

CANTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2017

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CANTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2017

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibits</u>
INTRODUCTORY SECTION		
Certificate of Board.....	3	
FINANCIAL SECTION		
<u>Independent Auditor’s Reports:</u>		
Report on Basic Financial Statements	5	
Report on Compliance and Internal Controls (<i>Government Auditing Standards</i>)	7	
Report on Compliance and Internal Controls (Uniform Guidance)	9	
Schedule of Findings and Questioned Costs	11	
Management’s Discussion and Analysis (Required Supplementary Information)	16	
<u>Basic Financial Statements:</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	25	A-1
Statement of Activities	26	B-1
Fund Financial Statements:		
Balance Sheet – Governmental Funds	27	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	28	C-2
Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds.....	29	C-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	30	C-4
Statement of Fiduciary Net Position – Fiduciary Funds	31	E-1
Notes to the Basic Financial Statements.....	32	F-1
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund	55	G-1
Schedule of District’s Proportionate Share of the Net Pension Liability.....	56	G-2
Schedule of District Contributions	57	G-3
Notes to Required Supplementary Information	58	G-4
<u>Other Supplementary Information:</u>		
Schedule of Delinquent Taxes Receivable	60	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
School Breakfast and National School Lunch Program.....	61	J-3
Debt Service Fund	62	J-4
Schedule of Required Responses to Selected School FIRST Indicators.....	63	J-5
FEDERAL AWARDS SECTION		
Schedule of Expenditures of Federal Awards	65	K-1
Notes to the Schedule of Expenditures of Federal Awards	66	K-2

CERTIFICATE OF BOARD

Canton Independent School District
Name of School District

Van Zandt
County

234-902
Co.-Dist. Number

We, the undersigned, certify that the attached auditor's report of the above named school district was reviewed and ✓ **approved**/ _____ **disapproved** for the year ended August 31, 2017, at a meeting of the board of school trustees of such school district on _____.



Signature of Board Secretary



Signature of Board President

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

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton Independent School District (District), as of and for the year ended August 31, 2017, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note Q to the financial statements, in 2017 the District adopted various accounting pronouncements issued by the Governmental Accounting Standards Board. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 6, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

November 6, 2017
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, 2017, 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 6, 2017.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Report on Internal Control – Continued

Purpose of this Report

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

November 6, 2017
Greenville, Texas

Rutherford, Taylor & Company PC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR 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, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

Report on Internal Control Over Compliance

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

Internal Control over Compliance with the Uniform Guidance – Continued

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

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

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

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

November 6, 2017
Greenville, Texas

Rutherford, Taylor & Company PC

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COST
 YEAR ENDED AUGUST 31, 2017

Summary of Auditor's Results (Section I)

Financial Statements –

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

Federal Awards –

Internal control over major programs: Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	No
Identification of major programs	Special Education Cluster: IDEA-B Formula (84.027) IDEA-B Preschool (84.173)
Dollar threshold used to distinguish between Type A and Type B programs	\$ 750,000
Entity qualified as a low risk auditee	Yes
Pass-through Entity	Texas Education Agency

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2017

Financial Statement Findings (Section II)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2017

Federal Award Findings and Questioned Costs (Section III)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2017

Prior Year Findings (Section IV)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2017

Corrective Action Plans (Section V)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2017

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, 2017. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

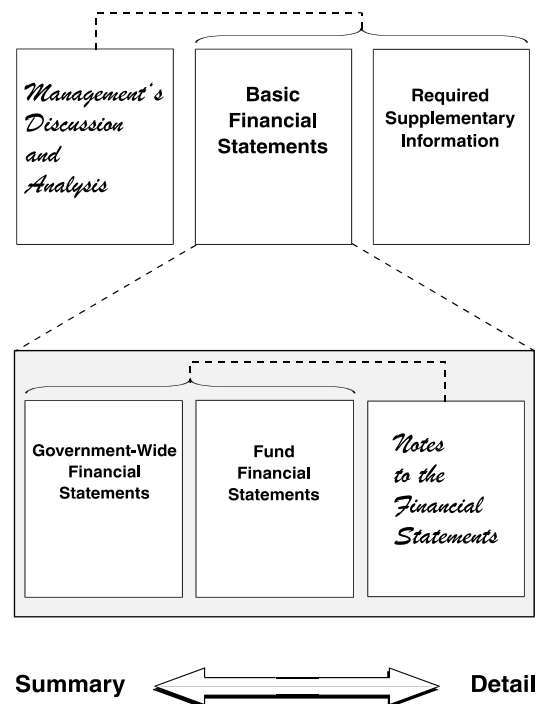
- The District's total combined net position was \$ 13,860,012 at August 31, 2017.
- During the year, the District's expenses were \$ 1,265,935 less than the \$ 21,919,411 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs was increased about 0.73% from last year, and no new programs were added this year.
- The General Fund reported a fund balance this year of \$ 10,464,720.
- The District issued no new debt this fiscal year.

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, 2017**

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, 2017

- 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 \$ 13,860,012 at August 31, 2017.

Canton Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2017	2016	2016-2017
Assets:			
Cash and Investments	\$ 10,991,801	\$ 10,143,801	8.36%
Other Assets	1,472,688	1,476,322	-0.25%
Capital Assets less Accumulated Depreciation	<u>37,430,962</u>	<u>38,580,515</u>	-2.98%
Total Assets	<u>\$ 49,895,451</u>	<u>\$ 50,200,638</u>	-0.61%
Total Deferred Outflows of Resources	<u>\$ 3,421,150</u>	<u>\$ 3,797,058</u>	-9.90%
Liabilities:			
Current Liabilities	\$ 836,449	\$ 919,363	-9.02%
Long-term Liabilities	<u>38,438,802</u>	<u>40,256,087</u>	-4.51%
Total Liabilities	<u>\$ 39,275,251</u>	<u>\$ 41,175,450</u>	-4.61%
Total Deferred Inflows of Resources	<u>\$ 181,338</u>	<u>\$ 228,168</u>	-20.52%
Net Position:			
Net Investment in Capital Assets	\$ 2,138,002	\$ 3,867,903	-44.72%
Restricted	670,000	531,417	26.08%
Unrestricted	<u>11,052,010</u>	<u>8,194,757</u>	34.87%
Total Net Position	<u>\$ 13,860,012</u>	<u>\$ 12,594,077</u>	10.05%

Approximately \$ 572,747 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 \$ 21,919,411. 45% of the District's revenue comes from local property taxes (See Table A-2). 51% 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 \$ 20,653,476. 61% of these costs are for instruction and instructional related services.

The District's tax collection percentage rate (current and delinquent base tax only) was 99.06%. The total collection percentage rate (base tax and penalty and interest) was 100.33%.

