

CANTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2023

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CANTON INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2023

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>).....	8	
Report on Compliance and Internal Controls (Uniform Guidance)	10	
Schedule of Findings and Questioned Costs	12	
Management's Discussion and Analysis (Required Supplementary Information)	17	
<u>Basic Financial Statements:</u>		
<u>Government-wide Financial Statements:</u>		
Statement of Net Position	26	A-1
Statement of Activities	27	B-1
<u>Fund Financial Statements:</u>		
Balance Sheet – Governmental Funds.....	28	C-1
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position	29	C-2
Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds	30	C-3
Reconciliation of the Statement of Revenues, Expenditures and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities	31	C-4
Statement of Fund Net Position – Proprietary Funds	32	D-1
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	33	E-1
Notes to the Basic Financial Statements	34	
<u>Required Supplementary Information:</u>		
Budgetary Comparison Schedule – General Fund.....	57	G-1
Schedule of District's Proportionate Share of the Net Pension Liability	58	G-2
Schedule of District Net Pension Contributions.....	59	G-3
Schedule of District's Proportionate Share of the OPEB Liability	60	G-4
Schedule of District OPEB Contributions	61	G-5
Notes to Required Supplementary Information	62	
<u>Other Information Section:</u>		
Schedule of Delinquent Taxes Receivable.....	64	J-1
Budgetary Comparison Schedules Required by the Texas Education Agency:		
School Breakfast and National School Lunch Program.....	65	J-3
Debt Service Fund	66	J-4
Schedule of Required Responses to Selected School FIRST Indicators	67	J-5
Schedule of Required Responses to State Mandated Program Requirements.....	68	J-6
FEDERAL AWARDS SECTION		
Schedule of Expenditures of Federal Awards	70	K-1
Notes to the Schedule of Expenditures of Federal Awards	71	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 7 approved/ 0 disapproved for the year ended August 31, 2023, at a meeting of the board of school trustees of such school district on November 17, 2023.

Julie Sem
Signature of Board Secretary

[Signature]
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
Canton Independent School District

Report on the Financial Statements

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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, 2023, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charges with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedules related to pension and other post-employment benefit activities be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Independent Auditor's Report – Continued

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other information section of exhibits presented in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2023, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

November 10, 2023
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
Canton Independent School District

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, 2023, 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 10, 2023.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rutherford, Taylor & Company PC

November 10, 2023
Greenville, Texas

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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
Canton Independent School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Canton Independent School District's (District) compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, the District complied, in all material respects, with the type 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, 2023.

Basis for Opinion on Each Major Federal Program

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud, or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

Internal Control over Compliance with the Uniform Guidance – Continued

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weakness, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Purpose of This Report

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 10, 2023
Greenville, Texas

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COST
 YEAR ENDED AUGUST 31, 2023

Summary of Auditor's Results (Section I)

Financial Statements –

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

Federal Awards –

Internal control over major programs: Material weaknesses identified	None
Significant deficiencies identified that are not considered to be material weaknesses	None reported
Type of Auditor's report issued on compliance for major programs	Unmodified Opinion
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance	None
Identification of major programs	Education Stabilization Fund Cluster: ESSER III (84.425u)
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, 2023

Financial Statement Findings (Section II)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2023

Federal Award Findings and Questioned Costs (Section III)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2023

Prior Year Findings (Section IV)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COST
YEAR ENDED AUGUST 31, 2023

Corrective Action Plans (Section V)

NONE

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2023

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, 2023. Please read it in conjunction with the District's basic financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

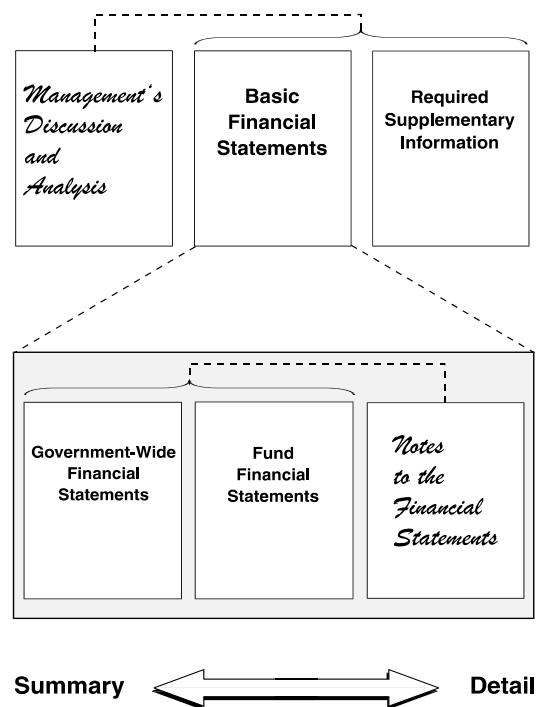
- The District's total combined net position was \$ 28,808,924 at August 31, 2023.
- During the year, the District's expenses were \$ 5,975,503 less than the \$ 31,268,373 generated in taxes and other revenues for governmental activities.
- Expenditures increased 8.98% over the prior year amounts while revenues increased 8.85% over the previous year balances.
- The General Fund reported a fund balance this year of \$ 10,918,401.
- The District issued no new debt during the 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, 2023**

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, 2023

- 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 was \$ 28,808,924 at August 31, 2023.

Canton Independent School District's Net Position			Table A-1
	Governmental Activities		Total Percentage Change
	2023	2022	2022-2023
Assets:			
Cash and Investments	\$ 14,245,896	\$ 12,348,192	15.37%
Other Assets	3,474,134	2,853,652	21.74%
Capital Assets less Accumulated Depreciation	<u>34,287,403</u>	<u>36,421,711</u>	-5.86%
Total Assets	<u>\$ 52,007,433</u>	<u>\$ 51,623,555</u>	0.74%
Total Deferred Outflows of Resources	<u>\$ 4,075,994</u>	<u>\$ 3,396,060</u>	20.02%
Liabilities:			
Current Liabilities	\$ 1,459,089	\$ 2,032,237	-28.20%
Long-term Liabilities	<u>20,299,072</u>	<u>24,162,777</u>	-15.99%
Total Liabilities	<u>\$ 21,758,161</u>	<u>\$ 26,195,014</u>	-16.94%
Total Deferred Inflows of Resources	<u>\$ 5,516,342</u>	<u>\$ 5,991,180</u>	-7.93%
Net Position:			
Net Investment in Capital Assets	\$ 21,729,811	\$ 20,696,892	4.99%
Restricted	1,318,628	1,017,545	29.59%
Unrestricted	<u>5,760,485</u>	<u>1,118,984</u>	414.80%
Total Net Position	<u>\$ 28,808,924</u>	<u>\$ 22,833,421</u>	26.17%

Approximately \$ 834,652 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 \$ 31,268,373. 49% of the District's revenue comes from local property taxes (See Table A-2). 45% comes from state aid and federal grants, while only 6% relates to charges for services and other revenue sources, including investment income.

