173)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
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, 2018

**Financial Statement Findings (Section II)**

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NONE

CANTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
YEAR ENDED AUGUST 31, 2018

**Federal Award Findings and Questioned Costs (Section III)**

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NONE

CANTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
YEAR ENDED AUGUST 31, 2018

**Prior Year Findings (Section IV)**

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NONE

CANTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COST  
YEAR ENDED AUGUST 31, 2018

**Corrective Action Plans (Section V)**

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NONE

CANTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2018

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, 2018. Please read it in conjunction with the District's basic financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

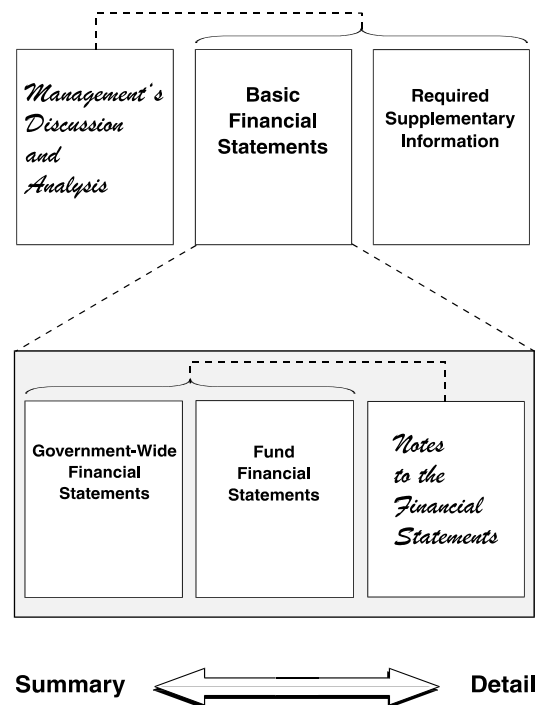
- The District's total combined net position was \$ 8,733,465 at August 31, 2018.
- During the year, the District's expenses were \$ 4,086,891 less than the \$ 20,009,991 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs decreased from last year as the District implemented GASB 75 in the current year. The implementation caused a significant reduction for OPEB plan changes which are reflected as decreases to both revenue and expenses.
- The General Fund reported a fund balance this year of \$ 10,767,007.
- The District issued bonds to refund outstanding maturities of debt to achieve lower interest expense over the life of the debt.

**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, 2018

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

## GOVERNMENT-WIDE STATEMENTS

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

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

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

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

## FUND FINANCIAL STATEMENTS

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

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

The District has the following kinds of funds:

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

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

<i>Type of Statements</i>	<b>Fund Statements</b>			
	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<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

CANTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2018

- 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 \$ 8,733,465 at August 31, 2018.

Canton Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2018	2017	2017-2018
Assets:			
Cash and Investments	\$ 11,487,087	\$ 10,991,801	4.51%
Other Assets	1,520,089	1,472,688	3.22%
Capital Assets less Accumulated Depreciation	35,993,796	37,430,962	-3.84%
Total Assets	\$ 49,000,972	\$ 49,895,451	-1.79%
Total Deferred Outflows of Resources	\$ 2,736,864	\$ 3,421,150	-20.00%
Liabilities:			
Current Liabilities	\$ 924,981	\$ 836,449	10.58%
Long-term Liabilities	39,465,002	38,438,802	2.67%
Total Liabilities	\$ 40,389,983	\$ 39,275,251	2.84%
Total Deferred Inflows of Resources	\$ 2,614,388	\$ 181,338	1341.72%
Net Position:			
Net Investment in Capital Assets	\$ 1,906,571	\$ 2,138,002	-10.82%
Restricted	755,744	670,000	12.80%
Unrestricted	6,071,150	11,052,010	-45.07%
Total Net Position	\$ 8,733,465	\$ 13,860,012	-36.99%

Approximately \$ 673,028 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 \$ 20,009,991. 51% of the District's revenue comes from local property taxes (See Table A-2). 46% 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 \$ 15,923,100. 54% of these costs are for instruction and instructional related services.

The District's tax collection percentage rate (current and delinquent base tax only) was 100.14%. The total collection percentage rate (base tax and penalty and interest) was 101.48%.

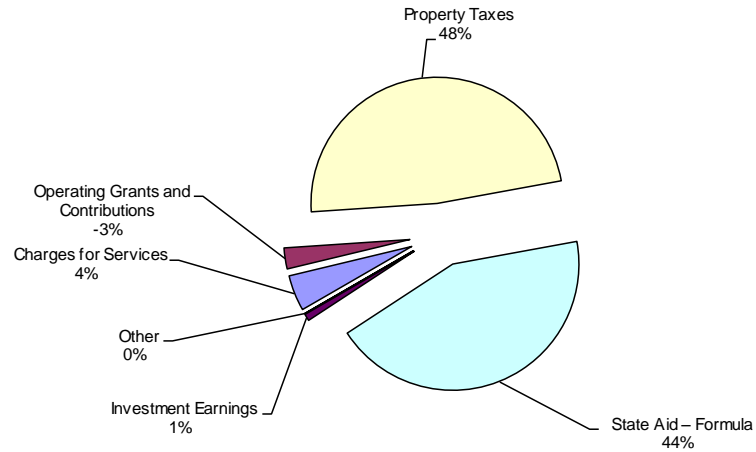
CANTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2018

**GOVERNMENTAL ACTIVITIES**

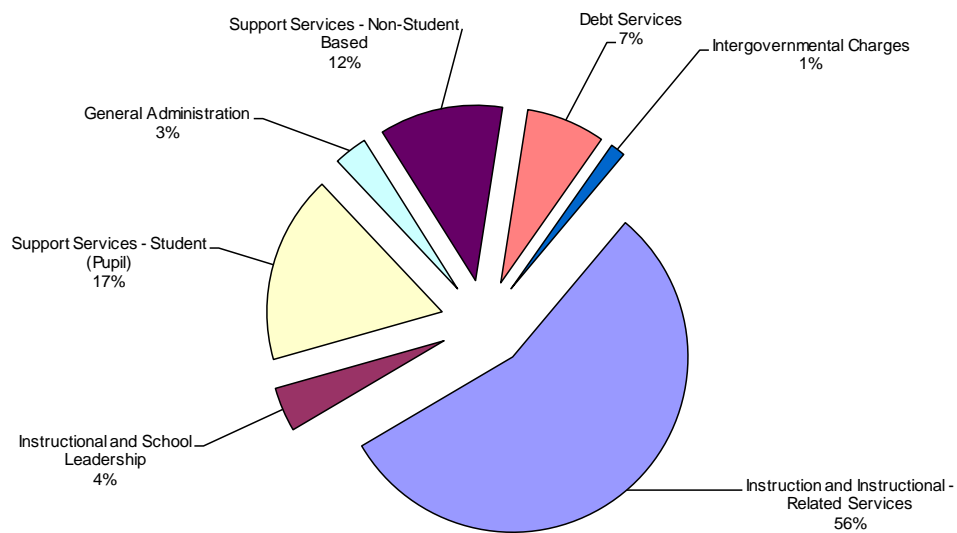
Changes in Canton Independent School District's Net Position			Table A-2
	Governmental Activities		Total Percentage Change 2017-2018
	2018	2017	
Program Revenues:			
Charges for Services	\$ 969,084	\$ 844,781	14.71%
Operating Grants and Contributions	(568,615)	2,399,895	-123.69%
General Revenues:			
Property Taxes	10,189,838	9,762,532	4.38%
State Aid – Formula	9,232,008	8,805,550	4.84%
Investment Earnings	185,941	91,503	103.21%
Other	1,735	15,150	-88.55%
Total Revenues	<u>\$ 20,009,991</u>	<u>\$ 21,919,411</u>	-8.71%
Expenses:			
Instruction	\$ 8,578,640	\$ 12,220,087	-29.80%
Instructional Resources and Media Services	197,131	262,775	-24.98%
Curriculum and Staff Development	47,617	60,198	-20.90%
Instructional Leadership	100,375	150,598	-33.35%
School Leadership	551,143	867,537	-36.47%
Guidance, Counseling and Evaluation Services	347,917	511,890	-32.03%
Health Services	168,812	175,752	-3.95%
Social Work Services	17,462	24,417	-28.48%
Student (Pupil) Transportation	345,256	406,603	-15.09%
Food Services	668,504	685,291	-2.45%
Cocurricular/Extracurricular Activities	1,216,867	1,360,996	-10.59%
General Administration	492,362	610,657	-19.37%
Plant Maintenance and Operations	1,555,544	1,596,963	-2.59%
Security and Monitoring Services	70,289	42,074	67.06%
Data Processing Services	189,616	190,546	-0.49%
Debt Service	1,157,027	1,266,575	-8.65%
Payments Related to Shared Services Arrangements	2,298	5,800	-60.38%
Other Intergovernmental Charges	216,240	214,717	0.71%
Total Expenses	<u>\$ 15,923,100</u>	<u>\$ 20,653,476</u>	-22.90%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ 4,086,891</u>	<u>\$ 1,265,935</u>	-222.84%
Increase (Decrease) in Net Position	<u>\$ 4,086,891</u>	<u>\$ 1,265,935</u>	-222.84%
Net Position - Beginning (September 1)	\$ 13,860,010	\$ 12,594,075	10.05%
Prior Period Adjustment	(9,213,436)	-	-100.00%
Net Position - Beginning, as Restated	<u>\$ 4,646,574</u>	<u>\$ 12,594,075</u>	-63.11%
Net Position - Ending (August 31)	<u>\$ 8,733,465</u>	<u>\$ 13,860,010</u>	-36.99%

CANTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2018

**Sources of Revenue for Fiscal Year 2018 - See Table A-2**



**Functional Expenses for Fiscal Year 2018 - See Table A-2**



CANTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2018

- 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 \$ 15,923,100.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 10,189,838.
- Some of the cost was paid by those who directly benefited from the programs \$ 969,084, or
- By grants and contributions \$ (568,615).

<b>Canton Independent School District's Net Cost of Selected District Functions</b>							<b>Table A-3</b>
	<u>Total Cost of Services</u>		<u>% Change</u>	<u>Net Cost of Services</u>		<u>% Change</u>	
	<u>2018</u>	<u>2017</u>		<u>2018</u>	<u>2017</u>		
Instruction	\$ 8,578,640	\$12,220,087	-29.80%	\$ 8,940,003	\$10,527,700	-15.08%	
School Leadership	551,143	867,537	-36.47%	680,407	824,211	-17.45%	
General Administration	492,362	610,657	-19.37%	564,289	589,712	-4.31%	
Plant Maintenance and Operations	1,555,544	1,596,963	-2.59%	1,597,590	1,572,198	1.62%	
Debt Service	1,157,027	1,266,575	-8.65%	881,094	970,753	-9.24%	

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the governmental funds totaled \$ 22,994,768. This represents an increase of \$ 1,259,430 from the prior year revenues of \$ 21,735,338. The change represents an increase in local revenues and state aid related to student enrollment and attendance.

Expenditures in the governmental funds totaled \$ 22,392,559. This represents an increase of \$ 1,526,866 from the prior year expenditures of \$ 20,865,693. The change represents an increase in both debt expense and capital improvements related to early retirement of debt and facility upgrades and improvements.

## 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 \$ 2,830,888 below final budget amounts. The most significant positive variance resulted from lower than expected expenses in the functional area of capital outlay, transportation and instruction.

Resources available were \$ 1,863,769 above final budgeted amounts. The favorable variance was a reflection of better than expected state aid due to increased enrollment and attendance.

CANTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2018

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

At the end of 2018, the District had invested \$ 66,625,923 in a broad range of capital assets, including land, equipment, buildings and vehicles (See Table A-4).

<b>Canton Independent School District's Capital Assets</b>			<b>Table A-4</b>
	Governmental Activities		Total Percentage Change
	2018	2017	2017-2018
Land	\$ 976,909	\$ 976,909	0.00%
Construction in Progress	231,088	-	100.00%
Buildings and Improvements	62,250,639	61,439,428	1.32%
Equipment	978,178	1,102,354	-11.26%
Vehicles	2,189,109	2,100,550	4.22%
Totals at Historical Cost	\$ 66,625,923	\$ 65,619,241	1.53%
Total Accumulated Depreciation	(30,632,127)	(28,188,279)	8.67%
Net Capital Assets	<u>\$ 35,993,796</u>	<u>\$ 37,430,962</u>	-3.84%

**DEBT**

At year-end, the District had \$ 31,486,370 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.

<b>Canton Independent School District's Debt</b>			<b>Table A-5</b>
	Governmental Activities		Total Percentage Change
	2018	2017	2017-2018
Bonds Payable	\$ 28,674,366	\$ 31,505,649	-8.99%
Other Debt Payable	2,812,004	3,787,311	-25.75%
Total Debt Payable	<u>\$ 31,486,370</u>	<u>\$ 35,292,960</u>	-10.79%

CANTON INDEPENDENT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED AUGUST 31, 2018

**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 in prior years to provide state funds to replace 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 2017-2019 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 constitutional. Future legislative sessions could produce minor changes to funding for student populations. The legal process ended the challenges by the various interested parties including the State. State funding will continue under the present system until legislative changes occur.

**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, 2018

1

Data Control Codes	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Investments	\$ 11,487,087
1225 Property Taxes Receivable, Net	492,596
1240 Due from Other Governments	743,415
1250 Accrued Interest	5,518
1260 Due from Fiduciary	162,648
1290 Other Receivables, Net	115,912
Capital Assets:	
1510 Land	976,909
1520 Building and Improvement, Net	33,940,243
1530 Furniture and Equipment, Net	845,556
1580 Constuction in Progress	231,088
<b>1000 Total Assets</b>	<b>\$ 49,000,972</b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
1701 Deferred Outflows - Refunding	\$ 1,449,330
1705 Deferred Outflows - Pensions	1,199,825
1706 Deferred Outflows - OPEB	87,709
<b>1700 Total Deferred Outflows of Resources</b>	<b>\$ 2,736,864</b>
<b>LIABILITIES</b>	
2110 Accounts Payable	\$ 91,520
2140 Interest Payable	39,392
2165 Accrued Liabilities	746,094
2300 Unearned Revenues	47,975
Noncurrent Liabilities:	
2501 Due within one year	1,478,367
2502 Due in more than one year	30,008,004
2540 Net Pension Liability	2,724,911
2545 Net OPEB Liability	5,253,720
<b>2000 Total Liabilities</b>	<b>\$ 40,389,983</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
2605 Deferred Inflows - Pensions	\$ 416,748
2606 Deferred Inflows - OPEB	2,197,640
<b>2600 Total Deferred Inflows of Resources</b>	<b>\$ 2,614,388</b>
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	\$ 1,906,571
Restricted For:	
3820 State and Federal Programs	39,535
3850 Debt Service	673,028
3890 Other Purposes	43,181
3900 Unrestricted	6,071,150
<b>3000 Total Net Position</b>	<b>\$ 8,733,465</b>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
YEAR ENDED AUGUST 31, 2018