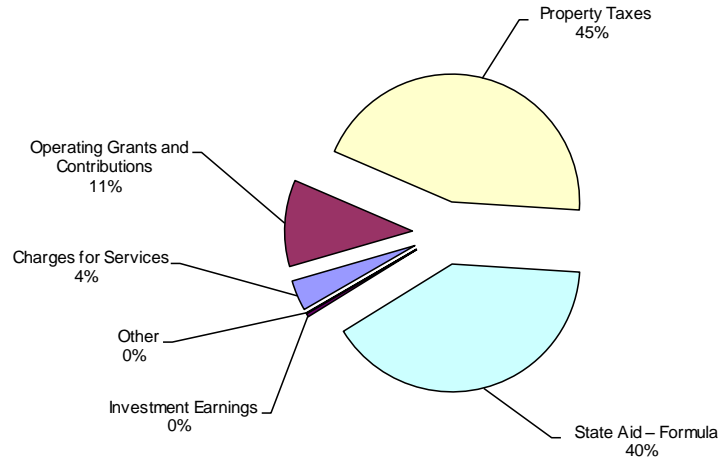
CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2017

GOVERNMENTAL ACTIVITIES

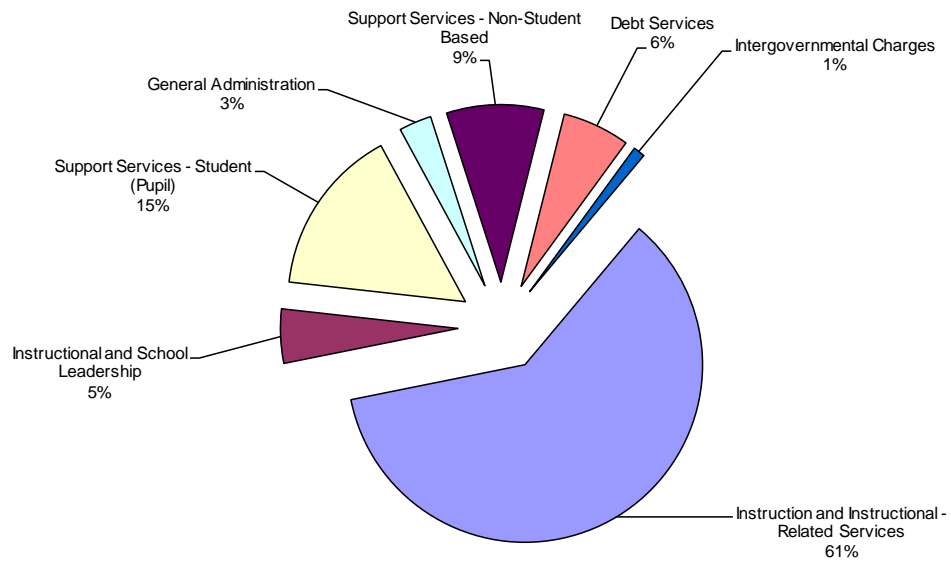
Changes in Canton Independent School District's Net Position			Table A-2
	Governmental Activities		Total Percentage Change
	2017	2016	2016-2017
Program Revenues:			
Charges for Services	\$ 844,781	\$ 830,302	1.74%
Operating Grants and Contributions	2,399,895	2,607,024	-7.95%
General Revenues:			
Property Taxes	9,762,532	9,162,957	6.54%
State Aid – Formula	8,805,550	9,198,437	-4.27%
Investment Earnings	91,503	48,737	87.75%
Other	15,150	85,552	-82.29%
Total Revenues	<u>\$ 21,919,411</u>	<u>\$ 21,933,009</u>	-0.06%
Expenses:			
Instruction	\$ 12,220,087	\$ 11,990,622	1.91%
Instructional Resources and Media Services	262,775	260,062	1.04%
Curriculum and Staff Development	60,198	60,364	-0.27%
Instructional Leadership	150,598	149,741	0.57%
School Leadership	867,537	869,006	-0.17%
Guidance, Counseling and Evaluation Services	511,890	519,015	-1.37%
Health Services	175,752	151,483	16.02%
Social Work Services	24,417	26,492	-7.83%
Student (Pupil) Transportation	406,603	386,774	5.13%
Food Services	685,291	763,054	-10.19%
Cocurricular/Extracurricular Activities	1,360,996	1,287,274	5.73%
General Administration	610,657	590,844	3.35%
Plant Maintenance and Operations	1,596,963	1,441,181	10.81%
Security and Monitoring Services	42,074	32,823	28.18%
Data Processing Services	190,546	193,005	-1.27%
Debt Service	1,266,575	1,562,609	-18.94%
Payments Related to Shared Services Arrangements	5,800	5,800	0.00%
Other Intergovernmental Charges	214,717	212,785	0.91%
Total Expenses	<u>\$ 20,653,476</u>	<u>\$ 20,502,934</u>	0.73%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ 1,265,935</u>	<u>\$ 1,430,075</u>	11.48%
Increase (Decrease) in Net Position	<u>\$ 1,265,935</u>	<u>\$ 1,430,075</u>	11.48%
Net Position - Beginning (September 1)	\$ 12,594,077	\$ 10,783,954	16.79%
Prior Period Adjustment	-	380,048	-100.00%
Net Position - Beginning, as Restated	<u>\$ 12,594,077</u>	<u>\$ 11,164,002</u>	12.81%
Net Position - Ending (August 31)	<u>\$ 13,860,012</u>	<u>\$ 12,594,077</u>	10.05%

CANTON INDEPENDENT SCHOOL DISTRICT
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 YEAR ENDED AUGUST 31, 2017

Sources of Revenue for Fiscal Year 2017 - See Table A-2



Functional Expenses for Fiscal Year 2017 - See Table A-2



CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2017

- 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 \$ 20,653,476.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 9,762,532.
- Some of the cost was paid by those who directly benefited from the programs \$ 844,781, or
- By grants and contributions \$ 2,399,513.

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>		%	
	2017	2016	Change	2017	2016	Change	
Instruction	\$12,220,087	\$11,990,622	1.91%	\$10,533,884	\$10,214,892	3.12%	
School Leadership	867,537	869,006	-0.17%	824,211	826,570	-0.29%	
General Administration	610,657	590,844	3.35%	589,712	570,590	3.35%	
Plant Maintenance and Operations	1,596,963	1,441,181	10.81%	1,572,198	1,416,875	10.96%	
Debt Service	1,266,575	1,562,609	-18.94%	970,753	1,245,736	-22.07%	

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the governmental funds totaled \$ 21,735,338. This represents an increase of \$ 257,986 from the prior year revenues of \$ 21,477,352. The change represents an increase in local revenues and state aid.