The total cost of all programs and services was \$ 25,292,870. 62% of these costs are for instruction and instructional related services.

The District's tax collection percentage rate (current and delinquent base tax only) was 98.64%. The total collection percentage rate (base tax and penalty and interest) was 100.23%.

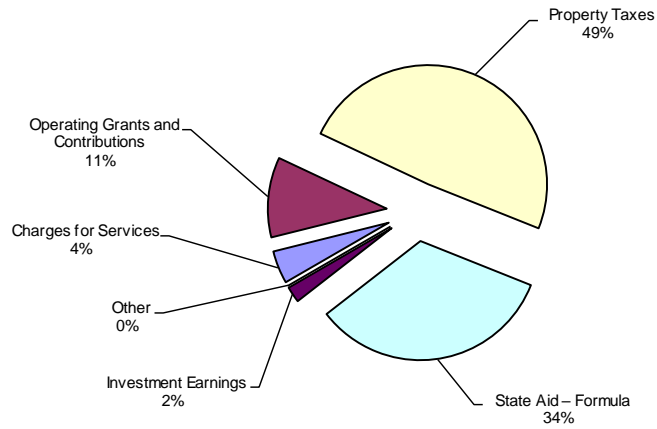
CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2023

GOVERNMENTAL ACTIVITIES

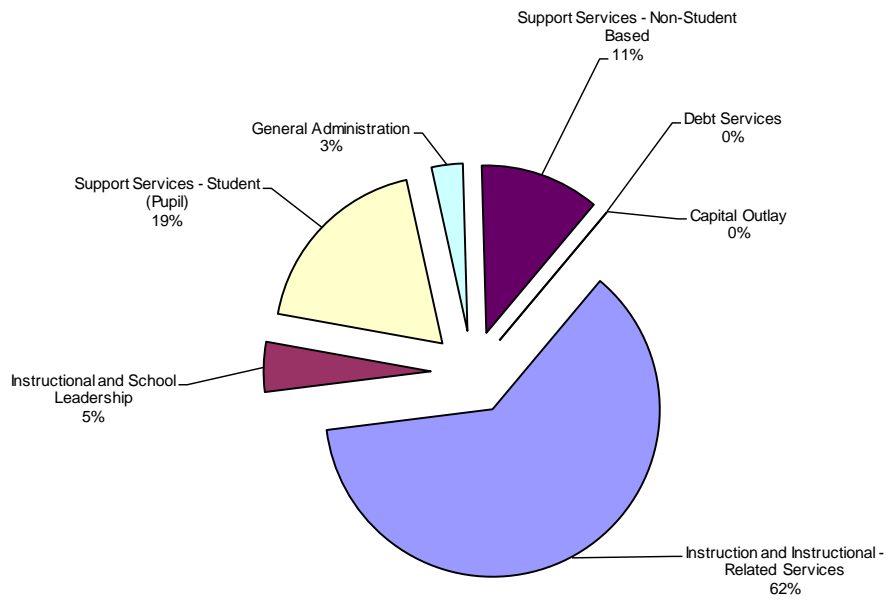
Changes in Canton Independent School District's Net Position			Table A-2
	Governmental Activities		Total Percentage Change
	2023	2022	2022-2023
Program Revenues:			
Charges for Services	\$ 1,391,203	\$ 1,069,275	30.11%
Operating Grants and Contributions	3,399,131	2,814,793	20.76%
General Revenues:			
Property Taxes	15,336,980	13,345,701	14.92%
State Aid – Formula	10,462,124	11,425,515	-8.43%
Investment Earnings	678,935	71,436	850.41%
Other	-	-	0.00%
Total Revenues	<u>\$ 31,268,373</u>	<u>\$ 28,726,720</u>	8.85%
Expenses:			
Instruction	\$ 14,681,494	\$ 13,564,068	8.24%
Instructional Resources and Media Services	331,080	295,088	12.20%
Curriculum and Staff Development	81,181	92,972	-12.68%
Instructional Leadership	173,057	157,766	9.69%
School Leadership	999,782	920,907	8.56%
Guidance, Counseling and Evaluation Services	653,808	561,316	16.48%
Social Work Services	17,608	44,274	-60.23%
Health Services	237,227	201,383	17.80%
Student Transportation	792,330	759,671	4.30%
Food Services	994,461	1,091,970	-8.93%
Cocurricular/Extracurricular Activities	1,865,009	1,723,614	8.20%
General Administration	736,369	735,326	0.14%
Facilities Maintenance and Operations	2,020,664	414,283	387.75%
Security and Monitoring Services	555,212	105,671	425.42%
Data Processing Services	239,854	171,686	39.71%
Debt Service	611,169	641,388	-4.71%
Capital Outlay	6,691	1,468,587	0.00%
Payments Related to SSA	13,150	3,386	0.00%
Other Intergovernmental Charges	282,724	256,185	10.36%
Total Expenses	<u>\$ 25,292,870</u>	<u>\$ 23,209,541</u>	8.98%
Excess (Deficiency) Before Other Resources, Uses and Transfers	<u>\$ 5,975,503</u>	<u>\$ 5,517,179</u>	8.31%
Increase (Decrease) in Net Position	\$ 5,975,503	\$ 5,517,179	8.31%
Net Position - Beginning (September 1)	<u>22,833,421</u>	<u>17,316,242</u>	31.86%
Net Position - Ending (August 31)	<u>\$ 28,808,924</u>	<u>\$ 22,833,421</u>	26.17%

**CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2023**

Sources of Revenue for Fiscal Year 2023 - See Table A-2



Functional Expenses for Fiscal Year 2023 - See Table A-2



CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2023

- 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 \$ 25,292,870,
- However, the amount that our taxpayers paid for these activities through property taxes was only \$ 15,336,980,
- Some of the cost was paid by those who directly benefited from the programs \$ 1,391,203, or
- By grants and contributions \$ 3,399,131.

Canton Independent School District's Net Cost of Selected District Functions						Table A-3
	Total Cost of Services			Net Cost of Services		
	2023	2022	%	2023	2022	%
			Change			Change
Instruction	\$ 14,681,494	\$ 13,564,068	8.24%	\$ 12,265,866	\$ 11,903,094	3.05%
School Leadership	999,782	920,907	8.56%	972,246	925,509	5.05%
General Administration	736,369	735,326	0.14%	718,836	731,567	-1.74%
Facilities Maintenance and Operations	2,020,664	414,283	387.75%	1,973,273	389,821	406.20%
Debt Service	611,169	641,388	-4.71%	507,795	590,194	-13.96%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues in the governmental funds totaled \$ 31,843,256. This represents an increase of \$ 2,090,957 from the prior year revenues of \$ 29,752,299. The change represents an increase in local revenues.

