

CANTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2021

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CANTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2021

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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 X approved/ _____ disapproved for the year ended August 31, 2021, at a meeting of the board of school trustees of such school district on 11-19-21.


Signature of Board Secretary


Signature of Board President

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Independent School District (District), as of and for the year ended August 31, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and certain pension disclosures 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 Districts 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 the responsibility of management and was derived from and relates directly to the underlying accounting and other records used in the preparation of the basic financial statements. Such Information has been subjected to the auditing procedures of the basic financial statement and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic finance statements or the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other supplementary information schedules 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. 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 17, 2021
Greenville, Texas

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

Members of the Board

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Independent School District (District), as of and for the year ended August 31, 2021, 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 17, 2021.

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.

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

November 17, 2021
Greenville, Texas

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

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, 2021. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to 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, 2021.

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 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.

Internal Control over Compliance with the Uniform Guidance – Continued

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

November 17, 2021
Greenville, Texas

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COST
 YEAR ENDED AUGUST 31, 2021

Summary of Auditor's Results (Section I)

Financial Statements –

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

Federal Awards –

Internal control over major programs:	
Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No
Identification of major programs	Elementary and Secondary Schools Emergency Relief (84.425)
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, 2021

Financial Statement Findings (Section II)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2021

Federal Award Findings and Questioned Costs (Section III)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2021

Prior Year Findings (Section IV)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2021

Corrective Action Plans (Section V)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2021

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, 2021. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

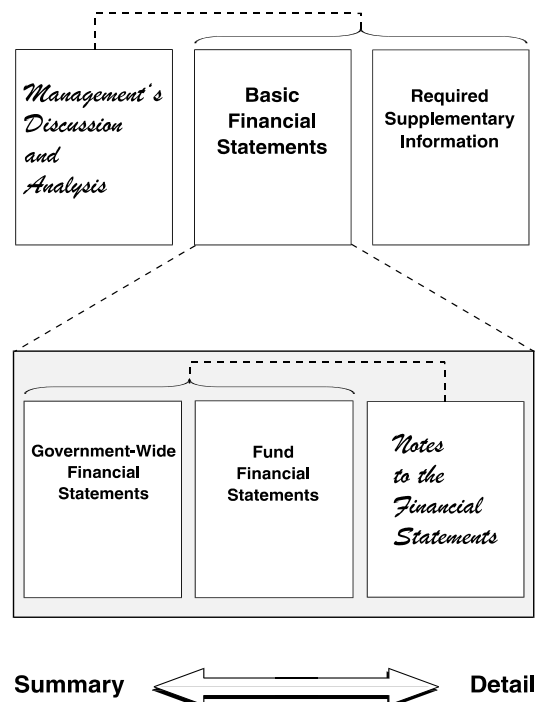
- The District's total combined net position was \$ 17,316,242 at August 31, 2021.
- During the year, the District's expenses were \$ 3,806,725 less than the \$ 27,684,221 generated in taxes and other revenues for governmental activities.
- Expenditures decreased less than 1% over the prior year amounts while revenues increased 4.99% over the previous year balances.
- The District experienced disruption in traditional educational services due to the state and national responses to the COVID-19 pandemic during the year.
- The General Fund reported a fund balance this year of \$ 7,721,589.
- The District issued bonds to refund outstanding maturities of existing 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, 2021**

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.

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

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

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.

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2021

- 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 \$ 17,316,242 at August 31, 2021

Canton Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2020	2019	2020-2021
Assets:			
Cash and Investments	\$ 13,865,817	\$ 13,591,948	2.01%
Other Assets	1,880,350	1,531,712	22.76%
Capital Assets less Accumulated Depreciation	34,948,108	35,077,210	-0.37%
Total Assets	\$ 50,694,275	\$ 50,200,870	0.98%
Total Deferred Outflows of Resources	\$ 3,816,281	\$ 4,737,848	-19.45%
Liabilities:			
Current Liabilities	\$ 1,581,485	\$ 1,270,717	24.46%
Long-term Liabilities	30,956,806	36,732,715	-15.72%
Total Liabilities	\$ 32,538,291	\$ 38,003,432	-14.38%
Total Deferred Inflows of Resources	\$ 4,656,023	\$ 3,425,769	35.91%
Net Position:			
Net Investment in Capital Assets	\$ 14,385,760	\$ 10,482,054	37.24%
Restricted	5,556,912	5,431,162	2.32%
Unrestricted	(2,626,430)	(2,403,699)	9.27%
Total Net Position	\$ 17,316,242	\$ 13,509,517	28.18%

Approximately \$ 594,185 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 \$ 27,684,221. 44% of the District's revenue comes from local property taxes (See Table A-2). 52% comes from state aid and federal grants, while only 4% relates to charges for services and other revenue sources, including investment income.

The total cost of all programs and services was \$ 23,877,496. 64% of these costs are for instruction and instructional related services.

The District's tax collection percentage rate (current and delinquent base tax only) was 100.09%. The total collection percentage rate (base tax and penalty and interest) was 101.67%.

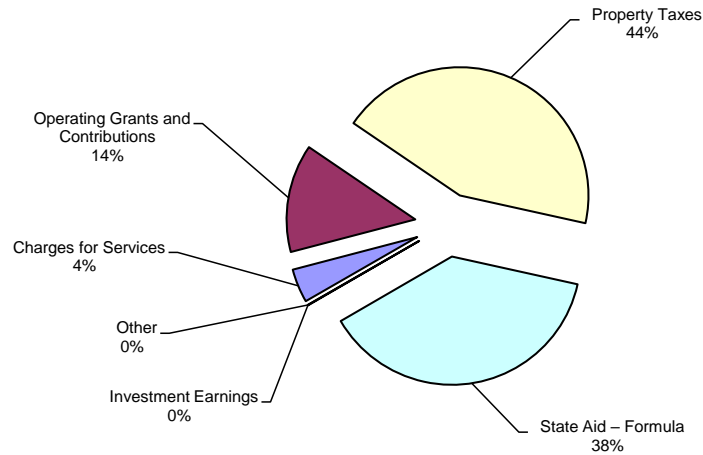
CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2021

GOVERNMENTAL ACTIVITIES

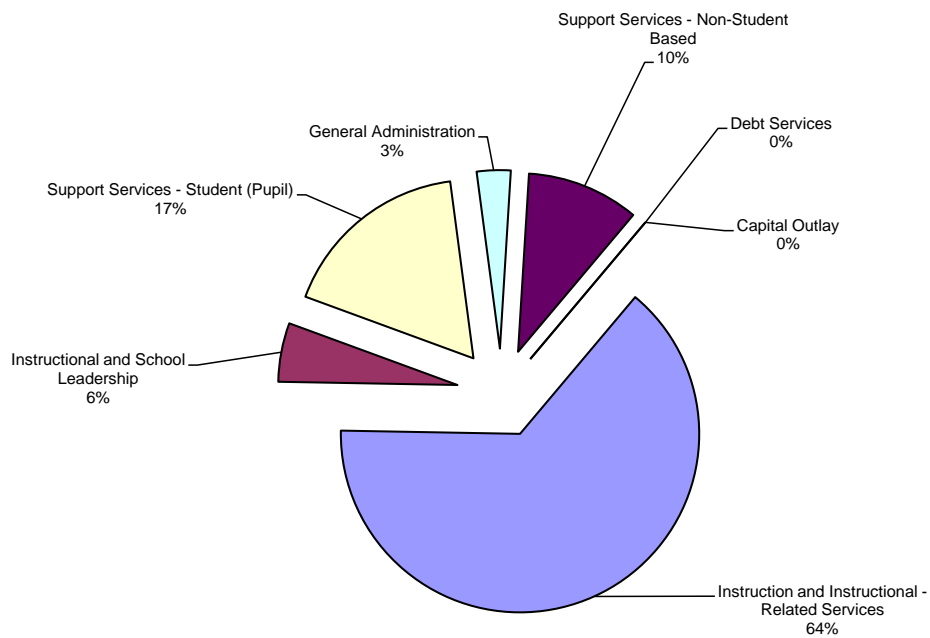
Changes in Canton Independent School District's Net Position			Table A-2
	Governmental Activities		Total Percentage Change
	2021	2020	2020-2021
Program Revenues:			
Charges for Services	\$ 1,174,244	\$ 1,045,328	12.33%
Operating Grants and Contributions	3,771,441	3,310,365	13.93%
General Revenues:			
Property Taxes	12,164,835	11,439,015	6.35%
State Aid – Formula	10,557,701	10,366,716	1.84%
Investment Earnings	16,000	181,925	-91.21%
Other	-	25,160	-100.00%
Total Revenues	<u>\$ 27,684,221</u>	<u>\$ 26,368,509</u>	4.99%
Expenses:			
Instruction	\$ 14,331,719	\$ 14,367,395	-0.25%
Instructional Resources and Media Services	311,489	313,212	-0.55%
Curriculum and Staff Development	72,046	78,122	-7.78%
Instructional Leadership	179,250	162,913	10.03%
School Leadership	1,042,182	1,072,097	-2.79%
Guidance, Counseling and Evaluation Services	633,973	602,565	5.21%
Social Work Services	54,999	60,425	-8.98%
Health Services	219,415	257,849	-14.91%
Student (Pupil) Transportation	606,947	601,248	0.95%
Food Services	678,532	681,710	-0.47%
Cocurricular/Extracurricular Activities	1,773,873	1,534,546	15.60%
General Administration	699,889	741,913	-5.66%
Plant Maintenance and Operations	1,957,201	1,863,317	5.04%
Security and Monitoring Services	91,419	153,768	-40.55%
Data Processing Services	276,080	228,915	20.60%
Debt Service	702,321	912,683	-23.05%
Capital Outlay	-	48,096	-100.00%
Payments Related to SSA	4,970	-	100.00%
Other Intergovernmental Charges	241,191	232,693	3.65%
Total Expenses	<u>\$ 23,877,496</u>	<u>\$ 23,913,467</u>	-0.15%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ 3,806,725</u>	<u>\$ 2,455,042</u>	55.06%
Increase (Decrease) in Net Position	\$ 3,806,725	\$ 2,455,042	55.06%
Net Position - Beginning (September 1)	<u>13,509,517</u>	<u>11,054,475</u>	22.21%
Net Position - Ending (August 31)	<u>\$ 17,316,242</u>	<u>\$ 13,509,517</u>	28.18%