Expenditures in the governmental funds totaled \$ 20,865,693. This represents a decrease of \$ 1,335,635 from the prior year expenditures of \$ 22,201,328. The change represents a decrease in both debt expense and capital improvements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 1,052,791 below final budget amounts. The most significant positive variance resulted from lower than expected expenses in the functional area of capital outlay, transportation and instruction.

Resources available were \$ 903,934 above final budgeted amounts. The favorable variance was a reflection of better than expected state aid for increased enrollment and attendance.

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2017

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At the end of 2017, the District had invested \$ 65,619,241 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 2016-2017
	2017	2016	
Land	\$ 976,909	\$ 614,097	59.08%
Construction in Progress	-	174,740	-100.00%
Buildings and Improvements	61,439,428	60,763,042	1.11%
Equipment	1,102,354	714,186	54.35%
Vehicles	2,100,550	2,078,263	1.07%
Totals at Historical Cost	\$ 65,619,241	\$ 64,344,328	1.98%
Total Accumulated Depreciation	(28,188,279)	(25,763,813)	9.41%
Net Capital Assets	<u>\$ 37,430,962</u>	<u>\$ 38,580,515</u>	-2.98%

DEBT

At year-end, the District had \$ 35,292,960 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 2016-2017
	2017	2016	
Bonds Payable	\$ 31,505,649	\$ 32,739,152	-3.77%
Other Debt Payable	3,787,311	4,449,908	-14.89%
Total Debt Payable	<u>\$ 35,292,960</u>	<u>\$ 37,189,060</u>	-5.10%

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2017

ECONOMIC FACTORS

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

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

The State has increased funding levels for the 2017-2018 biennium, which will affect the revenue levels of the District. With these increases in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

A challenge to the State's funding system resulted in the system being held constitutional. Future legislative sessions could produce minor changes to funding for student populations. The legal process ended the challenges by the various interested parties including the State. State funding will continue under the present system until legislative changes occur.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2017

1

Data Control Codes	Governmental Activities
ASSETS	
1110 Cash and Investments	\$ 10,991,801
1225 Property Taxes Receivable, Net	494,958
1240 Due from Other Governments	827,662
1250 Accrued Interest	3,666
1260 Due from Fiduciary	225
1290 Other Receivables, Net	37,912
1410 Unrealized Expenses	108,265
Capital Assets:	
1510 Land	976,909
1520 Building and Improvement, Net	35,409,057
1530 Furniture and Equipment, Net	<u>1,044,996</u>
1000 Total Assets	<u>\$ 49,895,451</u>
DEFERRED OUTFLOWS OF RESOURCES:	
1701 Deferred Outflows - Refunding	\$ 1,868,069
1705 Deferred Outflows - Pensions	<u>1,553,081</u>
1700 Total Deferred Outflows of Resources	<u>\$ 3,421,150</u>
LIABILITIES	
2110 Accounts Payable	\$ 98,245
2140 Interest Payable	48,969
2165 Accrued Liabilities	656,433
2300 Unearned Revenues	32,802
Noncurrent Liabilities:	
2501 Due within one year	876,283
2502 Due in more than one year	34,416,677
2540 Net Pension Liability	<u>3,145,842</u>
2000 Total Liabilities	<u>\$ 39,275,251</u>
DEFERRED INFLOWS OF RESOURCES:	
2605 Deferred Inflows - Pensions	\$ 181,338
2600 Total Deferred Inflows of Resources	<u>\$ 181,338</u>
NET POSITION	
3200 Net Investment in Capital Assets	\$ 2,138,002
Restricted For:	
3820 State and Federal Programs	30,433
3850 Debt Service	572,747
3890 Other Purposes	66,820
3900 Unrestricted	<u>11,052,010</u>
3000 Total Net Position	<u>\$ 13,860,012</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2017

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	\$ 12,220,087	\$ 296,055	\$ 1,396,332	\$ (10,527,700)
12 Instructional Resources and Media Services	262,775	-	11,317	(251,458)
13 Curriculum and Staff Development	60,198	-	10,915	(49,283)
21 Instructional Leadership	150,598	-	7,537	(143,061)
23 School Leadership	867,537	-	43,326	(824,211)
31 Guidance, Counseling and Evaluation Services	511,890	-	77,071	(434,819)
32 Social Work Services	24,417	-	1,639	(22,778)
33 Health Services	175,752	-	8,193	(167,559)
34 Student (Pupil) Transportation	406,603	-	15,793	(390,810)
35 Food Services	685,291	220,085	446,249	(18,957)
36 Cocurricular/Extracurricular Activities	1,360,996	320,941	39,933	(1,000,122)
41 General Administration	610,657	-	20,945	(589,712)
51 Plant Maintenance and Operations	1,596,963	7,700	17,065	(1,572,198)
52 Security and Monitoring Services	42,074	-	1,639	(40,435)
53 Data Processing Services	190,546	-	6,119	(184,427)
72 Interest on Long-term Debt	1,262,440	-	295,822	(966,618)
73 Debt Issuance Costs and Fees	4,135	-	-	(4,135)
93 Payments Related to Shared Services Arrangements	5,800	-	-	(5,800)
99 Other Intergovernmental Charges	214,717	-	-	(214,717)
TG Total Governmental Activities	<u>\$ 20,653,476</u>	<u>\$ 844,781</u>	<u>\$ 2,399,895</u>	<u>\$ (17,408,800)</u>
TP Total Primary Government	<u>\$ 20,653,476</u>	<u>\$ 844,781</u>	<u>\$ 2,399,895</u>	<u>\$ (17,408,800)</u>
General Revenues:				
MT Property Taxes, Levied for General Purpose				\$ 6,904,163
DT Property Taxes, Levied for Debt Service				2,858,369
IE Investment Earnings				91,503
GC Grants and Contributions Not Restricted to Specific Programs				8,805,550
MI Miscellaneous				15,150
TR Total General Revenues				<u>\$ 18,674,735</u>
CN Change in Net Position				\$ 1,265,935
NB Net Position - Beginning (September 1)				<u>12,594,077</u>
NE Net Position - Ending (August 31)				<u>\$ 13,860,012</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS				
1110 Cash and Investments	\$ 10,270,660	\$ 446,762	\$ 274,379	\$ 10,991,801
1225 Property Taxes Receivable, Net	350,964	143,994	-	494,958
1240 Due from Other Governments	743,605	5,515	78,542	827,662
1250 Accrued Interest	3,666	-	-	3,666
1260 Due from Other Funds	225	-	-	225
1290 Other Receivables, Net	22,833	9,452	5,627	37,912
1410 Unrealized Expenditures	108,265	-	-	108,265
1000 Total Assets	<u>\$ 11,500,218</u>	<u>\$ 605,723</u>	<u>\$ 358,548</u>	<u>\$ 12,464,489</u>
LIABILITIES				
Current Liabilities:				
2110 Accounts Payable	\$ 47,191	\$ -	\$ 51,054	\$ 98,245
2150 Payroll Deductions & Withholdings	575	-	-	575
2160 Accrued Wages Payable	610,267	-	30,148	640,415
2200 Accrued Expenditures	12,581	-	2,862	15,443
2300 Unearned Revenues	13,920	-	18,882	32,802
2000 Total Liabilities	<u>\$ 684,534</u>	<u>\$ -</u>	<u>\$ 102,946</u>	<u>\$ 787,480</u>
DEFERRED INFLOWS OF RESOURCES				
2600 Total Deferred Inflows of Resources	<u>\$ 350,964</u>	<u>\$ 143,994</u>	<u>\$ -</u>	<u>\$ 494,958</u>
FUND BALANCES				
Nonspendable Fund Balances:				
3430 Prepaid Items	\$ 108,265	\$ -	\$ -	\$ 108,265
Restricted Fund Balances:				
3450 Federal/State Funds Grants	-	-	30,433	30,433
3480 Retirement of Long-Term Debt	-	461,729	-	461,729
3490 Other Restrictions of Fund Balance	-	-	55,519	55,519
Committed Fund Balances:				
3510 Construction	2,500,000	-	-	2,500,000
3520 Claims and Judgements	150,000	-	-	150,000
3530 Capital Expenditures for Equipment	300,000	-	-	300,000
3545 Other Committed Fund Balance	-	-	169,650	169,650
Assigned Fund Balances:				
3550 Construction	2,725,000	-	-	2,725,000
3570 Capital Expenditures for Equipment	350,000	-	-	350,000
3580 Self-Insurance	675,000	-	-	675,000
3590 Other Assigned Fund Balance	400,000	-	-	400,000
3600 Unassigned	3,256,455	-	-	3,256,455
3000 Total Fund Balances	<u>\$ 10,464,720</u>	<u>\$ 461,729</u>	<u>\$ 255,602</u>	<u>\$ 11,182,051</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 11,500,218</u>	<u>\$ 605,723</u>	<u>\$ 358,548</u>	<u>\$ 12,464,489</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, 2017