Expenditures in the governmental funds totaled \$ 26,525,126. This represents a decrease of \$ 4,349,386 from the prior year expenditures of \$ 30,874,512. The change represents a decrease in capital outlay related to completion of facility upgrades and improvements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised its General Fund budget several times. With these adjustments, actual expenditures were \$ 688,323 below final budget amounts. The most significant positive variance resulted from lower than expected expenditures in the functional areas of facilities maintenance, transportation and instruction.

Resources available were \$ 2,142,954 above final budgeted amounts. The favorable variance was a reflection of better than expected state aid due to student enrollment and attendance increases.

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2023

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

At year end, the District had invested \$ 78,290,432 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 2022-2023
	2023	2022	
Land	\$ 1,655,590	\$ 1,655,590	0.00%
Construction in Progress	-	5,366,766	-100.00%
Buildings and Improvements	72,272,717	66,736,567	8.30%
Equipment	1,335,300	1,248,546	6.95%
Vehicles	3,026,825	2,668,564	
Totals at Historical Cost	\$ 78,290,432	\$ 77,676,033	0.79%
Total Accumulated Depreciation	(44,003,029)	(41,254,322)	6.66%
Net Capital Assets	<u>\$ 34,287,403</u>	<u>\$ 36,421,711</u>	-5.86%

DEBT

At year end, the District had \$ 12,557,592 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 2022-2023
	2023	2022	
Bonds Payable	\$ 11,860,000	\$ 15,000,000	-20.93%
Other Debt Payable	697,592	2,272,302	-69.30%
Total Debt Payable	<u>\$ 12,557,592</u>	<u>\$ 17,272,302</u>	-27.30%

CANTON INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED AUGUST 31, 2023

ECONOMIC FACTORS

The District's property valuation has continued to increase as economic conditions have improved following the Covid pandemic. This has provided stable tax revenues to the District. Local property tax rates for maintenance and operations are restricted by statute to \$.97, without local elections. In prior years, the State Legislature passed House Bill 2 (HB2) which included various changes to the property tax rate structure limiting school districts' opportunities for tax modifications and compressing the rates charged to taxpayers. During the latest special session of the Texas Legislature, the bodies passed Senate Bill 2 (SB2) which provides a mandatory increase in the homestead exemption to \$100,000. This exemption is to be put into effect after a constitutional election slated for November 2023. If the measure is approved, tax revenues will be reduced. This and additional changes required under SB2 could impact the District's financial operations, including cash flows.

The State has increased funding levels for the 2023 - 2025 biennium, which will affect the revenue levels of the District. The level of funding per attendance credits increased but the tax rate compression and expanded homestead exemption will reduce the local effort for revenues. This reduction is to be funded by the State in its annual foundation support. With these changes in funding, the District anticipates monitoring expenditure levels to ensure financial stability remains strong.

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

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 Lianna Reid, Business Manager for the District.

BASIC FINANCIAL STATEMENTS

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2023

Data Control Codes	1 Governmental Activities
ASSETS	
1110 Cash and Investments	\$ 14,245,896
1225 Property Taxes Receivable, Net	674,729
1240 Due from Other Governments	2,713,451
1250 Accrued Interest	5,826
1260 Due from Fiduciary	(38)
1290 Other Receivables, Net	73,047
1410 Unrealized Expenses	7,119
Capital Assets:	
1510 Land	1,655,590
1520 Building and Improvement, Net	31,526,820
1530 Furniture and Equipment, Net	1,104,993
1000 Total Assets	\$ 52,007,433
DEFERRED OUTFLOWS OF RESOURCES:	
1701 Deferred Outflows - Refunding	\$ 936,481
1705 Deferred Outflows - Pensions	2,079,339
1706 Deferred Outflows - OPEB	1,060,174
1700 Total Deferred Outflows of Resources	\$ 4,075,994
LIABILITIES	
2110 Accounts Payable	\$ 89,987
2140 Interest Payable	17,644
2165 Accrued Liabilities	1,301,143
2180 Due to Other Governments	15,498
2300 Unearned Revenues	34,817
Noncurrent Liabilities:	
2501 Due within one year	805,000
2502 Due in more than one year	11,752,592
2540 Net Pension Liability	4,735,174
2545 Net OPEB Liability	3,006,306
2000 Total Liabilities	\$ 21,758,161
DEFERRED INFLOWS OF RESOURCES:	
2605 Deferred Inflows - Pensions	\$ 637,208
2606 Deferred Inflows - OPEB	4,879,134
2600 Total Deferred Inflows of Resources	\$ 5,516,342
NET POSITION	
3200 Net Investment in Capital Assets	\$ 21,729,811
Restricted For:	
3820 State and Federal Programs	351,599
3850 Debt Service	834,652
3890 Other Purposes	132,377
3900 Unrestricted	5,760,485
3000 Total Net Position	\$ 28,808,924