CANTON INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2021

Sources of Revenue for Fiscal Year 2021 - See Table A-2



Functional Expenses for Fiscal Year 2021- See Table A-2



CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2021

- 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 \$ 23,877,496.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 12,164,835.
- Some of the cost was paid by those who directly benefited from the programs \$ 1,174,244, or
- By grants and contributions \$ 3,771,441.

Canton Independent School District's Net Cost of Selected District Functions							Table A-3
	<u>Total Cost of Services</u>			<u>Net Cost of Services</u>			
	2021	2020	%	2021	2020	%	
Instruction	\$14,331,719	\$14,367,395	-0.25%	\$11,941,556	\$11,873,194	0.58%	
School Leadership	1,042,182	1,072,097	-2.79%	954,385	972,535	-1.87%	
General Administration	699,889	741,913	-5.66%	658,280	699,363	-5.87%	
Plant Maintenance and Operations	1,957,201	1,863,317	5.04%	1,917,564	1,822,712	5.20%	
Debt Service	702,321	912,683	-23.05%	618,006	799,051	-22.66%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the governmental funds totaled \$ 27,708,913. This represents an increase of \$ 1,968,552 from the prior year revenues of \$ 25,740,361. The change represents an increase in local revenues and state aid related to student enrollment and attendance as well as a donation of land during the year.

Expenditures in the governmental funds totaled \$ 27,284,949. This represents an increase of \$ 2,407,672 from the prior year expenditures of \$ 24,877,277. The change represents an increase in both debt expense and capital outlay related to early retirement of debt and facility upgrades and improvements. It also includes the fair market value of land received as a donation.

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 \$ 175,152 below final budget amounts. The most significant positive variance resulted from lower than expected expenses in the functional areas of health services, transportation and instruction.

Resources available were \$ 1,413,081 above final budgeted amounts. The favorable variance was a reflection of better than expected state aid due to student enrollment and attendance increases.

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2021

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year end, the District had invested \$ 73,184,704 in a broad range of capital assets, including land, equipment, buildings and vehicles (See Table A-4).

Canton Independent School District's Capital Assets			Table A-4
	Governmental Activities		Total Percentage Change
	2021	2020	2020-2021
Land	\$ 1,655,590	\$ 976,909	69.47%
Construction in Progress	1,225,826	172,309	611.41%
Buildings and Improvements	66,679,761	65,865,311	1.24%
Equipment	1,033,076	971,596	6.33%
Vehicles	2,590,451	2,436,775	6.31%
Totals at Historical Cost	\$ 73,184,704	\$ 70,422,900	3.92%
Total Accumulated Depreciation	(38,236,596)	(35,345,690)	8.18%
Net Capital Assets	<u>\$ 34,948,108</u>	<u>\$ 35,077,210</u>	-0.37%

DEBT

At year end, the District had \$ 21,996,128 in debt outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the basic financial statements.

Canton Independent School District's Debt			Table A-5
	Governmental Activities		Total Percentage Change
	2021	2020	2020-2021
Bonds Payable	\$ 19,726,000	\$ 23,554,000	-16.25%
Other Debt Payable	2,270,128	2,406,515	-5.67%
Total Debt Payable	<u>\$ 21,996,128</u>	<u>\$ 25,960,515</u>	-15.27%

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2021

ECONOMIC FACTORS

The District's property valuation has rebounded from significant drops due to housing development bankruptcies and foreclosures. Local property tax rates for maintenance and operations are restricted by state to \$.97, without local elections. The State Legislature passed HB3 which included various changes to the property tax rate setting process thus limiting school districts' opportunities for tax modifications and compressing the rates charged to taxpayers. The additional changes required under HB3 could impact the District's financial operations, including cash flow.

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

The State has increased funding levels for the 2020-2021 biennium, which will affect the revenue levels of the District. The level of funding per attendance credits increased significantly. With these increases, the state imposed requirements to spend at least 30% of the new funding on salaries to personnel with at least 75% of the 30% to be for teachers and other designated classes of employees. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

The global outbreak of coronavirus disease 2019 ("COVID-19") presents various global risks. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. Management of the District is actively monitoring the global situation on its financial condition, liquidity, operations, supplies, vendors, and industry. Given the evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects, if any, of the COVID-19 outbreak on its results of operations and financial condition.

The State, attempting to assist school district's financial stability, utilized additional federal funding received due to impact of the coronavirus pandemic. This additional funding source allocated to school districts was used to offset the attendance loss to the district's state funding. As such district expenditures have been reclassified as federal expenditures and fund balance can be affected.

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, 2021

Data Control Codes	1	Governmental Activities
ASSETS		
1110	Cash and Investments	\$ 13,865,817
1225	Property Taxes Receivable, Net	498,751
1240	Due from Other Governments	1,146,138
1250	Accrued Interest	260
1290	Other Receivables, Net	61,718
1410	Unrealized Expenses	173,483
	Capital Assets:	
1510	Land	1,655,590
1520	Building and Improvement, Net	31,352,122
1530	Furniture and Equipment, Net	714,570
1580	Constuction in Progress	<u>1,225,826</u>
1000	Total Assets	<u>\$ 50,694,275</u>
DEFERRED OUTFLOWS OF RESOURCES:		
1701	Deferred Outflows - Refunding	\$ 1,103,016
1705	Deferred Outflows - Pensions	1,589,326
1706	Deferred Outflows - OPEB	<u>1,123,939</u>
1700	Total Deferred Outflows of Resources	<u>\$ 3,816,281</u>
LIABILITIES		
2110	Accounts Payable	\$ 426,616
2140	Interest Payable	23,810
2165	Accrued Liabilities	944,389
2180	Due to Other Governments	11,087
2300	Unearned Revenues	175,583
	Noncurrent Liabilities:	
2501	Due within one year	1,063,000
2502	Due in more than one year	20,933,128
2540	Net Pension Liability	3,979,034
2545	Net OPEB Liability	<u>4,981,644</u>
2000	Total Liabilities	<u>\$ 32,538,291</u>
DEFERRED INFLOWS OF RESOURCES:		
2605	Deferred Inflows - Pensions	\$ 1,008,183
2606	Deferred Inflows - OPEB	<u>3,647,840</u>
2600	Total Deferred Inflows of Resources	<u>\$ 4,656,023</u>
NET POSITION		
3200	Net Investment in Capital Assets	\$ 14,385,760
	Restricted For:	
3820	State and Federal Programs	37,322
3850	Debt Service	594,185
3890	Other Purposes	4,925,405
3900	Unrestricted	<u>(2,626,430)</u>
3000	Total Net Position	<u>\$ 17,316,242</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2021