Total fund balances - Balance Sheet (governmental funds)	\$	11,182,051
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		37,430,962
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		494,958
Payables for bond principal which are not due in the current period are not reported in the funds.		(31,505,649)
Payables for bond interest which are not due in the current period are not reported in the funds.		(48,969)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		1,868,070
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(3,145,842)
Deferred Resource Inflows related to TRS are not reported in the funds.		(181,338)
Deferred Resource Outflows related to TRS are not reported in the funds.		1,553,081
The accumulated accretion of interest on capital appreciation bonds is not reported in the funds.		(1,951,845)
Bond premiums are amortized in the SNA but not in the funds.		<u>(1,835,467)</u>
Net position of governmental activities - Statement of Net Position	\$	<u><u>13,860,012</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, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES				
5700 Local and Intermediate Sources	\$ 7,082,863	\$ 2,844,176	\$ 507,374	\$ 10,434,413
5800 State Program Revenues	9,511,218	295,822	159,835	9,966,875
5900 Federal Program Revenues	258,300	-	1,075,750	1,334,050
5020 Total Revenues	\$ 16,852,381	\$ 3,139,998	\$ 1,742,959	\$ 21,735,338
EXPENDITURES				
Current:				
0011 Instruction	\$ 9,819,103	\$ -	\$ 745,599	\$ 10,564,702
0012 Instructional Resources and Media Services	218,746	-	17,508	236,254
0013 Curriculum and Staff Development	49,970	-	8,745	58,715
0021 Instructional Leadership	146,082	-	-	146,082
0023 School Leadership	816,455	-	-	816,455
0031 Guidance, Counseling and Evaluation Services	422,194	-	54,325	476,519
0032 Social Work Services	23,751	-	-	23,751
0033 Health Services	161,204	-	-	161,204
0034 Student (Pupil) Transportation	293,929	-	-	293,929
0035 Food Services	-	-	676,346	676,346
0036 Cocurricular/Extracurricular Activities	882,335	-	255,664	1,137,999
0041 General Administration	564,060	-	347	564,407
0051 Plant Maintenance and Operations	1,596,306	-	-	1,596,306
0052 Security and Monitoring Services	180,176	-	-	180,176
0053 Data Processing Services	230,296	-	-	230,296
0071 Principal on Long-term Debt	-	1,233,503	-	1,233,503
0072 Interest on Long-term Debt	-	1,794,873	-	1,794,873
0073 Bond Issuance Costs and Fees	-	4,135	-	4,135
0081 Capital Outlay	449,524	-	-	449,524
0093 Payments to Shared Service Arrangements	-	-	5,800	5,800
0099 Other Intergovernmental Charges	214,717	-	-	214,717
6030 Total Expenditures	\$ 16,068,848	\$ 3,032,511	\$ 1,764,334	\$ 20,865,693
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 783,533	\$ 107,487	\$ (21,375)	\$ 869,645
1200 Net Changes in Fund Balances	\$ 783,533	\$ 107,487	\$ (21,375)	\$ 869,645
0100 Fund Balances - Beginning (September 1)	9,681,187	354,242	276,977	10,312,406
3000 Fund Balances - Ending (August 31)	\$ 10,464,720	\$ 461,729	\$ 255,602	\$ 11,182,051

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, 2017

Net change in fund balances - total governmental funds	\$	869,645
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are not reported as expenses in the SOA.		1,274,913
The depreciation of capital assets used in governmental activities is not reported in the funds.		(2,424,466)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		56,431
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.		127,642
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		6,624
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		1,233,503
The accretion of interest on capital appreciation bonds is not reported in the funds.		524,603
(Increase) decrease in accrued interest expense from beginning of period to end of period.		1,206
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.		265,028
Pension contributions made after the measurement date but in current FY were de-expended and reduced NPO.		13,983
The District's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.		(211,692)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(471,485)
		<u>1,265,935</u>
Change in net position of governmental activities - Statement of Activities	\$	<u>1,265,935</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 AUGUST 31, 2017

Data Control Codes	Agency Fund <hr/> Student Agency <hr/>
ASSETS	
1110 Cash and Investments	\$ 128,016
1000 Total Assets	\$ 128,016
LIABILITIES	
Current Liabilities:	
2170 Due to Other Funds	\$ 225
2190 Due to Student Groups	127,791
2000 Total Liabilities	\$ 128,016
NET POSITION	
3850 Held in Trust	\$ -
3000 Total Net Position	\$ -

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

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, 2017

A. Summary of Significant Accounting Policies (Continued)

The District reports the following major governmental funds:

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

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

In addition, the District reports the following fund types:

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

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

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

b. Measurement Focus – Basis of Accounting

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

A. Summary of Significant Accounting Policies (Continued)

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

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

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

3. Budgetary Data

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

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

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

4. Encumbrance Accounting

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

A. Summary of Significant Accounting Policies (Continued)

5. Financial Statement Amounts

Cash and Investments

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

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

Fund Equity

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

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

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

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

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

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

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

A. Summary of Significant Accounting Policies (Continued)

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

	General	Debt Service	Other Governmental	Total
Nonspendable				
Prepaid Items	\$ 108,265	\$ -	\$ -	\$ 108,265
Restricted				
Child Nutrition Program	-	-	30,433	30,433
Retirement of Long Term Debt	-	461,729	-	461,729
Scholarship Funds	-	-	34,169	34,169
Other Restricted Balances	-	-	21,350	21,350
Committed				
Construction	2,500,000	-	-	2,500,000
Claims and Judgements	150,000	-	-	150,000
Capital Expenditures for Equipment	300,000	-	-	300,000
Campus Activity Funds	-	-	169,650	169,650
Other	-	-	-	-
Assigned				
Construction	2,725,000	-	-	2,725,000
Capital Expenditures for Equipment	350,000	-	-	350,000
Self Insurance	675,000	-	-	675,000
Other	400,000	-	-	400,000
Unassigned	3,256,455	-	-	3,256,455
Totals	<u>\$ 10,464,720</u>	<u>\$ 461,729</u>	<u>\$ 255,602</u>	<u>\$ 11,182,051</u>

Inventories

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

Capital Assets

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

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

Asset Class	Estimated Useful Lives
Buildings and Improvements	15-50
Vehicles	5-10
Other Equipment	3-15

Accretion

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

A. Summary of Significant Accounting Policies (Continued)

6. Deferred Outflows and Inflows of Resources

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

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

7. Receivable and Payable Balances

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

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

8. Interfund Activities

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

9. Vacation, Sick Leave and Other Compensated Absences

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

A. Summary of Significant Accounting Policies (Continued)

10. Pensions

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

11. 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.

12. 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.

13. Accounting System

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

B. Deposits, Securities and Investments

The District's funds are deposited and invested under the terms of a depository contract. The contract requires the depository to pledge approved securities in an amount significant to protect the District's day-to-day balances. The pledge is waived only to the extent of the dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance. At year end, it appears all District cash deposits were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the name of the District. The District's deposits appear to have been properly secured throughout the fiscal year.

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

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

B. Deposits, Securities and Investments (Continued)

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

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

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

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

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

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

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

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

B. Deposits, Securities and Investments (Continued)

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

The following table identifies the District's investment at year end:

	<u>Credit Rating</u>	<u>Fair Value</u>
TexPool	AAAm	\$ 1,242,550
Lone Star Investment Pool	AAAm	3,350,637
LOGIC	AAAm	3,096,234
Certificate of Deposit	n/a	<u>3,029,325</u>
Total		<u>\$ 10,718,746</u>

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

- a. Name of bank: American National Bank of Texas, Canton, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 8,010,535.
- c. Largest cash, savings and time deposit combined account balances amounted to \$ 4,679,784, and occurred during the month of April 2017.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$ 500,000.

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

B. Deposits, Securities and Investments (Continued)

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

C. Property Taxes

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

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

The District levied taxes on property within the District at \$ 1.04 to fund general operations and \$ 0.431 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 657,659,222.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

D. Capital Assets

Capital asset activities during the year ended were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets not Being Depreciated:				
Land	\$ 614,097	\$ 362,812	\$ -	\$ 976,909
Total Construction in Progress	174,740	-	174,740	-
Total Capital Assets not being Depreciated	\$ 788,837	\$ 362,812	\$ 174,740	\$ 976,909
Capital Assets being Depreciated:				
Building and Improvements	\$ 60,763,042	\$ 676,386	\$ -	\$ 61,439,428
Equipment	714,186	388,168	-	1,102,354
Vehicles	2,078,263	22,287	-	2,100,550
Total Capital Assets being Depreciated	\$ 63,555,491	\$ 1,086,841	\$ -	\$ 64,642,332
Less Accumulated Depreciation for :				
Buildings and Improvements	\$ 23,815,231	\$ 2,215,140	\$ -	\$ 26,030,371
Equipment	555,757	75,486	-	631,243
Vehicles	1,392,825	133,840	-	1,526,665
Total Accumulated Depreciation	\$ 25,763,813	\$ 2,424,466	\$ -	\$ 28,188,279
Total Capital Assets being Depreciated, Net	\$ 37,791,678	\$ (1,337,625)	\$ -	\$ 36,454,053
Governmental Activities Capital Assets, Net	\$ 38,580,515	\$ (974,813)	\$ 174,740	\$ 37,430,962

Depreciation was charged to governmental activities functions as follows:

Instruction	\$ 1,919,253
Instructional Resources and Media Services	21,503
School Leadership	24,465
Guidance, Counseling and Evaluation Services	18,598
Health Services	10,768
Student (Pupil) Transportation	127,083
Cocurricular/Extracurricular Activities	253,736
General Administration	29,235
Plant Maintenance and Operations	6,881
Security	4,864
Data Processing	8,080
Total	\$ 2,424,466

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

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	\$ 32,739,152	\$ -	\$ 1,233,503	\$ 31,505,649	\$ 876,283
Accreted Interest Payable	2,476,448	86,894	611,498	1,951,844	-
Unamortized Premium (Discount)	1,973,460	-	137,993	1,835,467	-
Total Governmental Activities	<u>\$ 37,189,060</u>	<u>\$ 86,894</u>	<u>\$ 1,982,994</u>	<u>\$ 35,292,960</u>	<u>\$ 876,283</u>

Bonds

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

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Amount	Outstanding Balances
Unlimited Tax School Building Bonds, Series 1999	4.70%	\$ 5,206,903	\$ 285,649
Unlimited Tax Refunding Bonds, Series 2006	3.85%	9,330,000	5,790,000
Unlimited Tax School Building Bonds, Series 2007	4.84%	22,891,011	4,120,000
Unlimited Tax Refunding Bonds, Series 2011	2.24%	4,835,000	4,190,000
Unlimited Tax Refunding Bonds, Series 2014	2.70%	8,560,000	8,300,000
Unlimited Tax Refunding Bonds, Series 2015	3.21%	8,985,000	8,820,000
Totals			<u>\$ 31,505,649</u>