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED AUGUST 31, 2023

Data Control	1	3	4	Net (Expense) Revenue and Changes in Net Assets
Codes Functions/Programs	Expenses	Program Revenues		Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Governmental Activities:				
11 Instruction	\$ 14,681,494	\$ 435,755	\$ 1,979,873	\$ (12,265,866)
12 Instructional Resources and Media Services	331,080	19,081	25,282	(286,717)
13 Curriculum and Staff Development	81,181	-	9,904	(71,277)
21 Instructional Leadership	173,057	-	4,799	(168,258)
23 School Leadership	999,782	-	27,536	(972,246)
31 Guidance, Counseling and Evaluation Services	653,808	-	82,485	(571,323)
32 Social Work Services	17,608	-	962	(16,646)
33 Health Services	237,227	-	6,478	(230,749)
34 Student Transportation	792,330	-	12,848	(779,482)
35 Food Services	994,461	290,780	915,835	212,154
36 Cocurricular/Extracurricular Activities	1,865,009	603,245	91,610	(1,170,154)
41 General Administration	736,369	3,117	14,416	(718,836)
51 Facilities Maintenance and Operations	2,020,664	39,225	8,166	(1,973,273)
52 Security and Monitoring Services	555,212	-	98,668	(456,544)
53 Data Processing Services	239,854	-	3,752	(236,102)
72 Interest on Long-term Debt	600,339	-	103,374	(496,965)
73 Debt Issuance Costs and Fees	10,830	-	-	(10,830)
81 Capital Outlay	6,691	-	-	(6,691)
93 Payments Related to Shared Services Arrangements	13,150	-	13,143	(7)
99 Other Intergovernmental Charges	282,724	-	-	(282,724)
TG Total Governmental Activities	<u>\$ 25,292,870</u>	<u>\$ 1,391,203</u>	<u>\$ 3,399,131</u>	<u>\$ (20,502,536)</u>
TP Total Primary Government	<u>\$ 25,292,870</u>	<u>\$ 1,391,203</u>	<u>\$ 3,399,131</u>	<u>\$ (20,502,536)</u>
General Revenues:				
MT Property Taxes, Levied for General Purpose				\$ 10,199,036
DT Property Taxes, Levied for Debt Service				5,137,944
IE Investment Earnings				678,935
GC Grants and Contributions Not Restricted to Specific Programs				10,462,124
TR Total General Revenues				<u>\$ 26,478,039</u>
CN Change in Net Position				\$ 5,975,503
NB Net Position - Beginning (September 1)				<u>22,833,421</u>
NE Net Position - Ending (August 31)				<u>\$ 28,808,924</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS					
1110 Cash and Investments	\$ 10,455,342	\$ 626,008	\$ 3,108,071	\$ 56,251	\$ 14,245,672
1225 Property Taxes Receivable, Net	457,132	217,597	-	225	674,954
1240 Due from Other Governments	1,668,356	-	-	-	1,668,356
1250 Accrued Interest	5,826	-	-	1,045,095	1,050,921
1290 Other Receivables, Net	48,858	24,189	-	-	73,047
1410 Unrealized Expenditures	7,118	-	-	-	7,118
1000 Total Assets	<u>\$ 12,642,632</u>	<u>\$ 867,794</u>	<u>\$ 3,108,071</u>	<u>\$ 1,101,571</u>	<u>\$ 17,720,068</u>
LIABILITIES					
Current Liabilities:					
2110 Accounts Payable	\$ 22,401	\$ -	\$ -	\$ 67,586	\$ 89,987
2160 Accrued Wages Payable	1,209,841	-	-	59,211	1,269,052
2170 Due to Other Funds	38	-	-	-	38
2180 Due to Other Governments	-	15,498	-	-	15,498
2200 Accrued Expenditures	25,219	-	-	6,872	32,091
2300 Unearned Revenues	9,600	-	-	25,217	34,817
2000 Total Liabilities	<u>\$ 1,267,099</u>	<u>\$ 15,498</u>	<u>\$ -</u>	<u>\$ 158,886</u>	<u>\$ 1,441,483</u>
DEFERRED INFLOWS OF RESOURCES					
2610 Deferred Property Tax Revenue	\$ 457,132	\$ 217,597	\$ -	\$ -	\$ 674,729
2600 Total Deferred Inflows of Resources	<u>\$ 457,132</u>	<u>\$ 217,597</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 674,729</u>
FUND BALANCES					
Nonspendable Fund Balances:					
3430 Prepaid Items	\$ 7,118	\$ -	\$ -	\$ -	\$ 7,118
Restricted Fund Balances:					
3450 Federal/State Funds Grants	-	-	-	351,599	351,599
3480 Retirement of Long-Term Debt	-	634,699	-	-	634,699
3490 Other Restrictions of Fund Balance	-	-	-	82,683	82,683
Committed Fund Balances:					
3510 Construction	1,000,000	-	-	-	1,000,000
3520 Claims and Judgements	150,000	-	-	-	150,000
3530 Capital Expenditures for Equipment	300,000	-	-	-	300,000
3545 Other Committed Fund Balance	-	-	3,108,071	508,403	3,616,474
Assigned Fund Balances:					
3570 Capital Expenditures for Equipment	350,000	-	-	-	350,000
3580 Self-Insurance	675,000	-	-	-	675,000
3590 Other Assigned Fund Balance	400,000	-	-	-	400,000
3600 Unassigned	8,036,283	-	-	-	8,036,283
3000 Total Fund Balances	<u>\$ 10,918,401</u>	<u>\$ 634,699</u>	<u>\$ 3,108,071</u>	<u>\$ 942,685</u>	<u>\$ 15,603,856</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 12,642,632</u>	<u>\$ 867,794</u>	<u>\$ 3,108,071</u>	<u>\$ 1,101,571</u>	<u>\$ 17,720,068</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, 2023

Total fund balances - Governmental Funds Balance Sheet	\$	15,603,856
<p style="margin-left: 20px;">Amounts reported for governmental activities in the statement of net position ("SNP") are different because:</p>		
Capital assets used in governmental activities are not reported in the funds.		34,287,403
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		674,729
Payables for bond principal which are not due in the current period are not reported in the funds.		(11,860,000)
Payables for debt interest which are not due in the current period are not reported in the funds.		(17,644)
Other long-term assets are not available to pay for current period expenditures and are deferred in the funds.		936,481
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(4,735,174)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(637,208)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		2,079,339
Bond premiums are amortized in the SNA but not in the funds.		(697,592)
Recognition of the District's proportionate share of the OPEB liability is not reported in the funds.		(3,006,306)
Deferred Resource Inflows related to the OPEB plans are not reported in the funds.		(4,879,134)
Deferred Resource Outflows related to the OPEB plans are not reported in the funds.		1,060,174
Net position of governmental activities - Statement of Net Position	\$	28,808,924

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, 2023

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES					
5700 Local and Intermediate Sources	\$ 10,924,530	\$ 5,221,711	\$ -	\$ 907,768	\$ 17,054,009
5800 State Program Revenues	11,333,811	103,374	-	290,824	11,728,009
5900 Federal Program Revenues	456,816	-	-	2,604,422	3,061,238
5020 Total Revenues	\$ 22,715,157	\$ 5,325,085	\$ -	\$ 3,803,014	\$ 31,843,256
EXPENDITURES					
Current:					
0011 Instruction	\$ 11,593,293	\$ -	\$ -	\$ 1,661,758	\$ 13,255,051
0012 Instructional Resources and Media Services	279,411	-	-	37,312	316,723
0013 Curriculum and Staff Development	75,462	-	-	8,950	84,412
0021 Instructional Leadership	184,580	-	-	-	184,580
0023 School Leadership	1,030,197	-	-	-	1,030,197
0031 Guidance, Counseling and Evaluation Services	606,912	-	-	65,104	672,016
0032 Social Work Services	19,392	-	-	-	19,392
0033 Health Services	238,864	-	-	-	238,864
0034 Student Transportation	1,033,891	-	-	-	1,033,891
0035 Food Services	-	-	-	989,312	989,312
0036 Cocurricular/Extracurricular Activities	1,062,515	-	-	500,539	1,563,054
0041 General Administration	746,287	-	-	332	746,619
0051 Facilities Maintenance and Operations	2,234,034	-	-	-	2,234,034
0052 Security and Monitoring Services	249,599	-	-	315,133	564,732
0053 Data Processing Services	246,719	-	-	-	246,719
0071 Principal on Long-term Debt	-	915,000	-	-	915,000
0072 Interest on Long-term Debt	-	2,047,633	-	-	2,047,633
0073 Bond Issuance Costs and Fees	-	10,830	-	-	10,830
0081 Capital Outlay	-	-	76,193	-	76,193
0093 Payments to Shared Service Arrangements	-	-	-	13,150	13,150
0099 Other Intergovernmental Charges	282,724	-	-	-	282,724
6030 Total Expenditures	\$ 19,883,880	\$ 2,973,463	\$ 76,193	\$ 3,591,590	\$ 26,525,126
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ 2,831,277	\$ 2,351,622	\$ (76,193)	\$ 211,424	\$ 5,318,130
OTHER FINANCING SOURCES (USES)					
8949 Other Uses	\$ -	\$ (2,281,802)	\$ -	\$ -	\$ (2,281,802)
7080 Net Other Financing Sources (Uses)	\$ -	\$ (2,281,802)	\$ -	\$ -	\$ (2,281,802)
1200 Net Changes in Fund Balances	\$ 2,831,277	\$ 69,820	\$ (76,193)	\$ 211,424	\$ 3,036,328
0100 Fund Balances - Beginning (September 1)	8,087,124	564,879	3,184,264	731,261	12,567,528
3000 Fund Balances - Ending (August 31)	\$ 10,918,401	\$ 634,699	\$ 3,108,071	\$ 942,685	\$ 15,603,856