Data Control Codes	1	3	4	Net (Expense) Revenue and Changes in Net Assets
Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
11 Instruction	\$ 14,331,719	\$ 358,418	\$ 2,031,745	\$ (11,941,556)
12 Instructional Resources and Media Services	311,489	75	22,111	(289,303)
13 Curriculum and Staff Development	72,046	-	19,863	(52,183)
21 Instructional Leadership	179,250	-	20,964	(158,286)
23 School Leadership	1,042,182	-	87,797	(954,385)
31 Guidance, Counseling and Evaluation Services	633,973	-	111,184	(522,789)
32 Social Work Services	54,999	-	7,489	(47,510)
33 Health Services	219,415	-	17,883	(201,532)
34 Student (Pupil) Transportation	606,947	-	38,058	(568,889)
35 Food Services	678,532	200,258	502,068	23,794
36 Cocurricular/Extracurricular Activities	1,773,873	604,268	57,608	(1,111,997)
41 General Administration	699,889	-	41,609	(658,280)
51 Plant Maintenance and Operations	1,957,201	11,225	28,412	(1,917,564)
52 Security and Monitoring Services	91,419	-	7,119	(84,300)
53 Data Processing Services	276,080	-	11,255	(264,825)
72 Interest on Long-term Debt	649,321	-	84,315	(565,006)
73 Debt Issuance Costs and Fees	53,000	-	-	(53,000)
81 Capital Outlay	-	-	677,000	677,000
93 Payments Related to Shared Services Arrangements	4,970	-	4,961	(9)
99 Other Intergovernmental Charges	241,191	-	-	(241,191)
TG Total Governmental Activities	<u>\$ 23,877,496</u>	<u>\$ 1,174,244</u>	<u>\$ 3,771,441</u>	<u>\$ (18,931,811)</u>
TP Total Primary Government	<u>\$ 23,877,496</u>	<u>\$ 1,174,244</u>	<u>\$ 3,771,441</u>	<u>\$ (18,931,811)</u>
General Revenues:				
MT Property Taxes, Levied for General Purpose				\$ 8,266,571
DT Property Taxes, Levied for Debt Service				3,898,264
IE Investment Earnings				16,000
GC Grants and Contributions Not Restricted to Specific Programs				10,557,701
TR Total General Revenues				<u>\$ 22,738,536</u>
CN Change in Net Position				\$ 3,806,725
NB Net Position - Beginning (September 1)				13,509,517
NE Net Position - Ending (August 31)				<u>\$ 17,316,242</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS					
1110 Cash and Investments	\$ 8,331,748	\$ 401,350	\$ 4,852,691	\$ 280,028	\$ 13,865,817
1225 Property Taxes Receivable, Net	346,539	152,212	-	-	498,751
1240 Due from Other Governments	656,622	-	-	489,516	1,146,138
1250 Accrued Interest	260	-	-	-	260
1260 Due from Other Funds	-	56,460	-	-	56,460
1290 Other Receivables, Net	42,659	19,059	-	-	61,718
1410 Unrealized Expenditures	135,396	-	-	38,087	173,483
1000 Total Assets	<u>\$ 9,513,224</u>	<u>\$ 629,081</u>	<u>\$ 4,852,691</u>	<u>\$ 807,631</u>	<u>\$ 15,802,627</u>
LIABILITIES					
Current Liabilities:					
2110 Accounts Payable	\$ 377,133	\$ -	\$ -	\$ 49,483	\$ 426,616
2150 Payroll Deductions & Withholdings	(3)	-	-	-	(3)
2160 Accrued Wages Payable	842,550	-	-	75,855	918,405
2170 Due to Other Funds	56,460	-	-	-	56,460
2180 Due to Other Governments	-	11,087	-	-	11,087
2200 Accrued Expenditures	17,578	-	-	8,409	25,987
2300 Unearned Revenues	151,378	-	-	24,205	175,583
2000 Total Liabilities	<u>\$ 1,445,096</u>	<u>\$ 11,087</u>	<u>\$ -</u>	<u>\$ 157,952</u>	<u>\$ 1,614,135</u>
DEFERRED INFLOWS OF RESOURCES					
2610 Deferred Property Tax Revenue	\$ 346,539	\$ 152,212	\$ -	\$ -	\$ 498,751
2600 Total Deferred Inflows of Resources	<u>\$ 346,539</u>	<u>\$ 152,212</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,751</u>
FUND BALANCES					
Nonspendable Fund Balances:					
3430 Prepaid Items	\$ 135,396	\$ -	\$ -	\$ 38,087	\$ 173,483
Restricted Fund Balances:					
3450 Federal/State Funds Grants	-	-	-	37,322	37,322
3480 Retirement of Long-Term Debt	-	465,782	-	-	465,782
3490 Other Restrictions of Fund Balance	-	-	-	72,714	72,714
Committed Fund Balances:					
3510 Construction	1,000,000	-	-	-	1,000,000
3520 Claims and Judgements	150,000	-	-	-	150,000
3530 Capital Expenditures for Equipment	300,000	-	-	-	300,000
3545 Other Committed Fund Balance	-	-	4,852,691	501,556	5,354,247
Assigned Fund Balances:					
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	4,711,193	-	-	-	4,711,193
3000 Total Fund Balances	<u>\$ 7,721,589</u>	<u>\$ 465,782</u>	<u>\$ 4,852,691</u>	<u>\$ 649,679</u>	<u>\$ 13,689,741</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 9,513,224</u>	<u>\$ 629,081</u>	<u>\$ 4,852,691</u>	<u>\$ 807,631</u>	<u>\$ 15,802,627</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET (GOVERNMENTAL FUNDS)
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2021

Total fund balances - Governmental Funds Balance Sheet	\$	13,689,741
Amounts reported for governmental activities in the statement of net position ("SNP") are different because:		
Capital assets used in governmental activities are not reported in the funds.		34,948,108
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		498,751
Payables for bond principal which are not due in the current period are not reported in the funds.		(19,726,000)
Payables for debt interest which are not due in the current period are not reported in the funds.		(23,810)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		1,103,016
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(3,979,034)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(1,008,183)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		1,589,326
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.		(1,433,780)
Bond premiums are amortized in the SNA but not in the funds.		(836,348)
Recognition of the District's proportionate share of the OPEB liability is not reported in the funds.		(4,981,644)
Deferred Resource Inflows related to the OPEB plans are not reported in the funds.		(3,647,840)
Deferred Resource Outflows related to the OPEB plans are not reported in the funds.		<u>1,123,939</u>
Net position of governmental activities - Statement of Net Position	\$	<u><u>17,316,242</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, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES					
5700 Local and Intermediate Sources	\$ 9,132,584	\$ 3,917,229	\$ -	\$ 764,124	\$ 13,813,937
5800 State Program Revenues	11,496,678	84,315	-	200,238	11,781,231
5900 Federal Program Revenues	437,384	-	-	1,676,361	2,113,745
5020 Total Revenues	\$ 21,066,646	\$ 4,001,544	\$ -	\$ 2,640,723	\$ 27,708,913
EXPENDITURES					
Current:					
0011 Instruction	\$ 10,791,307	\$ -	\$ -	\$ 1,245,910	\$ 12,037,217
0012 Instructional Resources and Media Services	244,183	-	-	32,923	277,106
0013 Curriculum and Staff Development	66,330	-	-	4,113	70,443
0021 Instructional Leadership	171,562	-	-	3,044	174,606
0023 School Leadership	959,035	-	-	22,826	981,861
0031 Guidance, Counseling and Evaluation Services	523,043	-	-	71,671	594,714
0032 Social Work Services	53,636	-	-	-	53,636
0033 Health Services	198,974	-	-	4,768	203,742
0034 Student (Pupil) Transportation	540,574	-	-	14,203	554,777
0035 Food Services	-	-	-	693,773	693,773
0036 Cocurricular/Extracurricular Activities	1,032,506	-	-	400,882	1,433,388
0041 General Administration	645,363	-	-	10,871	656,234
0051 Plant Maintenance and Operations	1,898,895	-	-	12,405	1,911,300
0052 Security and Monitoring Services	63,831	-	-	3,044	66,875
0053 Data Processing Services	270,285	-	-	3,044	273,329
0071 Principal on Long-term Debt	-	3,827,999	-	-	3,827,999
0072 Interest on Long-term Debt	-	628,140	-	-	628,140
0073 Bond Issuance Costs and Fees	-	53,000	-	-	53,000
0081 Capital Outlay	2,546,648	-	-	-	2,546,648
0093 Payments to Shared Service Arrangements	-	-	-	4,970	4,970
0099 Other Intergovernmental Charges	241,191	-	-	-	241,191
6030 Total Expenditures	\$ 20,247,363	\$ 4,509,139	\$ -	\$ 2,528,447	\$ 27,284,949
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 819,283	\$ (507,595)	\$ -	\$ 112,276	\$ 423,964
OTHER FINANCING SOURCES (USES)					
7911 Capital-Related Debt Issued	\$ -	\$ 3,961,000	\$ -	\$ -	\$ 3,961,000
7915 Transfers In	-	705,000	-	-	705,000
8911 Transfers Out	(705,000)	-	-	-	(705,000)
8949 Other Uses	-	(4,009,575)	-	-	(4,009,575)
7080 Net Other Financing Sources (Uses)	\$ (705,000)	\$ 656,425	\$ -	\$ -	\$ (48,575)
1200 Net Changes in Fund Balances	\$ 114,283	\$ 148,830	\$ -	\$ 112,276	\$ 375,389
0100 Fund Balances - Beginning (September 1)	7,607,306	316,952	4,852,691	537,403	13,314,352
3000 Fund Balances - Ending (August 31)	\$ 7,721,589	\$ 465,782	\$ 4,852,691	\$ 649,679	\$ 13,689,741