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

Year Ending August 31	Principal	Interest	Total Requirements
2018	\$ 876,283	\$ 1,692,320	\$ 2,568,603
2019	1,334,367	1,225,383	2,559,750
2020	1,240,000	1,318,505	2,558,505
2021	1,515,000	1,042,930	2,557,930
2022	1,565,000	988,879	2,553,879
2023- 2027	6,964,999	5,940,447	12,905,446
2028- 2032	9,090,000	2,640,084	11,730,084
2033- 2037	8,920,000	936,300	9,856,300
Totals	<u>\$ 31,505,649</u>	<u>\$ 15,784,848</u>	<u>\$ 47,290,497</u>

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

F. Pension Plan

1. *Plan Description*

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

2. *Benefits Provided*

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

3. *Contributions*

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

F. Pension Plan (Continued)

Employees' contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

		<u>Contribution Rates</u>	
		<u>2016</u>	<u>2017</u>
	Member	7.2%	7.7%
	Non-Employer Contributing Entity (State)	6.8%	6.8%
	Employers	6.8%	6.8%
2017	Employer Contributions	\$	278,598
2017	Member Contributions	\$	785,511
2016	NECE On-Behalf Contributions	\$	551,393

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

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

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

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

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

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

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

F. Pension Plan (Continued)

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

At August 31, 2017, the District reported a liability of \$ 3,154,842 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	\$ 3,145,842
State's proportionate share that is associated with the District	<u>6,544,950</u>
Total	<u><u>\$ 9,690,792</u></u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contribution to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0083249% which was a decrease of 0.0003516% from its proportion measured as of August 31, 2015.

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2017, the District recognized pension expense of \$ 679,210 and revenue of \$ 679,210 for support provided by the State.

At August 31, 2017 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 experience	\$ 49,326	\$ 93,933
Changes of actuarial assumptions	95,880	87,199
Difference between projected and actual investment earnings	266,383	-
Changes in proportion and difference between the employers contributions and the proportionate share of contributions	<u>862,894</u>	<u>206</u>
Total as of August 31, 2016 measurement date	\$ 1,274,483	\$ 181,338
Contributions paid to TRS subsequent to the measurement date	<u>278,598</u>	<u>-</u>
Total	<u><u>\$ 1,553,081</u></u>	<u><u>\$ 181,338</u></u>

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

F. Pension Plan (Continued)

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

<u>Year Ending</u> <u>August 31</u>	<u>Amount</u>
2018	\$ 198,872
2019	198,872
2020	368,784
2021	185,815
2022	129,513
Thereafter	11,289

5. *Actuarial Assumptions*

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases including inflation	3.50% to 9.50%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. *Discount Rate*

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges future real rates of return (expected returns, net pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized on the next page:

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

F. Pension Plan (Continued)

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

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

7. *Discount Rate Sensitivity Analysis*

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

	1% Decrease in Discount Rate	Discount Rate 8%	1% Increase in Discount Rate
District's proportionate share of the net pension liability	\$ 4,868,704	\$ 3,145,842	\$ 1,684,507

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

F. Pension Plan (Continued)

8. *Pension Plan Fiduciary Net Position*

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2016 and 2015.

Net Pension Liability	August 31, 2016	August 31, 2015
Total Pension Liability	\$ 171,797,150,487	\$ 163,887,375,172
Less: Plan Fiduciary Net Position	(134,008,637,473)	(128,538,706,212)
Net Pension Liability	\$ 37,788,513,014	\$ 35,348,668,960
Net Position as percentage of Total Pension Liability	78.00%	78.43%

G. School District Retiree Health Plan

1. Plan Description

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

2. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee and public school contributions, respectively. The State of Texas and active public school employees contributed amounts to the plan during the year. Per Texas Insurance Code, Chapters 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. Contribution rates are shown in the table below for fiscal years 2016-2014.

Contribution Rates			
Year	Active Member	State	District
2017	0.65%	1.00%	0.55%
2016	0.65%	1.00%	0.55%
2015	0.65%	1.00%	0.55%

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

G. School District Retiree Health Plan (Continued)

3. On Behalf Payments

In accordance with GASB Statement 24, "Accounting and Financial Reporting for Certain Grants and Other Financial Assistance," on-behalf payments (payments made by the State) of \$ 90,080 are reflected in the basic financial statements for Retiree Health Plan contributions. Additionally, the District benefited from payments made by the State totaling \$ 47,668 for subsidies for Medicare Part D and participation in the Early Retirement Reissuance Programs.

H. Risk Management

Health Care

During the year ended employees of the Canton Independent School District were covered by a health insurance plan (the Plan). The District paid premiums of \$ 240 per month per employee and employees, at their option, authorized payroll withholdings to provide dependents coverage under the Plan. All premiums were paid to TRS Activecare (Aetna). The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

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

Latest financial statements for Aetna are available for the year ended December 31, 2016, and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

Unemployment Compensation Pool

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

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

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

H. Risk Management (Continued)

Changes in the workers' compensation claims liability amounts in periods of 2017 and 2016 are represented below:

	<u>2017</u>	<u>2016</u>
Beginning Claims Liability	\$ 19,038	\$ 24,202
Claims Incurred (Reduced)	3,696	(3,832)
Claim Payments	<u>(22,734)</u>	<u>(1,332)</u>
Ending Claims Liability	<u>\$ -</u>	<u>\$ 19,038</u>

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2017, the District purchased commercial insurance to cover these liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

I. Litigation

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

J. Commitments and Contingencies

The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at year end, may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

K. Shared Service Arrangements

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

<u>Shared Service Agreement</u>	<u>Fiscal Agent</u>	<u>Service</u>
Block Grant	Region X Education Services Center	Title III Part A Carl Perkins Grant

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

L. Revenue from Local and Intermediate Sources

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

	General	Debt Service	Other Governmental	Totals
Property Tax Collections	\$ 6,864,428	\$ 2,841,673	\$ -	\$ 9,706,101
Investment Income	83,756	2,503	5,244	91,503
Rent	7,700	-	-	7,700
Food Service Income	-	-	220,085	220,085
Gifts and Bequests	5,000	-	30,178	35,178
Cocurricular/Extracurricular Activities	78,709	-	251,867	330,576
Tuition and Fees	29,770	-	-	29,770
Miscellaneous	13,500	-	-	13,500
Totals	\$ 7,082,863	\$ 2,844,176	\$ 507,374	\$ 10,434,413

M. Receivables

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

	General	Debt Service	Other Governmental	Totals
Due from Other Governments	\$ 743,605	\$ 5,515	\$ 78,542	\$ 827,662
Property Taxes Receivable	389,960	159,993	-	549,953
Less: Allowance for Uncollectible				
Property Taxes	(38,996)	(15,999)	-	(54,995)
Other Receivables	26,499	9,452	5,627	41,578
Net Receivables	\$ 1,121,068	\$ 158,961	\$ 84,169	\$ 1,364,198

N. Subsequent Events

The District's management has evaluated subsequent events through November 6, 2017, the date which the financial statements were available for use.