		1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Program Revenues			
			Operating		
			Charges for	Grants and	Governmental
Data	Control	Expenses	Services	Contributions	Activities
Codes	Functions/Programs				
Governmental Activities:					
11	Instruction	\$ 8,578,640	\$ 416,031	\$ (777,394)	\$ (8,940,003)
12	Instructional Resources and Media Services	197,131	-	(34,865)	(231,996)
13	Curriculum and Staff Development	47,617	-	(4,653)	(52,270)
21	Instructional Leadership	100,375	-	(22,938)	(123,313)
23	School Leadership	551,143	-	(129,264)	(680,407)
31	Guidance, Counseling and Evaluation Services	347,917	-	(70,400)	(418,317)
32	Social Work Services	17,462	-	(5,115)	(22,577)
33	Health Services	168,812	-	(27,928)	(196,740)
34	Student (Pupil) Transportation	345,256	-	(46,192)	(391,448)
35	Food Services	668,504	225,419	464,589	21,504
36	Cocurricular/Extracurricular Activities	1,216,867	318,909	(44,111)	(942,069)
41	General Administration	492,362	-	(71,927)	(564,289)
51	Plant Maintenance and Operations	1,555,544	8,725	(50,771)	(1,597,590)
52	Security and Monitoring Services	70,289	-	(4,316)	(74,605)
53	Data Processing Services	189,616	-	(19,263)	(208,879)
72	Interest on Long-term Debt	1,083,880	-	275,933	(807,947)
73	Debt Issuance Costs and Fees	73,147	-	-	(73,147)
93	Payments Related to Shared Services Arrangements	2,298	-	-	(2,298)
99	Other Intergovernmental Charges	216,240	-	-	(216,240)
TG	Total Governmental Activities	<u>\$ 15,923,100</u>	<u>\$ 969,084</u>	<u>\$ (568,615)</u>	<u>\$ (15,522,631)</u>
TP	Total Primary Government	<u>\$ 15,923,100</u>	<u>\$ 969,084</u>	<u>\$ (568,615)</u>	<u>\$ (15,522,631)</u>
General Revenues:					
MT	Property Taxes, Levied for General Purpose				\$ 7,206,661
DT	Property Taxes, Levied for Debt Service				2,983,177
IE	Investment Earnings				185,941
GC	Grants and Contributions Not Restricted to Specific Programs				9,232,008
MI	Miscellaneous				1,735
TR	Total General Revenues				<u>\$ 19,609,522</u>
CN	Change in Net Position				<u>\$ 4,086,891</u>
NB	Net Position - Beginning (September 1)				<u>\$ 13,860,010</u>
PA	Prior Period Adjustment				<u>(9,213,436)</u>
	Net Position - Beginning, as Restated				<u>\$ 4,646,574</u>
NE	Net Position - Ending (August 31)				<u>\$ 8,733,465</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Investments	\$ 10,624,141	\$ 522,065	\$ 340,881	\$ 11,487,087
1225 Property Taxes Receivable, Net	349,181	143,415	-	492,596
1240 Due from Other Governments	629,302	29,695	84,418	743,415
1250 Accrued Interest	5,518	-	-	5,518
1260 Due from Other Funds	137	17,246	-	17,383
1290 Other Receivables, Net	162,648	-	-	162,648
1410 Unrealized Expenditures	115,912	-	-	115,912
<b>1000 Total Assets</b>	<b><u>\$ 11,886,839</u></b>	<b><u>\$ 712,421</u></b>	<b><u>\$ 425,299</u></b>	<b><u>\$ 13,024,559</u></b>
<b>LIABILITIES</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 36,289	\$ -	\$ 55,231	\$ 91,520
2150 Payroll Deductions & Withholdings	137	-	-	137
2160 Accrued Wages Payable	691,349	-	36,609	727,958
2170 Due to Other Funds	17,246	-	137	17,383
2200 Accrued Expenditures	14,326	-	3,673	17,999
2300 Unearned Revenues	11,304	-	36,671	47,975
<b>2000 Total Liabilities</b>	<b><u>\$ 770,651</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 132,321</u></b>	<b><u>\$ 902,972</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2640 Deferred Property Tax Revenue	\$ 349,181	\$ 143,415	\$ -	\$ 492,596
<b>2600 Total Deferred Inflows of Resources</b>	<b><u>\$ 349,181</u></b>	<b><u>\$ 143,415</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 492,596</u></b>
<b>FUND BALANCES</b>				
Nonspendable Fund Balances:				
3430 Prepaid Items	\$ 115,912	\$ -	\$ -	\$ 115,912
Restricted Fund Balances:				
3450 Federal/State Funds Grants	-	-	39,535	39,535
3480 Retirement of Long-Term Debt	-	569,006	-	569,006
3490 Other Restrictions of Fund Balance	-	-	59,501	59,501
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	-	-	193,942	193,942
Assigned Fund Balances:				
3550 Construction	3,525,000	-	-	3,525,000
3570 Capital Expenditures for Equipment	350,000	-	-	350,000
3580 Self-Insurance	675,000	-	-	675,000
3590 Other Assigned Fund Balance	400,000	-	-	400,000
3600 Unassigned	2,751,095	-	-	2,751,095
<b>3000 Total Fund Balances</b>	<b><u>\$ 10,767,007</u></b>	<b><u>\$ 569,006</u></b>	<b><u>\$ 292,978</u></b>	<b><u>\$ 11,628,991</u></b>
<b>4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances</b>	<b><u>\$ 11,886,839</u></b>	<b><u>\$ 712,421</u></b>	<b><u>\$ 425,299</u></b>	<b><u>\$ 13,024,559</u></b>