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, 2021

Net change in fund balances - total governmental funds	\$	375,389
<p>Amounts reported for governmental activities in the statement of activities ("SOA") are different because:</p>		
Capital outlays are not reported as expenses in the SOA.		2,761,804
The depreciation of capital assets used in governmental activities is not reported in the funds.		(2,890,906)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(73,204)
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		4,047,260
Repayment of debt principal is an expenditure in the funds but is not an expense in the SOA.		3,828,000
The accretion of interest on capital appreciation bonds is not reported in the funds.		(68,421)
(Increase) decrease in accrued interest from beginning of period to end of period.		9,554
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.		(3,961,000)
Pension contributions in the current year are de-expended and reported as deferred resource outflows.		321,237
Pension contributions deferred in the prior year are expended in the current year.		(306,527)
Pension expense recorded in the SOA but not in the funds.		(337,998)
OPEB contributions in the current year are de-expended and recorded as deferred resource outflows.		101,584
OPEB contributions deferred in the prior year are expended in the current year.		(99,598)
OPEB expense is recorded in the SOA but not in the funds.		<u>99,551</u>
Change in net position of governmental activities - Statement of Activities	\$	<u>3,806,725</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
AUGUST 31, 2021

Data Control Codes	Custodial Fund Student Agency
ASSETS	
1110 Cash and Investments	\$ 31,487
1000 Total Assets	\$ 31,487
LIABILITIES	
Current Liabilities:	
2110 Accounts Payable	\$ 444
2000 Total Liabilities	\$ 444
NET POSITION	
Restricted for:	
3490 Student Groups	\$ 31,043
3000 Total Net Position	\$ 31,043

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
YEAR ENDED AUGUST 31, 2021

	Custodial Funds <hr/> Student Activity <hr/>
ADDITIONS	
Fundraising	\$ 38,789
Total Additions	\$ 38,789
DEDUCTIONS	
Student Activities	\$ 42,603
Total Deductions	\$ 42,603
Changes in Net Position	\$ (3,814)
Net Position - Beginning (September 1)	\$ -
Prior Period Adjustment	34,857
Net Position - Beginning, as Restated	\$ 34,857
Net Position - Ending (August 31)	\$ 31,043

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

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, 2021

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 general long-term Debt principal, interest and related costs.

Capital Projects Fund – The District accounts for capital improvements resulting from the issuance of tax supported general obligation bonds in this fund. Any excess proceeds remaining will be used to retire the debt issued.

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 years. The Board can commit specific types of resources to specific purposes which are included as special revenue funds.

Custodial Funds – These funds are reported in the fiduciary fund financial statements. These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Custodial funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

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

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2021

A. Summary of Significant Accounting Policies (Continued)

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.

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-
Total	\$	-0-

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

Fund Balance

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

A. Summary of Significant Accounting Policies (Continued)

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

	General	Debt Service	Capital Projects	Other Governmental	Total
Nonspendable					
Prepaid Items	\$ 135,396	\$ -	\$ -	\$ 38,087	\$ 173,483
Restricted					
Child Nutrition Program	-	-	-	37,322	37,322
Retirement of Long Term Debt	-	465,782	-	-	465,782
Scholarship Funds	-	-	-	46,726	46,726
Backpack Heroes	-	-	-	16,199	16,199
Special Olympics	-	-	-	9,789	9,789
Committed					
Construction	1,000,000	-	4,852,691	-	5,852,691
Claims and Judgements	150,000	-	-	-	150,000
Capital Expenditures for Equipment	300,000	-	-	-	300,000
Campus Activity Funds	-	-	-	466,091	466,091
Scholarships	-	-	-	35,465	35,465
Assigned					
Capital Expenditures for Equipment	350,000	-	-	-	350,000
Self Insurance	675,000	-	-	-	675,000
Other	400,000	-	-	-	400,000
Unassigned	4,711,193	-	-	-	4,711,193
Totals	<u>\$ 7,721,589</u>	<u>\$ 465,782</u>	<u>\$ 4,852,691</u>	<u>\$ 649,679</u>	<u>\$ 13,689,741</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.

Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting years and are recorded as prepaid items. Prepaid items are recorded as expenditures when the items are consumed, or time restrictions expire.

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2021

A. Summary of Significant Accounting Policies (Continued)

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

Unearned Revenues

Unearned revenues include state funds received but have not been earned in the year. The balance will be earned in the future year and not returned as liabilities.

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 year 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 year 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.

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 resource 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 year 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.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

A. Summary of Significant Accounting Policies (Continued)

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 vests, accumulates, and is recorded as expense as it is incurred. Sick leave is paid upon separation from the District.

The District reimbursed employees who voluntarily retire through the Texas Retirement System, for up to 50 days of accrued State leave at a rate approved by the Board of Trustees. Currently the approved rate is \$ 40 per day.

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 (OPEB)

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 OPEB, 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.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

A. Summary of Significant Accounting Policies (Continued)

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

Cash Deposits

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 District (FDIC) insurance. At year end, all District cash deposits appear to have been adequately covered by FDIC insurance or by pledged collateral held by the District or the depository in the District's name. The District's deposits appear to have not been properly secured throughout the year.

Investments

The District's investment policies and types of investments are governed by the Public Funds Investment Act (PFIA). The Act requires specific training reporting and establishment of local policies. The District appears to be in compliance with all the requirements of the Act.

The PFIA (Government Code Chapter 256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement and publicize an investment policy. That policy must address the following areas (1) safety of principal and liquidity, (2) portfolio diversifications, (3) allowable investments, (4) acceptable risk level, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the state maturity date of portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preference for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The PFIA governs the District's investment policies and types of investments.

The District's management believes that it complies with the requirements of the PFIA and the District's investment policies.

District investments include investments in TexPool, LOGIC and Lone Star, which are local government investment pools along with Certificates of Deposit. All investments are reported at fair value and are presented as cash and investments.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

B. Deposits, Securities and Investments (Continued)

The following table lists the District's investments at year end:

	<u>Fair Value</u> <u>Amortized Costs</u>	<u>Weighted</u> <u>Average</u> <u>Maturity (Days)</u>
Governmental Activities		
Investments:		
TexPool	\$ 1,807,121	39
Lone Star Investment Pool	8,765,415	47
LOGIC	2,293,281	42
Certificate of Deposit	1,000,000	N/A
Total	\$ 13,865,817	

Lone Star Investment Pool

The Lone Star Investment Pool (Lone Star) is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the PFIA, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the board of trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both pool members and non-members. Lone Star is rated AAAM by Standard and Poor's. Lone Star has no limitations or restrictions on withdrawals. The District is invested in the Corporate Overnight Plus Fund of Lone Star. Lone Star has 3 different funds: Government Overnight, Corporate Overnight and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net Asset value of 50 cents. The Government Overnight and Corporate Overnight Funds value all investments at amortized cost and are operated in accordance with GASB 79. The Corporate Overnight Plus Fund values all investments at fair value and is operated in accordance with GASB 72.

Texas Local Government Investment Pool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the PFIA, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to Texpool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAAM by Standard and Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which approximates market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

B. Deposits, Securities and Investments (Continued)

Local Government Investment Cooperative Investment Pool

The District invests in the Local Government Investment Cooperative (LOGIC) Investment Pool. LOGIC is duly chartered by the state of Texas Interlocal Cooperation Act, is administered by Hilltop Securities, Inc. and J.P. Morgan Investment Management, Inc. (JPMIM), and managed by JPMIM, who provides custody, fund accounting and investment management. Transfer agency services are provided by DST Asset Manager Solutions, Inc. LOGIC may invest in obligations of the U.S. or its agencies and instrumentalities; repurchase agreements; SEC-registered money market funds rated in the highest rating category by at least one NRSRO; and commercial paper rated A-1, P-1 or equivalent by two nationally recognized rating agencies.