O. Interfund Balances and Activities

Interfund Receivables and Payables

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

Receivable Fund	Payable Fund	Amount
General Fund	Agency Fund	\$ 225

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2017

P. State Aid Reconciliation

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

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

	Available	Foundation	IFA	EDA
CY Summary of Finances (SOF)	\$ 783,928	\$ 8,195,068	\$ 51,530	\$ 252,106
Prior Year Settle Ups	-	8,441	(2,048)	(5,766)
August Instructional Days Change	(36,003)	(145,884)	-	-
Financial Statement Earnings	<u>\$ 747,925</u>	<u>\$ 8,057,625</u>	<u>\$ 49,482</u>	<u>\$ 246,340</u>
Financial Statement Amounts				
SOF Receivable (Overpayment)	57,887	588,732	-	-
August Instructional Days Receivable	21,884	442,848	-	-

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

Q. Change in Accounting Principles

In fiscal year 2017, the District adopted the following new statements of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

- *Statement 79, Certain External Investment Pools on Pool Participants*
The Statement addresses accounting and financial reporting for certain external investment pools and pool participants. If external investment pools account for their investments using amortized cost values, member participants must report their investment in the pools at amortized cost.
- *Statement 80, Blending Requirements for Certain Component Units*
The Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not for profit corporation in which the primary government is the sole member.
- *Statement 82, Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 72*
The Statement was issued to address certain issues that have been raised with respect to Statements No. 67, No. 68 and No. 72. The Statement addresses issues regarding (1) the presentation of payroll related measures is required supplementary information, (2) the selection of assumption and the treatment of deviation from the guidance in an Actuarial Standard of Practice for financial reporting purposes and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

REQUIRED SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 6,828,607	\$ 6,828,607	\$ 7,082,863	\$ 254,256
5800	State Program Revenues	8,872,106	8,894,840	9,511,218	616,378
5900	Federal Program Revenues	225,000	225,000	258,300	33,300
5020	Total Revenues	\$ 15,925,713	\$ 15,948,447	\$ 16,852,381	\$ 903,934
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 9,467,439	\$ 10,076,068	\$ 9,819,103	\$ 256,965
0012	Instructional Resources and Media Services	224,038	224,038	218,746	5,292
0013	Curriculum and Staff Development	60,539	60,539	49,970	10,569
	Total Instruction and Instr. Related Services	<u>\$ 9,752,016</u>	<u>\$ 10,360,645</u>	<u>\$ 10,087,819</u>	<u>\$ 272,826</u>
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 161,742	\$ 161,742	\$ 146,082	\$ 15,660
0023	School Leadership	817,245	822,445	816,455	5,990
	Total Instructional and School Leadership	<u>\$ 978,987</u>	<u>\$ 984,187</u>	<u>\$ 962,537</u>	<u>\$ 21,650</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	\$ 435,091	\$ 435,091	\$ 422,194	\$ 12,897
0032	Social Work Services	31,106	31,106	23,751	7,355
0033	Health Services	206,047	206,047	161,204	44,843
0034	Student (Pupil) Transportation	615,852	615,852	293,929	321,923
0036	Cocurricular/Extracurricular Activities	881,588	911,588	882,335	29,253
	Total Support Services - Student (Pupil)	<u>\$ 2,169,684</u>	<u>\$ 2,199,684</u>	<u>\$ 1,783,413</u>	<u>\$ 416,271</u>
Administrative Support Services:					
0041	General Administration	\$ 609,059	\$ 603,736	\$ 564,060	\$ 39,676
	Total Administrative Support Services	<u>\$ 609,059</u>	<u>\$ 603,736</u>	<u>\$ 564,060</u>	<u>\$ 39,676</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	\$ 1,671,099	\$ 1,671,099	\$ 1,596,306	\$ 74,793
0052	Security and Monitoring Services	46,443	194,335	180,176	14,159
0053	Data Processing Services	205,755	240,283	230,296	9,987
	Total Support Services - Nonstudent Based	<u>\$ 1,923,297</u>	<u>\$ 2,105,717</u>	<u>\$ 2,006,778</u>	<u>\$ 98,939</u>
Capital Outlay:					
0081	Capital Outlay	\$ 276,670	\$ 651,670	\$ 449,524	\$ 202,146
	Total Capital Outlay	<u>\$ 276,670</u>	<u>\$ 651,670</u>	<u>\$ 449,524</u>	<u>\$ 202,146</u>
Intergovernmental Charges:					
0099	Other Intergovernmental Charges	\$ 216,000	\$ 216,000	\$ 214,717	\$ 1,283
	Total Intergovernmental Charges	<u>\$ 216,000</u>	<u>\$ 216,000</u>	<u>\$ 214,717</u>	<u>\$ 1,283</u>
6030	Total Expenditures	\$ 15,925,713	\$ 17,121,639	\$ 16,068,848	\$ 1,052,791
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (1,173,192)	\$ 783,533	\$ 1,956,725
1200	Net Change in Fund Balance	-	(1,173,192)	783,533	1,956,725
0100	Fund Balance - Beginning (September 1)	9,681,187	9,681,187	9,681,187	-
3000	Fund Balance - Ending (August 31)	\$ 9,681,187	\$ 8,507,995	\$ 10,464,720	\$ 1,956,725

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, 2017

	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability	0.0083249%	0.0086765%	0.0044324%
District's proportionate share of the net pension liability	\$ 3,145,842	\$ 3,067,027	\$ 1,183,956
State's proportionate share of the net pension liability associated with the District	<u>6,544,950</u>	<u>6,309,383</u>	<u>5,202,426</u>
 Total	 <u>\$ 9,690,792</u>	 <u>\$ 9,376,410</u>	 <u>\$ 6,386,382</u>
 District's covered-employee payroll (for Measurement Year)	 \$ 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	 31.59%	 31.74%	 13.40%
 Plan fiduciary net position as a percentage of the total pension liability	 78.00%	 78.43%	 83.25%

Note: Only three 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
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 LAST 10 FISCAL YEARS

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

Note: Only three years of date 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
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2017

A. Budget

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

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

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

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

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

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at the time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