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, 2018

Total fund balances - Balance Sheet (governmental funds)	\$ 11,628,991
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not reported in the funds.	35,993,796
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	492,596
Payables for bond principal which are not due in the current period are not reported in the funds.	(28,674,367)
Payables for debt interest which are not due in the current period are not reported in the funds.	(39,392)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.	1,449,330
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(2,724,911)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(416,748)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	1,199,825
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(5,253,720)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(2,197,640)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	87,709
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.	(1,552,817)
Bond premiums are amortized in the SNA but not in the funds.	(1,259,187)
	<hr/>
Net position of governmental activities - Statement of Net Position	<u><u>\$ 8,733,465</u></u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES</b>				
5700 Local and Intermediate Sources	\$ 7,499,824	\$ 2,993,427	\$ 519,524	\$ 11,012,775
5800 State Program Revenues	10,158,032	275,933	90,579	10,524,544
5900 Federal Program Revenues	386,435	-	1,071,014	1,457,449
<b>5020 Total Revenues</b>	<b>\$ 18,044,291</b>	<b>\$ 3,269,360</b>	<b>\$ 1,681,117</b>	<b>\$ 22,994,768</b>
<b>EXPENDITURES</b>				
Current:				
0011 Instruction	\$ 9,475,068	\$ -	\$ 632,454	\$ 10,107,522
0012 Instructional Resources and Media Services	224,731	-	6,076	230,807
0013 Curriculum and Staff Development	61,192	-	3,650	64,842
0021 Instructional Leadership	150,167	-	-	150,167
0023 School Leadership	806,361	-	185	806,546
0031 Guidance, Counseling and Evaluation Services	436,918	-	56,520	493,438
0032 Social Work Services	26,287	-	-	26,287
0033 Health Services	203,550	-	-	203,550
0034 Student (Pupil) Transportation	337,577	-	-	337,577
0035 Food Services	-	-	686,808	686,808
0036 Cocurricular/Extracurricular Activities	835,034	-	257,247	1,092,281
0041 General Administration	632,433	-	-	632,433
0051 Plant Maintenance and Operations	1,659,200	-	-	1,659,200
0052 Security and Monitoring Services	58,056	-	799	58,855
0053 Data Processing Services	197,011	-	-	197,011
0071 Principal on Long-term Debt	-	2,831,283	-	2,831,283
0072 Interest on Long-term Debt	-	1,494,756	-	1,494,756
0073 Bond Issuance Costs and Fees	-	73,147	-	73,147
0081 Capital Outlay	1,029,809	-	-	1,029,809
0099 Other Intergovernmental Charges	216,240	-	-	216,240
<b>6030 Total Expenditures</b>	<b>\$ 16,349,634</b>	<b>\$ 4,399,186</b>	<b>\$ 1,643,739</b>	<b>\$ 22,392,559</b>
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 1,694,657	\$ (1,129,826)	\$ 37,378	\$ 602,209
<b>OTHER FINANCING SOURCES (USES)</b>				
7911 Capital-Related Debt Issued	\$ -	\$ 7,430,000	\$ -	\$ 7,430,000
7915 Transfers In	-	1,392,370	-	1,392,370
8911 Transfers Out	(1,392,370)	-	-	(1,392,370)
8949 Other Uses	-	(7,585,268)	-	(7,585,268)
<b>7080 Net Other Financing Sources (Uses)</b>	<b>\$ (1,392,370)</b>	<b>\$ 1,237,102</b>	<b>\$ -</b>	<b>\$ (155,268)</b>
1200 Net Changes in Fund Balances	\$ 302,287	\$ 107,276	\$ 37,378	\$ 446,941
0100 Fund Balances - Beginning (September 1)	10,464,720	461,730	255,600	11,182,050
<b>3000 Fund Balances - Ending (August 31)</b>	<b>\$ 10,767,007</b>	<b>\$ 569,006</b>	<b>\$ 292,978</b>	<b>\$ 11,628,991</b>

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, 2018

Net change in fund balances - total governmental funds	\$ 446,941
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the SOA.	1,142,472
The depreciation of capital assets used in governmental activities is not reported in the funds.	(2,566,108)
The gain or loss on the sale of capital assets is not reported in the funds.	(13,529)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(2,362)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.	7,587,541
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	2,831,283
The accretion of interest on capital appreciation bonds is not reported in the funds.	399,026
(Increase) decrease in accrued interest expense from beginning of period to end of period.	9,577
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(7,430,000)
GASB 75 requires certain expenditures to be de-expended and recorded as deferred resource outflow.	86,889
Pension contributions deferred in the prior year were expended in the current year	(61,741)
Pension expense relating to GASB 75 is recorded in the SOA but not in the funds.	1,824,637
GASB 68 requires certain expenditures to be de-expended and recorded as deferred resource outflow.	289,422
Pension contributions deferred in the prior year were expended in the current year	(278,598)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(178,559)
Change in net position of governmental activities - Statement of Activities	<u>\$ 4,086,891</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS  
AUGUST 31, 2018

Data Control Codes		Agency Fund Student Agency
	<b>ASSETS</b>	
1110	Cash and Investments	\$ 134,248
<b>1000</b>	<b>Total Assets</b>	<b>\$ 134,248</b>
	<b>LIABILITIES</b>	
	Current Liabilities:	
2190	Due to Student Groups	134,248
<b>2000</b>	<b>Total Liabilities</b>	<b>\$ 134,248</b>
	<b>NET POSITION</b>	
3850	Held in Trust	\$ -
<b>3000</b>	<b>Total Net Position</b>	<b>\$ -</b>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2018

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, 2018

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, 2018

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, 2018

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 its 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, 2018

A. Summary of Significant Accounting Policies (Continued)

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

	General	Debt Service	Other Governmental	Total
Nonspendable				
Prepaid Items	\$ 115,912	\$ -	\$ -	\$ 115,912
Restricted				
Child Nutrition Program	-	-	39,535	39,535
Retirement of Long Term Debt	-	569,005	-	569,005
Scholarship Funds	-	-	34,095	34,095
Other Restricted Balances	-	-	25,405	25,405
Committed				
Construction	2,500,000	-	-	2,500,000
Claims and Judgements	150,000	-	-	150,000
Capital Expenditures for Equipment	300,000	-	-	300,000
Campus Activity Funds	-	-	193,942	193,942
Assigned				
Construction	3,525,000	-	-	3,525,000
Capital Expenditures for Equipment	350,000	-	-	350,000
Self Insurance	675,000	-	-	675,000
Other	400,000	-	-	400,000
Unassigned	2,751,095	-	-	2,751,095
Totals	<u>\$ 10,767,007</u>	<u>\$ 569,005</u>	<u>\$ 292,977</u>	<u>\$ 11,628,989</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, 2018

A. Summary of Significant Accounting Policies (Continued)

6. Deferred Outflows and Inflows of Resources

The District implemented GASB Statement Number 68, *Accounting and Financial Reporting for Pensions* and GASB Statement Number 75, *Accounting and Financial Reporting for Postemployment Benefits and Other Pensions*. In addition to assets and liabilities, the government-wide Statement of Net Position and governmental fund Balance Sheet report separate sections for deferred outflows and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent the acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District reports certain deferred inflows and outflows related to pensions on the government-wide Statement of Net Position. At the governmental fund level, earned but unavailable revenue is reported as a deferred inflow of resources. To the extent practical, this change in accounting principle is required to be reported as an adjustment to prior periods.

The District also implemented GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which amends the transition provisions of GASB 68. GASB 71 requires that, at transition, governments recognize a beginning deferred outflow of resources for pension contributions made subsequent to the measurement date of the beginning Net Pension Liability. Implementation is reflected in the financial statements and the prior period adjustment.

7. 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.

8. 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.

9. 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.

CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2018

A. Summary of Significant Accounting Policies (Continued)

10. Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teacher Retirement System of Texas (TRS) and additions to/deductions from TRS's fiduciary net position have been determined on the same basis as they are reported by TRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expenses, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit term. There are no investments as this a pay-as-you-go plan and all cash is held in a cash account.

12. 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.

13. 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.

14. 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.

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 year end, 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.

CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2018

B. Deposits, Securities and Investments (Continued)

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, 2018

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 year end:

	Credit Rating	Fair Value
TexPool	AAAM	\$ 1,095,963
Lone Star Investment Pool	AAAM	3,547,613
LOGIC	AAAM	2,445,053
Certificate of Deposit	n/a	2,054,546
Total		<u>\$ 9,143,175</u>

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

- a. Name of bank: City National Bank, Canton, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 6,325,000.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 5,094,682, and occurred during the month of January 2018.
- 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, 2018

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 \$ 682,761,931.

CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2018

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	\$ 976,909	\$ -	\$ -	\$ 976,909
Total Construction in Progress	-	231,088	-	231,088
Total Capital Assets not being Depreciated	\$ 976,909	\$ 231,088	\$ -	\$ 1,207,997
Capital Assets being Depreciated:				
Building and Improvements	\$ 61,439,428	\$ 811,211	\$ -	\$ 62,250,639
Equipment	1,102,354	11,614	135,790	978,178
Vehicles	2,100,550	88,559	-	2,189,109
Total Capital Assets being Depreciated	\$ 64,642,332	\$ 911,384	\$ 135,790	\$ 65,417,926
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 26,030,371	\$ 2,280,025	\$ -	\$ 28,310,396
Equipment	631,243	152,232	122,261	661,214
Vehicles	1,526,666	133,851	-	1,660,517
Total Accumulated Depreciation	\$ 28,188,280	\$ 2,566,108	\$ 122,261	\$ 30,632,127
Total Capital Assets being Depreciated, Net	\$ 36,454,052	\$ (1,654,724)	\$ 13,529	\$ 34,785,799
Governmental Activities Capital Assets, Net	\$ 37,430,961	\$ (1,423,636)	\$ 13,529	\$ 35,993,796

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,960,095
Instructional Resources and Media Services	32,704
School Leadership	26,024
Guidance, Counseling and Evaluation Services	29,175
Health Services	20,721
Student (Pupil) Transportation	115,087
Cocurricular/Extracurricular Activities	267,436
General Administration	38,877
Plant Maintenance and Operations	24,480
Security	20,823
Data Processing	30,686
Total	<u>\$ 2,566,108</u>

CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2018

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	\$ 31,505,649	\$ 7,430,000	\$ 10,261,282	\$ 28,674,367	\$ 1,478,367
Accreted Interest Payable	1,951,844	129,690	528,716	1,552,818	-
Unamortized Premium (Discount)	1,835,467	-	576,281	1,259,186	-
Total Governmental Activities	<u>\$ 35,292,960</u>	<u>\$ 7,559,690</u>	<u>\$ 11,366,279</u>	<u>\$ 31,486,371</u>	<u>\$ 1,478,367</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.

The District issued "Canton Independent School District Unlimited Tax Refunding Bonds, Series 2018," totaling \$ 7,430,000 to be used to refund maturities of the following outstanding series:

Canton Independent School District Unlimited Tax Refunding Bonds, Series 2006  
Canton Independent School District Unlimited Tax Refunding Bonds, Series 2007

The bonds totaling \$ 7,430,000 are dated June 1, 2018 and were issued July 3, 2018. The proceeds including premium less issuance costs were deposited into an irrevocable trust with an escrow agent to provide for debt service payments on the refunded debt. The refunding meets the requirements of an in-substance defeasance and the debt has been removed from the District's long term debt. The maturities of refunded debt will be called on various dates with all maturities refunded on the final call date of August 2, 2018.

As a result of the refunding, the District decreased its debt service requirements by \$ 1,723,726. The refunding was authorized to reduce debt requirements on previously issued debt. The refunding resulted in an economic gain (difference between the present value of the debt service payments of the old and new debt) of \$ 1,101,157.

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Amount	Outstanding Balances
Unlimited Tax School Building Bonds, Series 1999	4.70%	\$ 5,206,903	\$ 49,367
Unlimited Tax Refunding Bonds, Series 2006	3.85%	9,330,000	130,000
Unlimited Tax Refunding Bonds, Series 2011	2.24%	4,835,000	4,005,000
Unlimited Tax Refunding Bonds, Series 2014	2.70%	8,560,000	8,250,000
Unlimited Tax Refunding Bonds, Series 2015	3.21%	8,985,000	8,810,000
Unlimited Tax Refunding Bonds, Series 2018	2.83%	7,430,000	7,430,000
Totals			<u>\$ 28,674,367</u>

CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2018

E. Long Term Obligations

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

Year Ending August 31	Principal	Interest	Total Requirements
2019	\$ 1,478,367	\$ 1,021,128	\$ 2,499,495
2020	1,384,000	1,115,094	2,499,094
2021	1,663,000	836,557	2,499,557
2022	1,720,000	779,444	2,499,444
2023	1,779,000	720,338	2,499,338
2024- 2028	7,896,000	4,601,215	12,497,215
2029- 2033	6,287,000	1,654,587	7,941,587
2034- 2038	6,467,000	575,943	7,042,943
Totals	\$ 28,674,367	\$ 11,304,306	\$ 39,978,673

F. Pension Plan

1. *Plan Description*

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

2. *Benefits Provided*

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

3. *Contributions*

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2018

F. Pension Plan (Continued)

Employees' contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018.

		<b><u>Contribution Rates</u></b>	
		<b><u>2017</u></b>	<b><u>2018</u></b>
Member		7.7%	7.7%
Non-Employer Contributing Entity (State)		6.8%	6.8%
Employers		6.8%	6.8%
2018	Employer Contributions	\$	289,422
2018	Member Contributions	\$	806,855
2017	NECE On-Behalf Contributions	\$	551,978

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers are required to pay the employer contribution rate in the following instances:

On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

During a new member's first 90 days of employment.

When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2018

F. Pension Plan (Continued)

4. *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At August 31, 2018, the District reported a liability of \$ 2,724,911 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 2,724,911
State's proportionate share that is associated with the District	<u>5,396,438</u>
Total	<u>\$ 8,121,349</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contribution to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0085221090% which was an increase of 0.0001972452% from its proportion measured as of August 31, 2016.

*Changes Since the Prior Actuarial Valuation*

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2018, the District recognized pension expense of \$ 868,776 and revenue of \$ 411,619 for support provided by the State.

At August 31, 2018 the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ 39,867	\$ 146,951
Changes of actuarial assumptions	124,124	71,058
Differences between projected and actual investment earnings	-	198,585
Changes in proportion and differences between the employers contributions and the proportionate share of contributions	<u>746,412</u>	<u>154</u>
Total as of August 31, 2017 measurement date	\$ 910,403	\$ 416,748
Contributions paid to TRS subsequent to the measurement date	<u>289,422</u>	<u>-</u>
Total	<u>\$ 1,199,825</u>	<u>\$ 416,748</u>

CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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F. Pension Plan (Continued)

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ending August 31</b>	<b>Amount</b>
2019	\$ 95,178
2020	269,116
2021	81,811
2022	24,552
2023	18,021
Thereafter	4,977

5. *Actuarial Assumptions*

The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ended August 31, 2014 and adopted on September 24, 2015.

6. *Discount Rate*

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized on the next page:

CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2018

F. Pension Plan (Continued)

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns *
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

\* The expected contribution to returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

7. *Discount Rate Sensitivity Analysis*

The following presents the District's share of the net pension liability of the plan using the discount rate of 8%, as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (7%) or 1 – percentage point higher (9%) than the current rate:

	1% Decrease in Discount Rate	Discount Rate 8%	1% Increase in Discount Rate
District's proportionate share of the net pension liability	\$ 4,593,662	\$ 2,724,911	\$ 1,168,873



CANTON INDEPENDENT SCHOOL DISTRICT  
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YEAR ENDED AUGUST 31, 2018

F. Pension Plan (Continued)

8. *Pension Plan Fiduciary Net Position*

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2017 and 2016.

<u>Net Pension Liability</u>	<u>August 31, 2017</u>	<u>August 31, 2016</u>
Total Pension Liability	\$ 179,336,534,819	\$ 171,797,150,487
Less: Plan Fiduciary Net Position	(147,361,922,120)	(134,008,637,473)
Net Pension Liability	<u>\$ 31,974,612,699</u>	<u>\$ 37,788,513,014</u>
Net Position as percentage of Total Pension Liability	82.17%	78.00%

G. Defined Other Post-Employment Benefit Plans

1. *Plan Description*

The employer participates in the Texas Public School Retired Employees Group Insurance Program (TRS Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

2. *OPEB Plan Fiduciary Net Position*

Detail Information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the internet at <http://www.trs.state.tx.us/about/documents/cafr/pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

3. *Benefits Provided*

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
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G. Defined Other Post-Employment Benefit Plans (Continued)

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

<b>TRS-Care Plan Premium Rates</b>			
<b>Effective Sept. 1, 2016 - Dec. 31, 2017</b>			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree *	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree * and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

\* or surviving spouse

4. *Contributions*

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

<b>Contribution Rates</b>		
	<b>2017</b>	<b>2018</b>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding remitted by Employers	1.00%	1.25%
2018 Employer Contributions	\$	86,889
2018 Member Contributions	\$	68,112
2017 NECE On-Behalf Contributions	\$	95,857

CANTON INDEPENDENT SCHOOL DISTRICT  
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G. Defined Other Post-Employment Benefit Plans (Continued)

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$ 535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$ 15.6 million in fiscal year 2017 and \$ 182.6 million in fiscal year 2018.