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

The largest combined balances of cash, saving and time deposit accounts amounted to \$ 4,129,060 and occurred in December 2020. The amount of bond or market value of securities pledged as of the date of the highest combine balance on deposit was \$ 3,000,000. The total amount of FDIC coverage at the time of the highest combined balance was \$ 500,000. City National Bank of Canton, Texas is the District's depository.

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. District investments are limited to short term maturities to limit any potential interest rate risk. 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. State statutes do not allow for foreign investments this eliminating foreign currency rate risk. The District was not exposed to foreign currency risk.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

B. Deposits, Securities and Investments (Continued)

f. Fair Value Measurements

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements require judgement and considers factors specific to each asset or liability.

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 year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

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 \$ 0.9131 to fund general operations and \$ 0.4310 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 895,957,746. The District contracts with a tax attorney for the collection of all delinquent taxes. Delinquent taxes are subject to both penalty and interest plus a 20% delinquent tax attorney collection fee.

D. Capital Assets

Capital asset activities during the year were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities</u>				
Capital Assets not Being Depreciated:				
Land	\$ 976,909	\$ 678,681	\$ -	\$ 1,655,590
Construction in Progress	172,309	1,053,517	-	1,225,826
Total Capital Assets not being Depreciated	\$ 1,149,218	\$ 1,732,198	\$ -	\$ 2,881,416
Capital Assets being Depreciated:				
Building and Improvements	\$ 65,865,311	\$ 814,450	\$ -	\$ 66,679,761
Equipment	971,596	61,480	-	1,033,076
Vehicles	2,436,775	153,676	-	2,590,451
Total Capital Assets being Depreciated	\$ 69,273,682	\$ 1,029,606	\$ -	\$ 70,303,288
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 32,719,859	\$ 2,607,780	\$ -	\$ 35,327,639
Equipment	859,590	31,150	-	890,740
Vehicles	1,766,241	251,976	-	2,018,217
Total Accumulated Depreciation	\$ 35,345,690	\$ 2,890,906	\$ -	\$ 38,236,596
Total Capital Assets being Depreciated, Net	\$ 33,927,992	\$ (1,861,300)	\$ -	\$ 32,066,692
Governmental Activities Capital Assets, Net	\$ 35,077,210	\$ (129,102)	\$ -	\$ 34,948,108

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2021

D. Capital Assets (Continued)

Depreciation was charged to governmental activities functions as follows:

Instruction	\$	2,165,297
Instructional Resources and Media Services		29,012
School Leadership		33,902
Guidance, Counseling and Evaluation Services		22,331
Health Services		10,727
Student (Pupil) Transportation		154,448
Food Services		1,694
Cocurricular/Extracurricular Activities		383,829
General Administration		27,307
Plant Maintenance and Operations		39,181
Security		23,178
Total	\$	2,890,906

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	\$ 23,554,000	\$ 3,961,000	\$ 7,789,000	\$ 19,726,000	\$ 1,063,000
Accreted Interest Payable	1,365,359	68,421	-	1,433,780	-
Unamortized Premium (Discount)	1,041,156	-	204,808	836,348	-
Total Governmental Activities	\$ 25,960,515	\$ 4,029,421	\$ 7,993,808	\$ 21,996,128	\$ 1,063,000

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 is required to make annual interest payments along with annual principal payments.

The District issued "Canton Unlimited Tax School Refunding Bonds, Series 2021" totaling \$ 3,961,000 to be used to refund maturities of the following outstanding series:

Unlimited Tax School Refunding Bonds, Series 2018

The bonds totaling \$ 3,961,000 are dated January 7, 2021, and were issued January 7, 2021. 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 insubstance defeasance and the debt has been removed from the District's long term debt. The maturities of refunded debt were called and refunded on January 21, 2021.

As a result of the refunding, District decreased its debt service requirements by \$ 506,255. The refunding was authorized to reduce debt requirements on previous 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 \$ 488,136.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

E. Long Term Obligations (Continued)

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Amount	Outstanding Balances
Unlimited Tax Refunding Bonds, Series 2006	3.85%	\$ 9,330,000	\$ 130,000
Unlimited Tax Refunding Bonds, Series 2014	2.70%	8,560,000	7,230,000
Unlimited Tax Refunding Bonds, Series 2015	3.21%	8,985,000	8,405,000
Unlimited Tax Refunding Bonds, Series 2021	0.695%	3,961,000	3,961,000
Totals			<u>\$ 19,726,000</u>

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

Year Ending August 31	Principal	Interest	Total Requirements
2022	1,063,000	559,291	1,622,291
2023	1,091,000	534,681	1,625,681
2024	1,116,000	509,225	1,625,225
2025	1,037,000	1,353,186	2,390,186
2026	1,065,000	1,324,823	2,389,823
2027- 2031	7,604,000	1,704,345	9,308,345
2032- 2036	4,705,000	1,010,175	5,715,175
2037- 2041	2,045,000	40,900	2,085,900
Totals	<u>\$ 19,726,000</u>	<u>\$ 7,036,626</u>	<u>\$ 26,762,626</u>

There are a number of limitations and restrictions contained in the general obligation bond indentures. The District appears to be in compliance with all significant limitations and restrictions as of year end.

F. Defined Benefits 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.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2021

F. Defined Benefits Pension Plan

2. *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 2020 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2020 and 2019.

<u>Net Pension Liability</u>	<u>2020</u>	<u>2019</u>
Total Pension Liability	\$ 218,974,205,084	\$ 209,961,325,288
Less: Plan Fiduciary Net Position	(165,416,245,243)	(157,978,199,075)
Net Pension Liability	<u>\$ 53,557,959,841</u>	<u>\$ 51,983,126,213</u>
 Net Position as percentage of Total Pension Liability	 75.54%	 75.24%

3. *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.

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.

In May 2020, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2020. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$ 2,000, whichever was less.

4. *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.

Employee contribution rates are set in state statute, Texas Government Code Section 825.402. The TRS Pension Reform Bill (SB12) of the 86th Texas Legislature amended Texas Government Code Section 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2021 thru 2025.

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2021

F. Defined Benefits Pension Plan (Continued)

		<u>Contribution Rates</u>	
		<u>2020</u>	<u>2021</u>
Member		7.7%	7.7%
Non-Employer Contributing Entity (State)		7.5%	7.5%
Employers		7.5%	7.5%
Current Year	Employer Contributions	\$	321,237
Current Year	Member Contributions	\$	927,630
Measurement Period	NECE On-Behalf Contributions	\$	729,137

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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, 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 including public schools 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.

A Public Education Employer contribution surcharge of 1.5% increasing to 2% over the period ending 2025 on all covered payroll.

5. *Actuarial Assumptions*

The total pension liability in the August 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Investment Rate	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None
Municipal Bond Rate	2.63%
Ending Year in Projection Period	2116

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

F. Defined Benefits Pension Plan (Continued)

The actuarial assumptions used in this determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. A full description of the assumptions are included with the report dated November 9, 2017.

6. *Discount Rate*

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2020 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2021 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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 7.25%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best estimates ranges of expected future real rates of return (expected returns, net of 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 August 31, 2020 are summarized on the below:

Asset Class	FY 2020 Target Allocation ¹ %	Long -Term Expected Geometric Real Rate of Return ²	Expected Contribution to Long Term Portfolio Returns
Global Equity			
U.S.	18.0%	3.9%	0.99%
Non-U.S. Developed	13.0%	5.1%	0.92%
Emerging Markets	9.0%	5.6%	0.83%
Directional Hedge Funds		-	-
Private Equity	14.0%	6.7%	1.41%
Stable Value			
Government Bonds	16.0%	-0.7%	-0.05%
Absolute Return (Including Credit Sensitive Inv)	0.0%	1.8%	0.0%
Stable Value Hedge Funds	5.0%	1.9%	0.11%
Real Return			
Global Inflation Linked Bonds ⁴		-	-
Real Estate	15.0%	4.6%	1.02%
Energy, Natural Resources and Infrastructure	6.0%	6.0%	0.42%
Commodities	0.0%	0.8%	0.0%
Risk Parity			
Risk Parity	8.0%	3.0%	0.30%
Leverage			
Cash	2.0%	-1.5%	-0.03%
Asset Allocation Leverage	-6.0%	-1.3%	0.08%
Inflation Expectation			2.00%
Volatility Drag ³			-0.67%
Expected Return	<u>100%</u>		<u>7.33%</u>

¹ Target allocations are based on the FY2020 policy model.