B. Defined Benefit Pension Plan

1. Changes of Assumptions

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

2. Changes of Benefit Terms

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

OTHER SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED AUGUST 31, 2017

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2016	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2017
		Maintenance	2 Debt Service							
XXXX	2008 and Prior Years	Various	Various	Various	\$ 12,923	\$ -	\$ 986	\$ 238	\$ (572)	\$ 11,127
2008	2009	1.040000	0.431000	572,939,973	9,191	-	963	399	(648)	7,181
2009	2010	1.040000	0.431000	601,881,033	19,293	-	1,668	691	(927)	16,007
2010	2011	1.040000	0.431000	596,685,244	26,521	-	2,958	1,226	(713)	21,624
2011	2012	1.040000	0.431000	596,246,865	32,340	-	3,384	1,403	(919)	26,634
2012	2013	1.040000	0.431000	596,788,980	38,778	-	6,991	2,897	4,171	33,061
2013	2014	1.040000	0.431000	602,807,886	58,755	-	13,669	5,665	5,468	44,889
2014	2015	1.040000	0.431000	621,060,822	107,933	-	21,287	8,822	2,768	80,592
2015	2016	1.040000	0.431000	619,753,886	181,519	-	48,353	20,039	(860)	112,267
2016	2017	1.040000	0.431000	657,659,222	-	9,674,167	6,675,027	2,766,286	(36,283)	196,571
1000	TOTALS				\$ 487,253	\$ 9,674,167	\$ 6,775,286	\$ 2,807,666	\$ (28,515)	\$ 549,953

CANTON INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 260,448	\$ 260,448	\$ 220,085	\$ (40,363)
5800	State Program Revenues	3,540	3,540	6,194	2,654
5900	Federal Program Revenues	<u>457,356</u>	<u>457,356</u>	<u>437,708</u>	<u>(19,648)</u>
5020	Total Revenues	<u>\$ 721,344</u>	<u>\$ 721,344</u>	<u>\$ 663,987</u>	<u>\$ (57,357)</u>
EXPENDITURES					
Current:					
Support Services - Student (Pupil):					
0035	Food Services	\$ 721,344	\$ 721,344	\$ 675,301	\$ 46,043
	Total Support Service - Student (Pupil)	<u>\$ 721,344</u>	<u>\$ 721,344</u>	<u>\$ 675,301</u>	<u>\$ 46,043</u>
6030	Total Expenditures	<u>\$ 721,344</u>	<u>\$ 721,344</u>	<u>\$ 675,301</u>	<u>\$ 46,043</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (11,314)</u>	<u>\$ (11,314)</u>
1200	Net Change in Fund Balance	\$ -	\$ -	\$ (11,314)	\$ (11,314)
0100	Fund Balance - Beginning (September 1)	<u>41,747</u>	<u>41,747</u>	<u>41,747</u>	<u>-</u>
3000	Fund Balance - Ending (August 31)	<u><u>\$ 41,747</u></u>	<u><u>\$ 41,747</u></u>	<u><u>\$ 30,433</u></u>	<u><u>\$ (11,314)</u></u>

CANTON INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2017

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 2,797,614	\$ 2,797,614	\$ 2,844,176	\$ 46,562
5800	State Program Revenues	<u>244,194</u>	<u>244,194</u>	<u>295,822</u>	<u>51,628</u>
5020	Total Revenues	<u>\$ 3,041,808</u>	<u>\$ 3,041,808</u>	<u>\$ 3,139,998</u>	<u>\$ 98,190</u>
EXPENDITURES					
Debt Service:					
0071	Principal on Long-term Debt	\$ 1,225,103	\$ 1,225,103	\$ 1,233,503	\$ (8,400)
0072	Interest on Long-term Debt	1,810,705	1,810,705	1,794,873	15,832
0073	Debt Issuance Costs and Fees	<u>6,000</u>	<u>6,000</u>	<u>4,135</u>	<u>1,865</u>
	Total Debt Service	<u>\$ 3,041,808</u>	<u>\$ 3,041,808</u>	<u>\$ 3,032,511</u>	<u>\$ 9,297</u>
6030	Total Expenditures	<u>\$ 3,041,808</u>	<u>\$ 3,041,808</u>	<u>\$ 3,032,511</u>	<u>\$ 9,297</u>
1100	Excess (Deficiency) of Revenues Over Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 107,487</u>	<u>\$ 107,487</u>
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 107,487	\$ 107,487
0100	Fund Balance - Beginning (September 1)	<u>354,243</u>	<u>354,243</u>	<u>354,243</u>	<u>-</u>
3000	Fund Balance - Ending (August 31)	<u><u>\$ 354,243</u></u>	<u><u>\$ 354,243</u></u>	<u><u>\$ 461,730</u></u>	<u><u>\$ 107,487</u></u>

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2017

<u>Data Control Codes</u>		<u>Response</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other Sources of information concerning nonpayment of any terms of any debt Agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the annual Financial Report on the Financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material Weaknesses in internal controls over financial reporting and compliance For local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more Than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial Statements at fiscal year-end.	\$ 1,951,845
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -0-
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 3,145,842
SF13	Pension Expense (6147) at fiscal year-end.	\$ -0-

FEDERAL AWARDS SECTION

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017

(01) Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal CFDA Number	(02A) Pass-Through Grantor Identifying Number	(03) Federal Expenditures
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U.S. DEPARTMENT OF EDUCATION

Passed through the Texas Education Agency:

IDEA - B Formula (B) *	84.027	186600012349026600	\$ 16,791
IDEA - B Formula (B) *	84.027	176600012349026600	376,729
IDEA - B Formula (B) *	84.027	166600012349026600	175
IDEA - B Preschool (B) *	84.173	186610012349026610	257
IDEA - B Preschool (B) *	84.173	176610012349026610	3,023
ESEA Title I Part A - Improving Basic Programs	84.010	17610101234902	131,889
Title IV Part A - Subpart I	84.424	186801001234902	382
Total passed through the Texas Education Agency			\$ 529,246

Passed through Education Service Center, Region X:

ESEA Title I Part A - Improving Basic Programs	84.010	18610101057950	28,305
ESEA Title I Part A - Improving Basic Programs	84.010	16610101057950	10,134
ESEA Title II Part A - Teacher and Principal Training	84.367	17694501057950	65,371
ESEA Title III Part A - LEP	84.357	18671001057950	386
ESEA Title III Part A - LEP	84.357	17671001057950	4,600
Total passed through Education Service Center, Region X			\$ 108,796

Total Department of Education**\$ 638,042****U.S. DEPARTMENT OF AGRICULTURE**

Passed through the Texas Department of Agriculture:

School Breakfast Program (A)	10.553	0600	\$ 94,445
National School Lunch Program (A)	10.555	0600	290,134
USDA Food Distribution	10.550	234002A	53,129
Total Department of Agriculture			\$ 437,708

Total Expenditures of Federal Awards**\$ 1,075,750**

* Denotes Major Program

A - Child Nutrition Cluster

B - Special Education Cluster

See accompanying notes to the schedule of expenditures of federal awards.

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR ENDED AUGUST 31, 2017

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)	\$	1,075,750
School Health and Related Services		258,300
Federal Revenue (Exhibit C-3)	\$	1,334,050