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, 2023

Net change in fund balances - total governmental funds	\$	3,036,328
<p>Amounts reported for governmental activities in the statement of activities ("SOA") are different because:</p>		
Capital outlays are not reported as expenses in the SOA.		614,399
The depreciation of capital assets used in governmental activities is not reported in the funds.		(2,748,707)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		50,860
Expenses not requiring the use of current financial resources are not reported as expenditures in the funds.		2,219,618
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		915,000
The accretion of interest on capital appreciation bonds is not reported in the funds.		1,505,332
(Increase) decrease in accrued interest from beginning of period to end of period.		4,146
OPEB contributions in the current year are de-expended and recorded as deferred resource outflows.		113,631
OPEB contributions deferred in the prior year are expended in the current year.		(103,124)
OPEB expense is recorded in the SOA but not in the funds.		461,852
Pension contributions in the current year are de-expended and reported as deferred resource outflows.		428,054
Pension contributions deferred in the prior year are expended in the current year.		(372,186)
Pension expense recorded in the SOA but not in the funds.		<u>(149,700)</u>
Change in net position of governmental activities - Statement of Activities	\$	<u>5,975,503</u>

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FUND NET POSITION - PROPRIETARY FUNDS
 AUGUST 31, 2023

Data Control Codes	Internal Service Fund
ASSETS	
Current Assets:	
1110 Cash and Investments	\$ 40,595
1260 Due from Other Funds	38
Total Current Assets	\$ 40,633
1000 Total Assets	\$ 40,633
LIABILITIES	
Current Liabilities:	
2110 Accounts Payable	\$ -
Total Current Liabilities	\$ -
2000 Total Liabilities	\$ -
NET POSITION	
3800 Restricted for Other Purposes	\$ 40,633
3000 Total Net Position	\$ 40,633

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
 YEAR ENDED AUGUST 31, 2023

	Custodial Funds
	Student Activity
ADDITIONS	
Fundraising	\$ 85,346
Total Additions	\$ 85,346
DEDUCTIONS	
Student Activities	\$ 72,715
Total Deductions	\$ 72,715
Changes in Net Position	\$ 12,631
Net Position - Beginning (September 1)	28,002
Net Position - Ending (August 31)	\$ 40,633

The accompanying notes are an integral part of this statement.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2023

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.

The District reports the following major governmental funds:

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

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

In addition, the District reports the following fund types:

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

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

b. Measurement Focus – Basis of Accounting

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

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available.

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally measurable until received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital lease are reported as other financing sources.

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

3. Budgetary Data

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

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

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

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

4. Encumbrance Accounting

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

End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are:

General Fund	\$	-0-
Special Revenue Fund		-0-
Debt Service Fund		-0-
Total	\$	-0-

5. Financial Statement Amounts

Cash and Investments

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

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

Fund Balance

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

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.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

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

	General	Debt Service	Capital Projects	Other Governmental	Total
Nonspendable					
Prepaid Items	\$ 7,118	\$ -	\$ -	\$ -	\$ 7,118
Restricted					
Child Nutrition Program	-		-	351,599	351,599
Retirement of Long Term Debt	-	634,699	-	67,819	702,518
Scholarship Funds	-	-	-	13,364	13,364
Backpack Heroes	-	-	-	1,500	1,500
Committed					
Construction	1,000,000	-	3,108,071	-	4,108,071
Claims and Judgements	150,000	-	-	-	150,000
Capital Expenditures for Equipment	300,000	-	-	-	300,000
Campus Activity Funds	-	-	-	458,708	458,708
Scholarships	-	-	-	49,695	49,695
Assigned					
Capital Expenditures for Equipment	350,000	-	-	-	350,000
Self Insurance	675,000	-	-	-	675,000
Other	400,000	-	-	-	400,000
Unassigned	8,036,283	-	-	-	8,036,283
Totals	<u>\$ 10,918,401</u>	<u>\$ 634,699</u>	<u>\$ 3,108,071</u>	<u>\$ 942,685</u>	<u>\$ 15,603,856</u>

Inventories

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

Prepaid Items

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

Capital Assets

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

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

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

Unearned Revenues

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

Right of Use Assets and Liabilities

GASB Statement 87, *Leases* created new financial statement accounts "Right of Use" assets and similar offsetting liabilities. A "right of use" asset accounts for the net present value of future payments attached to a leased asset. Common examples of "Right of Use" assets are copiers, printers, and other types of equipment that the District does not take ownership of but uses under the lease agreement. The assets value will be amortized over the life of the lease using a straight line method. The liability offsetting the "Right of Use" is presented as lease payable.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

Subscription-Based Information Technology Arrangements (SBITA)

GASB Statement 96, *Subscription-Based Information Technology Arrangements* created new financial statement assets and offsetting liabilities. A SBITA asset accounts for the net present value of future payments required for right of use subscription assets. To the extent relevant, the standards for SIBTA's are based on the standards established by GASB Statement 87, *Leases*. A SBITA is defined as a contract that conveys control of the right of use of another party's information technology (software) as specified in the contract for a period of time in an exchange or exchange-like transaction. The asset will be amortized over the life of the contract allowing the use of the information technology over a straight line method. The asset is included in the financial statement caption right of use asset with the offsetting liability identified as SBITA payable.

6. Deferred Outflows and Inflows of Resources

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

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

7. Receivable and Payable Balances

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

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

8. Interfund Activities

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

9. Vacation, Sick Leave, and Other Compensated Absences

District employees are entitled to certain compensated absences based on their length of employment. Sick leave accrues at various rates established by the State and adopted by the Board of Trustees. Sick leave vests, accumulates, and is recorded as expense as it is incurred. Sick leave is paid upon separation from the District.

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2023

A. Summary of Significant Accounting Policies (Continued)

10. Pensions

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

11. Other Post-Employment Benefits (OPEB)

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

12. Use of Estimates

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

13. New Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued various new accounting standards to better meet the information needed for users of financial statements by improving accounting and financial reporting. The GASB does this by issuing statements that cover various issues identified as needing additional clarification or direction to maintain standardization and comparability of financial information. During the year, the GASB issued no new standards. The following statements with varying effective dates noted are to be implemented in the coming periods:

Statement 99: *Omnibus 2023* (Effective upon issuance with some effective FY beginning after June 15, 2023)

Statement 100: *Accounting Changes and Error Corrections* (Effective FY beginning after June 15, 2023)

Statement 101: *Compensated Absences* (Effective FY beginning after December 15, 2023)

14. 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.