² Capital Market Assumptions come from Aon Hewitt (as of 8/31/2020)

³ The Volatility Drag results from the conversation between arithmetic and geometric mean returns.

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2021

F. Defined Benefits Pension Plan (Continued)

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 7.25% 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 (6.25%) or 1 – percentage point higher (7.25%) than the current rate:

	1% Decrease	Discount Rate 7.250%	1% Increase
District's proportionate share of the net pension liability	\$ 6,135,599	\$ 3,979,035	\$ 2,226,872

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

At August 31, 2021, the District reported a liability of \$ 3,979,035 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	\$ 3,979,035
State's proportionate share that is associated with the District	9,464,593
Total	\$ 13,443,628

The net pension liability was measured as of August 31, 2019 and rolled to August 31, 2020 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 year September 1, 2019 thru August 31, 2020.

At August 31, 2020, the employer's proportion of the collective net pension liability was 0.0074293982%, which was a decrease of 0.0013764700% from its proportion measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation

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

For the current year, the District recognized pension expense of \$ 1,782,905 and revenue of \$ 1,138,380 for support provided by the State.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

F. Defined Benefits Pension Plan (Continued)

At year end, 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 experiences	\$ 7,265	\$ 111,044
Changes of actuarial assumptions	923,277	392,571
Differences between projected and actual investment earnings	80,552	-
Changes in proportion and differences between the employers contributions and the proportionate share of contributions	<u>256,995</u>	<u>504,568</u>
Total as of August 31, 2020 measurement date	\$ 1,268,089	\$ 1,008,183
Contributions paid to TRS subsequent to the measurement date	<u>321,237</u>	<u>-</u>
Total at year end	<u>\$ 1,589,326</u>	<u>\$ 1,008,183</u>

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:

<u>Year Ending August 31</u>	<u>Amount</u>
2022	\$ 168,691
2023	143,696
2024	125,292
2025	(17,765)
2026	(130,765)
Thereafter	(29,243)

G. Other Post-Employment Benefit Plans

1. *Plan Description*

The District 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 TRS-Care program was established in 1986 by the Texas Legislature. 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 1575.052.

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.

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2021

G. Other Post-Employment Benefit Plans (Continued)

The components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2020 and 2019 are as follows:

Net OPEB Liability	2020	2019
Total OPEB Liability	\$ 40,010,833,815	\$ 48,583,247,239
Less: Plan Fiduciary Net Position	(1,996,317,932)	(1,292,022,349)
Net OPEB Liability	<u>\$ 38,014,515,883</u>	<u>\$ 47,291,224,890</u>
Net Position as percentage of Total OPEB Liability	4.99%	2.66%

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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. 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.

The premium rates for retirees are presented in the table below:

TRS-Care Monthly Premium Rates		
	<u>Employer</u>	<u>Employee</u>
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

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.

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2021

G. Other Post-Employment Benefit Plans (Continued)

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% 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.

Contribution Rates		
	2020	2021
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	7.50%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%
Current Year Employer Contributions	\$ 101,584	
Current Year Member Contributions	\$ 78,307	
Measurement Year NECE On-Behalf Contributions	\$ 133,842	

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.

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide \$ 2,208,137 for fiscal year 2020 and \$ 3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding will be in fiscal year 2021.

5. *Actuarial Assumptions*

The total OPEB liability in the August 31, 2019 actuarial valuation was rolled forward to August 31, 2020. The 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, 2019 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability	

The actuarial valuation of TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, rates of retirement, termination, and disability including general inflation and salary increases are identical to those used in the respective TRS Pension valuation. These assumptions were developed in the experience study performed for TRS for the measurement period ended August 31, 2017.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females with full generational mortality using scale BB. The past retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2021

G. Other Post-Employment Benefit Plans (Continued)

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33%
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.
Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

6. *Discount Rate*

A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of 0.3% 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 years of projected benefit payments to determine the total OPEB liability.

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 (2.33%) in measuring the net OPEB liability.

	1% Decrease	Discount Rate	1% Increase
District’s proportionate share of the net OPEB liability	\$ 5,977,962	\$ 4,981,644	\$ 4,194,697

8. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate (8.5%), as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District’s proportionate share of the net OPEB liability	\$ 4,069,365	\$ 4,981,644	\$ 6,196,671

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

G. Other Post-Employment Benefit Plans (Continued)

9. *OPEB Liabilities, OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs.*

At year end, the District reported a liability of \$ 4,981,644 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	\$	4,981,644
State's proportionate share that is associated with the District		6,694,136
 Total	 \$	 <u>11,675,780</u>

The net OPEB liability was measured as of August 31, 2019 and rolled forward to August 31, 2020. The total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the year September 1, 2019 thru August 31, 2020.

At August 31, 2020, the District's proportion of the collective net OPEB liability was 0.0131045847%, which was an increase of 0.000056750% from its proportion measured as of August 31, 2019.

Changes Since the Prior Measurement Date – The following were changes to the actuarial assumptions or other inputs that affected measurements of the total OPEB liability since the prior measurement period:

- a. Discount rate decreased from 2.65% to 2.33% increasing the Total OPEB Liability.
- b. The participation rate for post-65 retirees was lowered from 50% to 40%. This change lowered the Total OPEB Liability.
- c. The ultimate healthcare assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

For the current year, the District recognized OPEB expense of \$ (46,435) and revenue of \$ (46,482) for support provided by the State.

At year end, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 260,837	\$ 2,279,855
Changes in actuarial assumptions	307,264	1,367,985
Differences between projected and actual investment earnings	1,618	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	452,636	-
 Total as of August 31, 2020 measurement date	 \$ 1,022,355	 \$ 3,647,840
 Contributions paid to TRS subsequent to the measurement date	 101,584	 -
 Total at fiscal year end	 <u>\$ 1,123,939</u>	 <u>\$ 3,647,840</u>

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2021

G. Other Post-Employment Benefit Plans (Continued)

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>Year Ending August 31</u>	<u>Amount</u>
2022	\$ (442,924)
2023	(443,140)
2024	(443,264)
2025	(443,230)
2026	(310,169)
Thereafter	(542,758)

H. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2021, 2020 and 2019, the subsidy payments received by TRS-Care on behalf of the District were \$ 54,477, \$ 50,409 and \$ 40,575, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

I. Risk Management

Health Care

During the year, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 275 per month per employee and employees, at their opinion, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to a licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and Blue Cross and Blue Shield is renewable September 1 of each year and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for Blue Cross and Blue Shield are available for the year ended December 31, 2020 and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records

Unemployment Compensation Pool

During the current year, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas 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.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

I. Risk Management (Continued)

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, 2020, 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 2021, the District purchased commercial insurance to cover these liabilities. There were not significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

J. Litigation

The District appears to have no pending litigation as of year end.

K. Commitments and Contingencies

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

L. Subsequent Events

Management has evaluated all events or transactions that occurred after August 31, 2021 up through November 17, 2021 the date the financial statements were issued.

M. 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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

N. Revenue from Local and Intermediate Sources

During the year, the District received revenue from local and intermediate in the District's major funds and aggregate non major funds consisting of the following:

	General	Debt Service	Capital Projects	Other Governmental	Totals
Property Tax Collections	\$ 8,321,793	\$ 3,916,248	\$ -	\$ -	\$ 12,238,041
Investment Income	14,997	981	-	24	16,002
Rent	11,225	-	-	-	11,225
Food Service Income	-	-	-	200,282	200,282
Gifts and Bequests	677,000	-	-	40,476	717,476
Cocurricular/Extracurricular Activities	79,945	-	-	523,342	603,287
Tuition and Fees	22,830	-	-	-	22,830
Miscellaneous	4,794	-	-	-	4,794
			-		
Totals	\$ 9,132,584	\$ 3,917,229	\$ -	\$ 764,124	\$ 13,813,937

O. State Aid Reconciliation

The State provides various types of funding for local school districts as provided for in state statute. The following reconciliation presents funding earned by the District in each category presented. Because of the State's delay in reconciling the funding to local districts, the summary below represents an estimate of earnings. The settle up 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)	\$ 1,016,538	\$ 9,446,689	\$ -	\$ 81,488
Prior Year Settle Ups	-	26,684	868	1,959
August Instructional Days Change	2,992	50,069	-	-
Financial Statement Earnings	\$ 1,019,530	\$ 9,523,442	\$ 868	\$ 83,447
Financial Statement Amounts				
SOF Receivable (Overpayment)	\$ -	\$ (158,724)	\$ -	\$ (11,087)
August Instructional Days Receivable	43,298	526,924	-	-

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

P. Compliance, Stewardship and Accountability

Expenditures over Appropriations

The District incurred costs in excess of the final amended budget as follows:

	Budget	Amount	Excess
General Fund			
Data Processing Services	\$ 269,040	\$ 270,285	\$ 1,245
Capital Outlay	2,336,150	2,546,648	210,498

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2021

Q. Receivables

Receivables at year end, for the District’s individual major funds and aggregate nonmajor funds, including any applicable allowances for uncollectible accounts are as follows:

	General	Debt Service	Capital Projects	Other Governmental	Totals
Due from Other Governments	\$ 656,622	\$ -	\$ -	\$ 489,516	\$ 1,146,138
Property Taxes Receivable	385,043	169,125	-	-	554,168
Less: Allowance for Uncollectible					
Property Taxes	(38,504)	(16,913)	-	-	(55,417)
Accrued Interest	260	-	-	-	260
Other Receivables	42,659	19,059	-	-	61,718
Net Receivables	\$ 1,046,080	\$ 171,271	\$ -	\$ 489,516	\$ 1,706,867

R. Interfund Balances and Activities (Continued)

Transfers Between Funds

Transfers between funds during the year consisted of the following:

Transfers From	Transfers To	Amount	Purpose
General	Debt Service	\$ 705,000	Debt Retirement

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
Debt Service	General	\$ 56,460

S. Change in Accounting Principle

The District implemented the following Governmental Accounting Standard Board Statements during the year. The provisions impact the financial reporting for the District. Statement 84, *Fiduciary Activities*, relates to the presentation and accounting for custodial funds of the District. The standard includes fiduciary reporting and accounting for Student Custodial Funds (previously presented as Student Agency Funds) of the District. GASB Statements 91, 92, and 93, have also been implemented but do not have an impact on the District’s financial reporting.

T. Prior Period Adjustments

During the year, the District implemented GASB 84, *Fiduciary Activities*, which require the reclassification and establishment of new equity accounts presented as Custodial Funds for the previously presented Student Agency Funds. The prior financial statement amount represented as Due to Student Groups is reclassified and presented as Net Position – Restricted for Student Activities. The establishment of the net position balances required the beginning equity to be increased by \$ 34,857 as presented on Exhibit E-2. The reclassification does not affect the government-wide or governmental fund financial statements. Only the fiduciary fund financial statements are affected.

REQUIRED SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 8,077,804	\$ 8,752,804	\$ 9,132,584	\$ 379,780
5800	State Program Revenues	10,750,761	10,750,761	11,496,678	745,917
5900	Federal Program Revenues	150,000	150,000	437,384	287,384
5020	Total Revenues	\$ 18,978,565	\$ 19,653,565	\$ 21,066,646	\$ 1,413,081
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 11,499,411	\$ 10,830,853	\$ 10,791,307	\$ 39,546
0012	Instructional Resources and Media Services	264,251	263,923	244,183	19,740
0013	Curriculum and Staff Development	98,156	96,156	66,330	29,826
	Total Instruction and Instr. Related Services	<u>\$ 11,861,818</u>	<u>\$ 11,190,932</u>	<u>\$ 11,101,820</u>	<u>\$ 89,112</u>
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 175,984	\$ 181,584	\$ 171,562	\$ 10,022
0023	School Leadership	974,310	966,439	959,035	7,404
	Total Instructional and School Leadership	<u>\$ 1,150,294</u>	<u>\$ 1,148,023</u>	<u>\$ 1,130,597</u>	<u>\$ 17,426</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 602,980	\$ 548,359	\$ 523,043	\$ 25,316
0032	Social Work Services	60,515	60,515	53,636	6,879
0033	Health Services	265,837	265,837	198,974	66,863
0034	Student (Pupil) Transportation	682,459	624,736	540,574	84,162
0036	Cocurricular/Extracurricular Activities	1,069,222	1,069,522	1,032,506	37,016
	Total Support Services - Student (Pupil)	<u>\$ 2,681,013</u>	<u>\$ 2,568,969</u>	<u>\$ 2,348,733</u>	<u>\$ 220,236</u>
Administrative Support Services:					
0041	General Administration	\$ 703,047	\$ 678,047	\$ 645,363	\$ 32,684
	Total Administrative Support Services	<u>\$ 703,047</u>	<u>\$ 678,047</u>	<u>\$ 645,363</u>	<u>\$ 32,684</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 1,873,160	\$ 1,911,160	\$ 1,898,895	\$ 12,265
0052	Security and Monitoring Services	120,193	75,193	63,831	11,362
0053	Data Processing Services	244,040	269,040	270,285	(1,245)
	Total Support Services - Nonstudent Based	<u>\$ 2,237,393</u>	<u>\$ 2,255,393</u>	<u>\$ 2,233,011</u>	<u>\$ 22,382</u>
Capital Outlay:					
0081	Capital Outlay	\$ 100,000	\$ 2,336,150	\$ 2,546,648	\$ (210,498)
	Total Capital Outlay	<u>\$ 100,000</u>	<u>\$ 2,336,150</u>	<u>\$ 2,546,648</u>	<u>\$ (210,498)</u>
Intergovernmental Charges:					
0099	Other Intergovernmental Charges	\$ 245,000	\$ 245,000	\$ 241,191	\$ 3,809
	Total Intergovernmental Charges	<u>\$ 245,000</u>	<u>\$ 245,000</u>	<u>\$ 241,191</u>	<u>\$ 3,809</u>
6030	Total Expenditures	\$ 18,978,565	\$ 20,422,514	\$ 20,247,363	\$ 175,151
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (768,949)	\$ 819,283	\$ 1,588,232
OTHER FINANCING SOURCES (USES)					
8911	Transfers Out	\$ -	\$ (950,000)	\$ (705,000)	\$ 245,000
7080	Net Other Financing Sources (Uses)	\$ -	\$ (950,000)	\$ (705,000)	\$ 245,000
1200	Net Change in Fund Balance	\$ -	\$ (1,718,949)	\$ 114,283	\$ 1,833,232
0100	Fund Balance - Beginning (September 1)	7,607,306	7,607,306	7,607,306	-
3000	Fund Balance - Ending (August 31)	\$ 7,607,306	\$ 5,888,357	\$ 7,721,589	\$ 1,833,232

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, 2021

	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>	<u>2014 *</u>
District's proportion of the net pension liability	0.0074293982%	0.0088058682%	0.0086617962%	0.0085221090%	0.0083248638%	0.0086765000%	0.0044324000%
District's proportionate share of the net pension liability	\$ 3,979,034	\$ 4,577,566	\$ 4,767,663	\$ 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	9,464,593	8,289,987	8,984,621	5,396,438	6,544,950	6,309,383	5,202,426
Total	\$ 13,443,627	\$ 12,867,553	\$ 13,752,284	\$ 8,121,349	\$ 9,690,792	\$ 9,376,410	\$ 6,386,382
District's covered-employee payroll (for Measurement Year)	\$ 11,703,170	\$ 10,870,191	\$ 10,478,627	\$ 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	34.00%	42.11%	45.50%	26.71%	31.59%	31.74%	13.40%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

Note: Only seven 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 10 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, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 321,237	\$ 306,527	\$ 308,207	\$ 289,422	\$ 278,598	\$ 264,615	\$ 249,695
Contributions in relations to the contractual required contributions	<u>(321,237)</u>	<u>(306,527)</u>	<u>(308,207)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 12,047,147	\$ 11,703,170	\$ 10,870,191	\$ 10,478,627	\$ 10,201,420	\$ 9,958,428	\$ 9,662,998
Contributions as a percentage of covered employee payroll	2.67%	2.62%	2.84%	2.76%	2.73%	2.66%	2.58%

Note: Only seven 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, 2021

	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017 *</u>
District's proportion of the Net OPEB Liability (Asset)	0.1310458470%	0.0130989097%	0.0126784234%	0.0120813358%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 4,981,644	\$ 6,194,634	\$ 6,330,453	\$ 5,253,720
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>6,694,136</u>	<u>8,231,284</u>	<u>9,091,767</u>	<u>8,017,765</u>
Total	<u>\$ 11,675,780</u>	<u>\$ 14,425,918</u>	<u>\$ 15,422,220</u>	<u>\$ 13,271,485</u>
District's covered-employee payroll (for Measurement Year)	\$ 11,703,170	\$ 10,870,191	\$ 10,478,627	\$ 10,201,420
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	42.57%	56.99%	60.41%	51.50%
Plan fiduciary net position as a percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	0.91%

Note: Only four years 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 10 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, 2021

	<u>2020</u>	<u>2019</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 101,584	\$ 99,598	\$ 92,966	\$ 86,889
Contributions in relations to the contractual required contributions	<u>(101,584)</u>	<u>(99,598)</u>	<u>(92,966)</u>	<u>(86,889)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 12,047,147	\$ 11,703,170	\$ 10,870,191	\$ 10,478,627
Contributions as a percentage of covered employee payroll	0.84%	0.85%	0.86%	0.83%

Note: Only four years 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."