5. *Actuarial Assumptions*

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate	3.42%
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases	3.50% to 9.50%
Healthcare Trend Rates	4.50% to 12.00%
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

Other Information: There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

CANTON INDEPENDENT SCHOOL DISTRICT  
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G. Defined Other Post-Employment Benefit Plans (Continued)

6. *Discount Rate*

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

7. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
District's proportionate share of the net OPEB liability	\$ 6,200,694	\$ 5,253,720	\$ 4,492,566

8. *OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs*

At August 31, 2018 the District reported a liability of \$ 5,253,720 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	\$ 5,253,720
State's proportionate share that is associated with the District	<u>8,017,765</u>
Total	<u>\$ 13,271,485</u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contribution to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0120813358%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2017 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

CANTON INDEPENDENT SCHOOL DISTRICT  
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G. Defined Other Post-Employment Benefit Plans (Continued)

*Changes Since the Prior Actuarial Valuation* – The following were changes to the actuarial assumptions or other inputs that affected measurements of the Total OPEB liability since the prior measurement period:

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended August 31, 2018, the District recognized OPEB expense of \$ (4,445,853) and revenue of \$ (2,682,957) for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual actuarial experience	\$ -	\$ 109,675
Changes in actuarial assumptions	-	2,087,965
Difference between projected and actual investment earnings	798	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	<u>22</u>	<u>-</u>
Total as of August 31, 2017 measurement date	\$ 820	\$ 2,197,640
Contributions paid to TRS subsequent to the measurement date	<u>86,889</u>	<u>-</u>
Total at fiscal year end	<u><u>\$ 87,709</u></u>	<u><u>\$ 2,197,640</u></u>

The net amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expenses as follows:

<u>Fiscal Year Ending August 31</u>	<u>Amount</u>
2019	\$ (289,873)
2020	(289,873)
2021	(289,873)
2022	(289,873)
2023	(290,072)
Thereafter	(747,256)

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 \$ 240 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 (Aetna). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

CANTON INDEPENDENT SCHOOL DISTRICT  
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H. Risk Management (Continued)

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

Latest financial statements for Aetna are available for the year ended December 31, 2017, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

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, 2017, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

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 2018, 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 year end, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2018

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>
Block Grant	Region X Education Services Center	Title III Part A Carl Perkins Grant

L. Revenue from Local and Intermediate Sources

During the year the District received revenue from local and intermediate sources consisting of the following:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Totals</u>
Property Tax Collections	\$ 7,275,638	\$ 2,983,756	\$ -	\$ 10,259,394
Investment Income	170,420	9,671	6,029	186,120
Rent	8,725	-	-	8,725
Food Service Income	-	-	225,964	225,964
Gifts and Bequests	6,800	-	46,452	53,252
Cocurricular/Extracurricular Activities	67,198	-	244,802	312,000
Tuition and Fees	29,596	-	-	29,596
Miscellaneous	6,909	-	-	6,909
Other	1,735	-	-	1,735
Totals	<u>\$ 7,567,021</u>	<u>\$ 2,993,427</u>	<u>\$ 523,247</u>	<u>\$ 11,083,695</u>

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:

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental</u>	<u>Totals</u>
Due from Other Governments	\$ 629,302	\$ 29,695	\$ 84,417	\$ 743,414
Property Taxes Receivable	387,979	159,350	-	547,329
Less: Allowance for Uncollectible				
Property Taxes	(38,798)	(15,935)	-	(54,733)
Other Receivables	168,166	-	-	168,166
Net Receivables	<u>\$ 1,146,649</u>	<u>\$ 173,110</u>	<u>\$ 84,417</u>	<u>\$ 1,404,176</u>

N. Subsequent Events

The District's management has evaluated subsequent events through November 12, 2018, the date which the financial statements were available for use.

CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2018

O. Interfund Balances and Activities

Interfund Receivables and Payables

The composition of interfund balances as of year end, is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Food Service Fund	\$ 137
Debt Service Fund	General Fund	17,246
Totals		<u>\$ 17,383</u>

P. 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.

	Available	Foundation	IFA	EDA
CY Summary of Finances (SOF)	\$ 425,520	\$ 8,701,544	\$ 94,580	\$ 158,197
Prior Year Settle Ups	-	63,542	4,193	18,963
August Instructional Days Change	31,243	10,162	-	-
Financial Statement Earnings	<u>\$ 456,763</u>	<u>\$ 8,775,248</u>	<u>\$ 98,773</u>	<u>\$ 177,160</u>
Financial Statement Amounts				
SOF Receivable (Overpayment)	-	123,168	11,106	18,589
August Instructional Days Receivable	53,127	453,010	-	-

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

Q. Change in Accounting Principles

Statement 75, *Accounting and Financial Reporting for Postemployment Benefits and Other Pensions*.

The Statement addresses accounting and reporting for postemployment benefits other than pensions (OPEB). Various standards for recognizing measuring and reporting liabilities, deferred outflows and deferred inflows are implemented to achieve the financial accounting and reporting objectives. Note disclosures and other required supplemental information were expanded to provide additional insight into the financial implications of the OPEB.

Statement 85, *Omnibus 2017*

The Statement addresses a variety of technical corrections to previously issued statements that were identified during the implementation of the standards. Included are amendments to GASB Statement 75 that enhance the financial reporting required.



CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED AUGUST 31, 2018

R. Prior Period Adjustments

*Government-wide Financial Statements*

The increase in net assets identified on Exhibit B-1 includes the following corrections of errors in prior periods or changes related to implementations of new accounting standards:

Implementation of GASB Statement 75, <i>Accounting and Financial Reporting for Post Employment Benefits and Other Pension</i> , relating to retiree healthcare benefits (OPEB) decreased beginning net assets	\$ (9,213,436)
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S. Negative Operating Grants and Contributions – Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on-behalf accruals)
11 - Instruction	\$ (777,394)	\$ (2,001,180)	\$ 1,223,786
12 - Instructional Resources and Media Services	(34,865)	(41,980)	7,115
13 - Curriculum and Instructional Staff Development	(4,653)	(8,848)	4,195
21 - Instructional Leadership	(22,938)	(27,618)	4,680
23 - School Leadership	(129,264)	(155,640)	26,376
31 - Guidance, Counseling and Evaluation Services	(70,400)	(84,765)	14,365
32 - Social Work Services	(5,115)	(6,158)	1,043
33 - Health Services	(27,928)	(33,627)	5,699
34 - Student (Pupil) Transportation	(46,192)	(55,617)	9,425
35 - Food Services	464,589	(6,795)	471,384
36 - Extracurricular Activities	(44,111)	(83,644)	39,533
41 - General Administration	(71,927)	(86,604)	14,677
51 - Facilities Maintenance and Operations	(50,771)	(61,131)	10,360
52 - Security and Monitoring Services	(4,316)	(6,158)	1,842
53 - Data Processing Services	(19,263)	(23,192)	3,929
72 - Interest on Long-term Debt	275,933	-	275,933
	<u>\$ (568,615)</u>	<u>\$ (2,682,957)</u>	<u>\$ 2,114,342</u>