15. Accounting System

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

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2023

B. Deposits, Securities and Investments

Cash Deposits

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

Investments

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

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

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

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

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

	<u>Fair Value</u> <u>Amortized Costs</u>	<u>Weighted</u> <u>Average</u> <u>Maturity (Days)</u>
Governmental Activities		
Investments:		
TexPool	\$ 1,513,052	27
Lone Star Investment Pool	7,097,516	29
LOGIC	2,412,880	36
Certificate of Deposit	2,000,000	N/A
Total	\$ 13,023,448	

Lone Star Investment Pool

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2023

B. Deposits, Securities and Investments

Texas Local Government Investment Pool

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

Local Government Investment Cooperative Investment Pool

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

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

The largest combined balances of cash, saving and time deposit accounts amounted to \$ 5,677,893 and occurred in January 2023. The amount of bond or market value of securities pledged as of the date of the highest combine balance on deposit was \$ 6,964,733. The total amount of FDIC coverage at the time of the highest combined balance was \$ 500,000. Texas Bank and Trust, Longview, Texas is the District's depository.

c. Concentration of Credit Risk

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

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. District investments are limited to short term maturities to limit any potential interest rate risk. At year end, the District was not exposed to interest rate risk.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2023

B. Deposits, Securities and Investments

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. State statutes do not allow for foreign investments this eliminating foreign currency rate risk. The District was not exposed to foreign currency risk.

f. Fair Value Measurements

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

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

C. Property Taxes

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

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

The District levied taxes on property within the District at \$ 0.854600 to fund general operations and \$ 0.4310 for the payment of principal and interest on long term debt. The rates were levied on property assessed totaling \$ 1,186,309,583. The District contracts with a tax attorney for the collection of all delinquent taxes. Delinquent taxes are subject to both penalty and interest plus a 20% delinquent tax attorney collection fee.

D. Capital Assets

Capital asset activities during the year were as follows:

	Beginning Balance	Increases	Decreases	Ending Balances
<u>Governmental Activities</u>				
Capital Assets not Being Depreciated:				
Land	\$ 1,655,590	\$ -	\$ -	\$ 1,655,590
Construction in Progress	5,366,766	8,196	5,374,962	-
Total Capital Assets not being Depreciated	\$ 7,022,356	\$ 8,196	\$ 5,374,962	\$ 1,655,590
Capital Assets being Depreciated:				
Building and Improvements	\$ 66,736,567	\$ 5,536,150	\$ -	\$ 72,272,717
Equipment	1,248,546	86,754	-	1,335,300
Vehicles	2,668,564	358,261	-	3,026,825
Total Capital Assets being Depreciated	\$ 70,653,677	\$ 5,981,165	\$ -	\$ 76,634,842
Less Accumulated Depreciation for:				
Buildings and Improvements	\$ 38,137,254	\$ 2,608,643	\$ -	\$ 40,745,897
Equipment	958,325	50,467	-	1,008,792
Vehicles	2,158,743	89,597	-	2,248,340
Total Accumulated Depreciation	\$ 41,254,322	\$ 2,748,707	\$ -	\$ 44,003,029
Total Capital Assets being Depreciated, Net	\$ 29,399,355	\$ 3,232,458	\$ -	\$ 32,631,813
Governmental Activities Capital Assets, Net	\$ 36,421,711	\$ 3,240,654	\$ 5,374,962	\$ 34,287,403

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2023

D. Capital Assets (Continued)

Depreciation was charged to governmental activities functions as follows:

Instruction	\$	2,162,751
Instructional Resources and Media Services		29,142
School Leadership		32,425
Guidance, Counseling and Evaluation Services		22,409
Health Services		10,752
Student Transportation		142,430
Food Services		5,149
Cocurricular/Extracurricular Activities		358,459
General Administration		27,307
Facilities Maintenance and Operations		(46,090)
Security		3,973
Total	\$	2,748,707

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	\$ 15,000,000	\$ -	\$ 3,140,000	\$ 11,860,000	\$ 805,000
Accreted Interest Payable	1,505,332	69,094	1,574,426	-	-
Unamortized Premium (Discount)	724,819	-	27,227	697,592	-
Total Governmental Activities	\$ 17,272,302	\$ 69,094	\$ 4,741,653	\$ 12,557,592	\$ 805,000

Bonds

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

The following bonded debt issues are outstanding at year end:

Description	Interest Rate	Original Amount	Outstanding Balances
Unlimited Tax Refunding Bonds, Series 2014	2.70%	\$ 8,560,000	\$ 3,745,000
Unlimited Tax Refunding Bonds, Series 2015	3.21%	8,985,000	8,115,000
Totals			\$ 11,860,000

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

Year Ending August 31	Principal	Interest	Total Requirements
2024	805,000	411,200	1,216,200
2025	835,000	386,219	1,221,219
2026	865,000	358,563	1,223,563
2027	895,000	328,169	1,223,169
2028	930,000	295,056	1,225,056
2029- 2033	1,195,000	1,255,575	2,450,575
2034- 2038	6,335,000	574,075	6,909,075
Totals	\$ 11,860,000	\$ 3,608,857	\$ 15,468,857

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2023

E. Long Term Obligations (Continued)

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

F. Defined Benefits Pension Plan

1. *Plan Description*

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

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

2. *Pension Plan Fiduciary Net Position*

Detailed information about the System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report(ACFR) that includes financial statements and required information. That report may be obtained on the internet at http://www.trs.texas.gov/pages/about_publications.aspx; 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 2022 ACFR for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2022, and 2021.

Net Pension Liability	2022	2021
Total Pension Liability	\$ 243,553,045,455	\$ 227,273,463,630
Less: Plan Fiduciary Net Position	(184,185,617,196)	(201,807,002,496)
Net Pension Liability	\$ 59,367,428,259	\$ 25,466,461,134
Net Position as percentage of Total Pension Liability	75.62%	88.79%

3. *Benefits Provided*

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

Texas Government Code Section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the TRS's actuary.

4. *Contributions*

Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of TRS during the fiscal year.

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2023

F. Defined Benefits Pension Plan (Continued)

Employee contribution rates are set in state statute, Texas Government Code, Section 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code Section 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	<u>Contribution Rates</u>	
	<u>2022</u>	<u>2023</u>
Member	8.00%	8.00%
Non-Employer Contributing Entity (State)	7.75%	8.00%
Employers	7.75%	8.00%
Current Year Employer Contributions		\$ 428,054
Current Year Member Contributions		\$ 1,081,937
Measurement Year NECE On-Behalf Contributions		\$ 758,010

Contributors to the plan include members, employers, and the State of Texas (State) as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

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

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- A Public Education Employer contribution surcharge of 1.7% of the member's salary beginning in fiscal year 2022, gradually increasing to 2% in fiscal year 2025 on all covered payroll.