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2021

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 June 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning July 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 July 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 June 30, 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 Since the Prior Measurement Date

There were no changes of assumptions since the prior measurement period.

2. Changes of Benefit Terms Since the Prior Measurement Date

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

C. OPEB Healthcare Plan

1. Changes of Assumptions Since the Prior Measurement Date

The following changes occurred in the plan assumptions.

- a. The discount rate changed from 2.65% to 2.33%
- b. The participation rate for post-65 retirees was lowered from 50% to 40%.

2. Changes of Benefit Terms Since the Prior Measurement Date

There were no changes of benefit terms that affected measurement of the total OPEB liability since the prior measurement date.

OTHER SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 YEAR ENDED AUGUST 31, 2021

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2020	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2021
		Maintenance	2 Debt Service							
XXXX	2012 and Prior Years"	Various	Various	Various	46,628	-	2,251	926	(1,248)	42,203
2012	2013	1.040000	0.431000	596,788,980	15,682	-	1,357	562	(218)	13,545
2013	2014	1.040000	0.431000	602,807,886	22,801	-	5,078	2,104	(217)	15,402
2014	2015	1.040000	0.431000	621,060,822	30,830	-	5,261	2,180	(178)	23,211
2015	2016	1.040000	0.431000	619,753,886	43,898	-	11,523	4,775	(2,747)	24,853
2016	2017	1.040000	0.431000	657,659,222	53,902	-	14,312	5,931	(3,378)	30,281
2017	2018	1.040000	0.431000	682,761,931	78,491	-	23,676	9,812	(1,317)	43,686
2018	2019	1.040000	0.431000	721,634,874	113,127	-	35,287	14,624	(538)	62,678
2019	2020	0.970000	0.431000	807,578,301	230,146	-	90,211	40,083	(15,043)	84,809
2020	2021	0.913100	0.431000	895,957,746	-	12,042,568	8,005,356	3,778,681	(45,031)	213,500
1000	TOTALS				\$ 635,505	\$ 12,042,568	\$ 8,194,312	\$ 3,859,678	\$ (69,915)	\$ 554,168

CANTON INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget	
	Original	Final		Positive (Negative)	
REVENUES					
5700	Local and Intermediate Sources	\$ 232,711	\$ 232,711	\$ 200,283	\$ (32,428)
5800	State Program Revenues	3,300	3,300	4,014	714
5900	Federal Program Revenues	476,659	476,659	467,277	(9,382)
5020	Total Revenues	\$ 712,670	\$ 712,670	\$ 671,574	\$ (41,096)
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 712,670	\$ 730,170	\$ 690,295	\$ 39,875
	Total Support Service - Student (Pupil)	\$ 712,670	\$ 730,170	\$ 690,295	\$ 39,875
6030	Total Expenditures	\$ 712,670	\$ 730,170	\$ 690,295	\$ 39,875
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (17,500)	\$ (18,721)	\$ (1,221)
1200	Net Change in Fund Balance	\$ -	\$ (17,500)	\$ (18,721)	\$ (1,221)
0100	Fund Balance - Beginning (September 1)	56,043	56,043	56,043	-
3000	Fund Balance - Ending (August 31)	\$ 56,043	\$ 38,543	\$ 37,322	\$ (1,221)

CANTON INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700 Local and Intermediate Sources	\$ 3,699,819	\$ 3,689,165	\$ 3,917,229	\$ 228,064
5800 State Program Revenues	5,000	5,000	84,315	79,315
5020 Total Revenues	\$ 3,704,819	\$ 3,694,165	\$ 4,001,544	\$ 307,379
EXPENDITURES				
Debt Service:				
0071 Principal on Long-term Debt	\$ 2,870,531	\$ 3,820,531	\$ 3,827,999	\$ (7,468)
0072 Interest on Long-term Debt	829,288	818,634	628,140	190,494
0073 Debt Issuance Costs and Fees	5,000	55,000	53,000	2,000
Total Debt Service	<u>\$ 3,704,819</u>	<u>\$ 4,694,165</u>	<u>\$ 4,509,139</u>	<u>\$ 185,026</u>
6030 Total Expenditures	\$ 3,704,819	\$ 4,694,165	\$ 4,509,139	\$ 185,026
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (1,000,000)	\$ (507,595)	\$ 492,405
OTHER FINANCING SOURCES (USES)				
7911 Capital-Related Debt Issued	\$ -	\$ 3,961,000	\$ 3,961,000	\$ -
7915 Transfers In	-	950,000	705,000	(245,000)
7916 Premium or Discount on Issuance of Bonds	-	50,000	-	(50,000)
8949 Other Uses	-	(4,009,575)	(4,009,575)	-
7080 Net Other Financing Sources (Uses)	\$ -	\$ 951,425	\$ 656,425	\$ (295,000)
1200 Net Change in Fund Balance	\$ -	\$ (48,575)	\$ 148,830	\$ 197,405
0100 Fund Balance - Beginning (September 1)	316,952	316,952	316,952	-
3000 Fund Balance - Ending (August 31)	\$ 316,952	\$ 268,377	\$ 465,782	\$ 197,405

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2021

<u>Data Control Codes</u>		<u>Response</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and / other sources information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered to not have made timely payments). Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial hold was resolved and cleared within 30 days, the shool district is considered to have been inssued a warrant hold.	No
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 post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Administrative Code and other statues, laws and rules that were in effect at the school districts fiscal year-end?	Yes
SF8	Did the school board members discuss the school districts property value at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ 1,433,780

FEDERAL AWARDS SECTION

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2021

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Grantor Identifying Number	(03) Federal Expenditures
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
ESSA Title I Part A - Improving Basic Programs	84.010a	22610101234902	\$ 17,606
ESSA Title I Part A - Improving Basic Programs	84.010a	21610101234902	178,885
ESSA Title I Part A - Improving Basic Programs	84.010a	20610101234902	<u>9,826</u>
Total CFDA 84.010			<u>206,317</u>
IDEA - B Formula - B	84.027	226600012349026000	24,067
IDEA - B Formula - B	84.027	216600012349026000	364,806
IDEA - B Formula - B	84.027	206600012349026000	<u>3,046</u>
Total CFDA 84.027			<u>391,919</u>
IDEA - B Preschool -B	84.173	226610012349026000	357
IDEA - B Preschool -B	84.173	216610012349026000	<u>3,751</u>
Total CFDA 84.173			<u>4,108</u>
ESSA Title II Part A - Supporting Effective Education	84.367a	22686001234902	4,424
ESSA Title II Part A - Supporting Effective Education	84.367a	21686001234902	<u>38,892</u>
Total CFDA 84.367a			<u>43,316</u>
Elementary and Secondary Schools Emergency Relief - I*	84.425d	20521001234902	4,818
Elementary and Secondary Schools Emergency Relief - I*	84.425d	21521001234902	350,923
Elementary and Secondary Schools Emergency Relief - I*	84.425u	21528001234902	40,461
Prior Purchase Reimbursement Program*	84.425d	52102035	<u>146,699</u>
Total CFDA 84.425			<u>542,901</u>
ESSA Title IV Part A - Student Support & Academic Achievement	84.424a	22680101234902	1,189
ESSA Title IV Part A - Student Support & Academic Achievement	84.424a	21680101234902	<u>15,060</u>
Total CFDA 84.424			<u>16,249</u>
Total passed through the Texas Education Agency			<u>1,204,810</u>
Passed through Education Service Center, Region 10:			
ESSA Title III - English Language Acquisition	84.365a	20671001057950	654
ESSA Title III - English Language Acquisition	84.365a	20671001057950	<u>3,620</u>
Total CFDA 84.365			<u>4,274</u>
Total Department of Education			<u>1,209,084</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program -A	10.553	0600	112,263
National School Lunch Program - A	10.555	0600	315,695
National School Lunch Program - Covid Emergency - A	10.559	0600	6,120
USDA Commodity Food Distribution	10.565	091015A	<u>52,359</u>
Total Department of Agriculture			<u>486,437</u>
Total Expenditures of Federal Awards			<u>\$ 1,695,521</u>
* Denotes Major Program A - Child Nutrition 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, 2021

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)	\$	1,695,521
E-rate Reimbursements		86,400
School Health and Related Services		<u>331,824</u>
Federal Revenue (Exhibit C-3)	\$	<u>2,113,745</u>