## REQUIRED SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2018

YEAR-ENDED AUGUST 31, 2019				Variance with Final Budget Positive (Negative)
Data Control Codes		Budgeted Amounts		
		Original	Final	Actual
<b>REVENUES</b>				
5700	Local and Intermediate Sources	\$ 7,020,393	\$ 7,026,193	\$ 7,499,824
5800	State Program Revenues	8,929,329	8,929,329	10,158,032
5900	Federal Program Revenues	225,000	225,000	386,435
<b>5020</b>	<b>Total Revenues</b>	<b>\$ 16,174,722</b>	<b>\$ 16,180,522</b>	<b>\$ 18,044,291</b>
<b>EXPENDITURES</b>				
Instruction and Instructional Related Services:				
0011	Instruction	\$ 9,705,865	\$ 9,634,815	\$ 9,475,068
0012	Instructional Resources and Media Services	229,507	229,507	224,731
0013	Curriculum and Staff Development	63,682	65,032	61,192
	Total Instruction and Instr. Related Services	<b>\$ 9,999,054</b>	<b>\$ 9,929,354</b>	<b>\$ 9,760,991</b>
Instructional and School Leadership:				
0021	Instructional Leadership	\$ 161,950	\$ 165,050	\$ 150,167
0023	School Leadership	852,005	850,605	806,361
	Total Instructional and School Leadership	<b>\$ 1,013,955</b>	<b>\$ 1,015,655</b>	<b>\$ 956,528</b>
Support Services - Student (Pupil):				
0031	Guidance, Counseling and Evaluation Services	\$ 452,164	\$ 452,164	\$ 436,918
0032	Social Work Services	31,559	31,559	26,287
0033	Health Services	217,801	217,801	203,550
0034	Student (Pupil) Transportation	635,690	635,690	337,577
0036	Cocurricular/Extracurricular Activities	889,700	890,700	835,034
	Total Support Services - Student (Pupil)	<b>\$ 2,226,914</b>	<b>\$ 2,227,914</b>	<b>\$ 1,839,366</b>
Administrative Support Services:				
0041	General Administration	\$ 625,754	\$ 632,754	\$ 632,433
	Total Administrative Support Services	<b>\$ 625,754</b>	<b>\$ 632,754</b>	<b>\$ 632,433</b>
Support Services - Nonstudent Based:				
0051	Plant Maintenance and Operations	\$ 1,827,677	\$ 1,807,677	\$ 1,659,200
0052	Security and Monitoring Services	46,756	72,556	58,056
0053	Data Processing Services	214,612	274,612	197,011
	Total Support Services - Nonstudent Based	<b>\$ 2,089,045</b>	<b>\$ 2,154,845</b>	<b>\$ 1,914,267</b>
Capital Outlay:				
0081	Capital Outlay	\$ -	\$ 3,000,000	\$ 1,029,809
	Total Capital Outlay	<b>\$ -</b>	<b>\$ 3,000,000</b>	<b>\$ 1,029,809</b>
Intergovernmental Charges:				
0099	Other Intergovernmental Charges	\$ 220,000	\$ 220,000	\$ 216,240
	Total Intergovernmental Charges	<b>\$ 220,000</b>	<b>\$ 220,000</b>	<b>\$ 216,240</b>
<b>6030</b>	<b>Total Expenditures</b>	<b>\$ 16,174,722</b>	<b>\$ 19,180,522</b>	<b>\$ 16,349,634</b>
1100	Excess (Deficiency) of Revenues Over Expenditures	<b>\$ -</b>	<b>\$ (3,000,000)</b>	<b>\$ 1,694,657</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
8911	Transfers Out	\$ -	\$ (1,392,370)	\$ (1,392,370)
<b>7080</b>	<b>Net Other Financing Sources (Uses)</b>	<b>\$ -</b>	<b>\$ (1,392,370)</b>	<b>\$ -</b>
1200	Net Change in Fund Balance	\$ -	\$ (4,392,370)	\$ 302,287
0100	Fund Balance - Beginning (September 1)	10,464,720	10,464,720	10,464,720
<b>3000</b>	<b>Fund Balance - Ending (August 31)</b>	<b>\$ 10,464,720</b>	<b>\$ 6,072,350</b>	<b>\$ 10,767,007</b>

CANTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
YEAR ENDED AUGUST 31, 2018

	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>	<u>2014 *</u>
District's proportion of the net pension liability	0.0085221090%	0.0083248638%	0.0086765000%	0.0044324000%
District's proportionate share of the net pension liability	\$ 2,724,911	\$ 3,145,842	\$ 3,067,027	\$ 1,183,956
State's proportionate share of the net pension liability associated with the District	<u>5,396,438</u>	<u>6,544,950</u>	<u>6,309,383</u>	<u>5,202,426</u>
Total	<u>\$ 8,121,349</u>	<u>\$ 9,690,792</u>	<u>\$ 9,376,410</u>	<u>\$ 6,386,382</u>
District's covered-employee payroll (for Measurement Year)	\$ 10,201,420	\$ 9,958,428	\$ 9,662,998	\$ 8,836,421
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	26.71%	31.59%	31.74%	13.40%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%

Note: Only four years of data is presented in accordance with GASB 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

\* The years above present data for the measurement period ending date. The measurement period represents the period for which the pensions plan prepares its reports which provides a 12 month delay for financial reporting in accordance with GASB 68.

CANTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
YEAR ENDED AUGUST 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 289,422	\$ 278,598	\$ 264,615	\$ 249,695
Contributions in relations to the contractual required contributions	<u>(289,422)</u>	<u>(278,598)</u>	<u>(264,615)</u>	<u>(249,695)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 10,478,627	\$ 10,201,420	\$ 9,958,428	\$ 9,662,998
Contributions as a percentage of covered employee payroll	2.76%	2.73%	2.66%	2.58%

Note: Only four years of data is presented in accordance with GASB 68, paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CANTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
YEAR ENDED AUGUST 31, 2018

	<u>2017 *</u>
District's proportion of the Net OPEB Liability (Asset)	0.0120813358%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 5,253,720
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>8,017,765</u>
Total	<u>\$ 13,271,485</u>
District's covered-employee payroll (for Measurement Year)	\$ 10,201,420
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	51.50%
Plan fiduciary net position as a percentage of the Total OPEB Liability	0.91%

Note: Only one year of data is presented in accordance with GASB 75 paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

\* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 12 month delay for financial reporting in accordance with GASB 75.

CANTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
YEAR ENDED AUGUST 31, 2018

	<u>2018</u>
Contractually required contributions	\$ 86,889
Contributions in relations to the contractual required contributions	<u>(86,889)</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered employee payroll	\$ 10,478,627
Contributions as a percentage of covered employee payroll	0.83%

Note: Only one year of data is presented in accordance with GASB 75, paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not

CANTON INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
YEAR ENDED AUGUST 31, 2018

A. Budget

The official budget was prepared for adoption for all Government Fund Types. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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 the time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

B. Defined Benefit Pension Plan

1. Changes of Assumptions

No changes in assumptions were made that affected the measurement of the total pension liability during the measurement period.