5. *Actuarial Assumptions*

The total pension liability in the August 31, 2022, actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate	7.00%
Municipal Bond Rate as of August 31, 2022	3.91% - The source for the rate is the Fixed Income Market Data/Yield curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in Projection Period (100 years)	2121
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95% including inflation
Ad hoc post-employment benefit changes	None

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2023

F. Defined Benefits Pension Plan (Continued)

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2021. For full description of these assumption please see the actuarial valuation report dated November 12, 2021.

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension pan investments was determined using a building-block method in which best estimates ranges of expected 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 rate of return by weighing 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 System's target asset allocation as of August 31, 2022 are summarized below:

Asset Class	Target Allocation %**	Long -Term Expected Geometric Real Rate of Return***	Expected Contribution to Long- Term Portfolio Returns
Global Equity			
USA	18.00%	4.60%	1.12%
Non-US Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity*	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return*	0.00%	3.70%	0.00%
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources & Infrastructure	6.00%	5.10%	0.37%
Commodities	0.00%	3.60%	0.00%
Risk Parity	8.00%	4.60%	0.43%
Asset Allocation Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	(6.00%)	3.60%	(0.05%)
Inflation Expectation			2.70%
Volatility Drag****			(0.91%)
Expected Return	<u>100%</u>		<u>8.19%</u>

* Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2022 policy model.

*** Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022)

**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2023

F. Defined Benefits Pension Plan (Continued)

6. *Discount Rate Sensitivity Analysis*

The following presents the District's share of the net pension liability of the plan using the discount rate of 7.00% as well as what the District's share of the net pension liability would be if it were calculated using a discount rate that is 1 – percentage point lower (6.00%) or 1 – percentage point higher (8.00%) than the current rate:

	Discount Rate		
	1% Decrease	7.25%	1% Increase
District's proportionate share of the net pension liability	\$ 7,366,135	\$ 4,735,174	\$ 2,602,656

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

At year end, the District reported a liability of \$ 4,735,174 for its proportionate share of the System'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	\$ 4,735,174
State's proportionate share that is associated with the District	9,643,865
Total	\$ 14,379,039

The net pension liability was measured as of August 31, 2021 and rolled to August 31, 2022 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, 2021 thru August 31, 2022.

At August 31, 2022, the employer's proportion of the collective net pension liability was 0.0079760463%, which was an increase of 0.0004495301% from its proportion measured as of August 31, 2021.

Changes Since the Prior Actuarial Valuation

The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

Pension Expense

For the current year, the District recognized pension expense of \$ 1,443,730 and revenue of \$ 921,844 for support provided by the State.

The District reported its proportionate share of the system's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources at year end:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 68,660	\$ 103,236
Changes of actuarial assumptions	882,317	219,898
Differences between projected and actual investment earnings	467,820	-
Changes in proportion and differences between the employers contributions and the proportionate share of contributions	232,488	314,074
Total as of August 31, 2022 measurement date	\$ 1,651,285	\$ 637,208
Contributions paid to TRS subsequent to the measurement date	428,054	-
Total at year end	\$ 2,079,339	\$ 637,208

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2023

F. Defined Benefits 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>
2024	\$ 263,426
2025	110,578
2026	(9,992)
2027	551,633
2028	98,432
Thereafter	-

G. Other Post-Employment Defined Benefit Plans

1. *Plan Description*

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group health insurance coverage for participants as well as to amend benefit terms as needed un Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

2. *OPEB Plan Fiduciary Net Position*

Detail Information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required information. That report may be obtained on the internet at http://www.trs.texas.gov/pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

The components of the Net OPEB Liability of the TRS-Care plan as of August 31, 2022, and 2021 are as follows:

<u>Net OPEB Liability</u>	<u>2022</u>	<u>2021</u>
Total OPEB Liability	\$ 27,061,942,520	\$ 41,113,711,083
Less: Plan Fiduciary Net Position	<u>(3,117,937,218)</u>	<u>(2,539,242,470)</u>
Net OPEB Liability	<u>\$ 23,944,005,302</u>	<u>\$ 38,574,468,613</u>
Net Position as percentage of Total OPEB Liability	11.52%	6.18%

3. *Benefits Provided*

TRS-Care provides health insurance coverage for retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes, including automatic COLAs.

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2023

G. Other Post-Employment Defined Benefit Plans (Continued)

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

TRS-Care Monthly Premium Rates		
	Medicare	Non Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

4. *Contributions*

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer (public school) contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual employer contribution rate is prescribed by the State Legislature in the General Appropriations Act. The following table shows contribution rates and amounts provided to the TRS-Care plan by type of contributor.

Contribution Rates		
	2022	2023
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%
Current Year Employer Contributions		\$ 113,631
Current Year Member Contributions		\$ 87,907
Measurement Year NECE On-Behalf Contributions		\$ 125,795

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$ 83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray Covid-19 related health care costs during fiscal year 2022.

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2023

G. Other Post-Employment Defined Benefit Plans (Continued)

5. *Actuarial Assumptions*

The actuarial valuation was performed as of August 31, 2021. Updated procedures were used to roll forward the total OPEB liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions.

The actuarial valuation of TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, rates of retirement, termination, and disability including general inflation and salary increases are identical to those used in the respective TRS Pension valuation. These assumptions were developed in the experience study performed for TRS for the measurement period ended August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022:

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

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad hoc post-employment benefit changes	None

Health Care Trend Rates

The initial medical trend rates were 8.25% for Medicare retirees and 7.25% for Non-Medicare retirees. There was an initial prescription drug trend rate of 8.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Discount Rate

A single discount rate of 3.91% was used to measure the total OPEB liability. There was an increase of 1.96% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutory required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB Liability.

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2023

G. Other Post-Employment Defined Benefit Plans (Continued)

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds.

6. *Discount Rate Sensitivity Analysis*

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% greater than the discount rate that was used (3.91%) in measuring the net OPEB liability as well as what the net OPEB liability would be if it were calculated using a discount rate of 1% less than the rate used.

	1% Decrease	Discount Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 3,544,673	\$ 3,006,306	\$ 2,570,159

7. *Healthcare Cost Trend Rates Sensitivity Analysis*

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate (8.25%), as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of the net OPEB liability	\$ 2,477,209	\$ 3,006,306	\$ 3,692,211

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

At year end, the District reported a liability of \$ 3,006,306 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$	3,006,306
State's proportionate share that is associated with the District		3,667,221
Total		\$ 6,673,527

The net OPEB liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 and the total OPEB Liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2021 thru August 31, 2022.

At August 31, 2022, the District's proportion of the collective net OPEB liability was 0.0125555673%, which was a decrease of 0.0004475656% from its proportion measured as of August 31, 2021.