2. Changes of Benefit Terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.



## OTHER SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
YEAR ENDED AUGUST 31, 2018

Tax Roll Year	Last Ten Years Ended August 31	1	2	3	10	20	30	30a	40	50
		Tax Rates		Assessed/Appraised	Beginning	Current	Maintenance	Debt Service	Entire	Ending
		Maintenance	Debt	Value For School	Balance	Year's	Tax Collections	Tax Collections	Year's	Balance
			Service	Tax Purposes	9/1/2017	Total Levy			Adjustments	8/31/2018
XXX	2009 and Prior Years	Various	Various	Various	\$ 18,308	\$ -	\$ 1,979	\$ 642	\$ 27	\$ 15,714
2009	2010	1.040000	0.431000	601,881,033	16,007	-	612	254	1	15,142
2010	2011	1.040000	0.431000	596,685,244	21,624	-	1,802	747	(394)	18,681
2011	2012	1.040000	0.431000	596,246,865	26,634	-	3,208	1,330	(368)	21,728
2012	2013	1.040000	0.431000	596,788,980	33,061	-	4,157	1,723	(431)	26,750
2013	2014	1.040000	0.431000	602,807,886	44,889	-	6,714	2,783	(321)	35,071
2014	2015	1.040000	0.431000	621,060,822	80,592	-	13,475	5,584	(52)	61,481
2015	2016	1.040000	0.431000	619,753,886	112,267	-	24,764	10,263	(490)	76,750
2016	2017	1.040000	0.431000	657,659,222	196,571	-	64,470	26,718	(8,944)	96,439
2017	2018	1.040000	0.431000	682,761,931	-	10,043,428	6,989,383	2,896,562	22,090	179,573
<b>1000 TOTALS</b>					<b>\$ 549,953</b>	<b>\$ 10,043,428</b>	<b>\$ 7,110,564</b>	<b>\$ 2,946,606</b>	<b>\$ 11,118</b>	<b>\$ 547,329</b>

CANTON INDEPENDENT SCHOOL DISTRICT  
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
REVENUES					
5700	Local and Intermediate Sources	\$ 274,628	\$ 274,628	\$ 225,692	\$ (48,936)
5800	State Program Revenues	14,020	14,020	5,275	(8,745)
5900	Federal Program Revenues	464,678	464,678	463,970	(708)
5020	Total Revenues	\$ 753,326	\$ 753,326	\$ 694,937	\$ (58,389)
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 753,326	\$ 753,326	\$ 685,835	\$ 67,491
	Total Support Service - Student (Pupil)	\$ 753,326	\$ 753,326	\$ 685,835	\$ 67,491
6030	Total Expenditures	\$ 753,326	\$ 753,326	\$ 685,835	\$ 67,491
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 9,102	\$ 9,102
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 9,102	\$ 9,102
0100	Fund Balance - Beginning (September 1)	30,433	30,433	30,433	-
3000	Fund Balance - Ending (August 31)	\$ 30,433	\$ 30,433	\$ 39,535	\$ 9,102

CANTON INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED AUGUST 31, 2018

Data Control Codes				Variance with Final Budget Positive (Negative)			
				Budgeted Amounts			
				Original	Final	Actual	
REVENUES							
5700	Local and Intermediate Sources			\$ 2,852,750	\$ 2,852,750	\$ 2,993,427	\$ 140,677
5800	State Program Revenues			207,144	207,144	275,933	68,789
5020	Total Revenues			\$ 3,059,894	\$ 3,059,894	\$ 3,269,360	\$ 209,466
EXPENDITURES							
Debt Service:							
0071	Principal on Long-term Debt			\$ 1,361,574	\$ 2,858,944	\$ 2,831,283	\$ 27,661
0072	Interest on Long-term Debt			1,692,320	1,692,320	1,494,756	197,564
0073	Debt Issuance Costs and Fees			6,000	106,000	73,147	32,853
	Total Debt Service			\$ 3,059,894	\$ 4,657,264	\$ 4,399,186	\$ 258,078
6030	Total Expenditures			\$ 3,059,894	\$ 4,657,264	\$ 4,399,186	\$ 258,078
1100	Excess (Deficiency) of Revenues Over Expenditures			\$ -	\$ (1,597,370)	\$ (1,129,826)	\$ 467,544
OTHER FINANCING SOURCES (USES)							
7911	Capital-Related Debt Issued			\$ -	\$ -	\$ 7,430,000	\$ 7,430,000
7915	Transfers In			-	1,392,370	1,392,370	-
8949	Other Uses			-	-	(7,585,268)	(7,585,268)
7080	Net Other Financing Sources (Uses)			\$ -	\$ 1,392,370	\$ 1,237,102	\$ (155,268)
1200	Net Change in Fund Balance			\$ -	\$ (205,000)	\$ 107,276	\$ 312,276
0100	Fund Balance - Beginning (September 1)			461,730	461,730	461,730	-
3000	Fund Balance - Ending (August 31)			\$ 461,730	\$ 256,730	\$ 569,006	\$ 312,276

CANTON INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
 AS OF AUGUST 31, 2018

<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 nonpayment of any terms of any debt Agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the annual Financial Report on the Financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material Weaknesses in internal controls over financial reporting and compliance For local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more Than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial Statements at fiscal year-end.	\$ 1,552,818
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 2,724,911
SF13	Net OPEB Liability (2545) at fiscal year end.	\$ 5,253,720

## FEDERAL AWARDS SECTION

CANTON INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2018

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Grantor Identifying Number	(03) Federal Expenditures
<b><u>U.S. DEPARTMENT OF EDUCATION</u></b>			
Passed through the Texas Education Agency:			
IDEA - B Formula (B) *	84.027	186600012349026600	\$ 343,006
IDEA - B Formula (B) *	84.027	196600012349026600	19,852
IDEA - B Preschool (B) *	84.173	186610012349026610	4,732
Title IV Part A - Subpart I	84.424	18680101234902	7,952
Title IV Part A - Subpart I	84.424	19680101234902	1,859
<b>Total passed through the Texas Education Agency</b>			<b>\$ 377,401</b>
Passed through Education Service Center, Region X:			
ESEA Title I Part A - Improving Basic Programs	84.010	18610101057950	159,877
ESEA Title I Part A - Improving Basic Programs	84.010	19610101057950	15,487
ESEA Title II Part A - Teacher and Principal Training	84.367	18694501057950	45,468
ESEA Title II Part A - Teacher and Principal Training	84.367	19694501057950	3,235
ESEA Title III Part A - LEP	84.357	18671001057950	5,576
<b>Total passed through Education Service Center, Region X</b>			<b>\$ 229,643</b>
<b>Total Department of Education</b>			<b>\$ 607,044</b>
<b><u>U.S. DEPARTMENT OF AGRICULTURE</u></b>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program (A)	10.553	0600	\$ 106,396
National School Lunch Program (A)	10.555	0600	313,519
USDA Food Distribution	10.550	234002A	44,055
<b>Total Department of Agriculture</b>			<b>\$ 463,970</b>
<b>Total Expenditures of Federal Awards</b>			<b>\$ 1,071,014</b>

\* Denotes Major Program

A - Child Nutrition Cluster

B - Special Education Cluster

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, 2018

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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 year end.

C. Reconciliation of Federal Revenue with Financial Statements

The District records amounts received from the federal government or other recipients of federal grant as federal revenue in the financial statements. This reconciliation identifies the difference between the financial statement revenues and the schedule of expenditures of federal awards:

Total Federal Expenditures (Exhibit K-1)	\$ 1,071,014
School Health and Related Services	<u>386,435</u>
Federal Revenue (Exhibit C-3)	<u>\$ 1,457,449</u>