Change Since the Prior Actuarial Valuation

The following were changed to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

- The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as pf August 31, 2022. This change decreased the Total OPEB Liability.

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2023

G. Other Post-Employment Defined Benefit Plans (Continued)

Changes of Benefit Terms Since the Prior Measurement Date

There were no changes in benefit terms since the prior measurement date.

OPEB Expense

The amount of OPEB expense recognized by the District in the reporting period was (\$ 879,136) and revenue of (\$ 520,408) for support provided by the State.

The District reported its proportionate share of TRS-Care's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources at year:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual actuarial experiences	\$ 167,140	\$ 2,504,522
Changes in actuarial assumptions	457,920	2,088,602
Differences between projected and actual investment earnings	8,955	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	312,528	286,010
Total as of August 31, 2022 measurement date	\$ 946,543	\$ 4,879,134
Contributions paid to TRS subsequent to the measurement date	113,631	-
Total at fiscal year end	\$ 1,060,174	\$ 4,879,134

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

Year Ending August 31	Amount
2024	\$ (701,208)
2025	(701,176)
2026	(573,689)
2027	(401,093)
2028	(493,823)
Thereafter	(1,061,602)

H. Medicare Part D Coverage

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. Under Medicare Part D, TRS-Care receives retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the years ended August 31, 2023, 2022 and 2021, the subsidy payments received by TRS-Care on behalf of the District were \$ 73,122, \$ 53,127 and \$ 54,477, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statement of the District.

I. Risk Management

Health Care

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

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

Latest financial statements for Blue Cross Blue Shield of Texas are available for the year ended December 31, 2022 and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2023

I. Risk Management (Continued)

Workers Compensation

During the year, the District met its statutory worker's compensation obligation through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Workers Compensation Program is authorized by Chapter 504, Texas Labor Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory worker's compensation benefits to its member's injured employees.

The fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$ 2 million. The Fund uses the service of an independent actuary to determine reserve adequacy and fully funds the reserves. As of August 31, 2022, the Fund carries a discount reserve of \$ 50,647,775 for future development on reported claims and claims that have been insured but not yet reported. For the current year, the fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each 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, 2022 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance Austin.

Unemployment Compensation Pool

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

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

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, 2022, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

Other Risk Management

The District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2023, the District purchased commercial insurance to cover these liabilities. There were not significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

J. Litigation

The District appears to have no pending litigation as of August 31, 2023.

K. Commitments and Contingencies

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2023

K. Commitments and Contingencies (Continued)

The effects of the coronavirus-19 (COVID-19) pandemic continues to affect the District's operations including funding for student attendance and operating programs and cost. Continued funding allowances including additional federal funding will cease in future periods. The operational costs associated with these additional revenues will be evaluated along with the need for these services. The cost of the additional federal funded programs may exceed the available resources and require the District to either eliminate or curtail their existence.

L. Subsequent Events

Management has evaluated all events or transactions that occurred after August 31, 2023 up through November 10, 2023 the date the financial statements were issued.

M. Shared Service Arrangements

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

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

N. Revenue from Local and Intermediate Sources

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

	General	Debt Service	Other Governmental	Totals
Property Tax Collections	\$ 10,169,108	\$ 5,117,013	\$ -	\$ 15,286,121
Investment Income	571,850	104,698	2,387	678,935
Rent	39,225	-	-	39,225
Food Service Income	-	-	290,780	290,780
Gifts and Bequests	-	-	49,589	49,589
Cocurricular/Extracurricular Activities	94,486	-	565,012	659,498
Tuition and Fees	17,750	-	-	17,750
Miscellaneous	32,111	-	-	32,111
Totals	\$ 10,924,530	\$ 5,221,711	\$ 907,768	\$ 17,054,009

O. 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	\$ 1,668,356	\$ -	\$ 1,045,095	\$ 2,713,451
Property Taxes Receivable	507,924	241,774	-	749,698
Less: Allowance for Uncollectible				
Property Taxes	(50,792)	(24,177)	-	(74,969)
Accrued Interest	5,826	-	-	5,826
Other Receivables	48,858	24,189	-	73,047
Net Receivables	\$ 2,180,172	\$ 241,786	\$ 1,045,095	\$ 3,467,053

CANTON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE BASIC FINANCIAL STATEMENTS
 YEAR ENDED AUGUST 31, 2023

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 settle up with the State will occur some 9 to 10 months following the fiscal year end.

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

	<u>Available</u>	<u>Foundation</u>	<u>IFA</u>	<u>EDA</u>
CY Summary of Finances (SOF)	\$ 1,356,144	\$ 8,860,928	N/A	\$ 102,326
Prior Year Settle Ups	-	(179,007)	-	1,048
August Instructional Days Change	(24,129)	236,236	-	-
Financial Statement Earnings	<u>\$ 1,332,015</u>	<u>\$ 8,918,157</u>	<u>\$ -</u>	<u>\$ 103,374</u>
Financial Statement Amounts				
SOF Receivable (Overpayment)	\$ -	\$ 757,872	\$ -	\$ (15,498)
August Instructional Days Receivable	64,274	846,210	-	-

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

Q. Compliance, Stewardship and Accountability

Expenditures over Appropriations

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

	<u>Budget</u>	<u>Amount</u>	<u>Excess</u>
Food Service Fund:			
Food Services	\$ 941,289	\$ 980,260	\$ 38,971

R. Interfund Balances and Activities

Interfund Receivables and Payables

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Custodial Fund	\$ 38

S. Change in Accounting Principle

The Governmental Accounting Standards Board (GASB) issued Statement 96, *Subscription-Based Information Technology Arrangements*, with an effective date of fiscal year beginning after June 15, 2022. This required the District to implement the provisions of the Statement during the year. The Statement requires the recognition of longer than 12 month agreements to utilize other types of subscription based technology. As such there are new financial statement captions on the government wide financial statements. For the fund financial statements, the net present value of the payments is recognized as an expenditure in the initial year of the agreement with subsequent payments represented as debt retirement payments. The Statement requires retroactive restatement of assets and liabilities with the difference modifying the beginning net position.

REQUIRED SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)	
	Original	Final			
REVENUES					
5700	Local and Intermediate Sources	\$ 10,164,749	\$ 10,164,749	\$ 10,924,530	\$ 759,781
5800	State Program Revenues	10,156,454	10,156,454	11,333,811	1,177,357
5900	Federal Program Revenues	251,000	251,000	456,816	205,816
5020	Total Revenues	\$ 20,572,203	\$ 20,572,203	\$ 22,715,157	\$ 2,142,954
EXPENDITURES					
Instruction and Instructional Related Services:					
0011	Instruction	\$ 12,052,326	\$ 11,909,320	\$ 11,593,293	\$ 316,027
0012	Instructional Resources and Media Services	293,680	293,680	279,411	14,269
0013	Curriculum and Staff Development	100,982	101,047	75,462	25,585
	Total Instruction and Instr. Related Services	<u>\$ 12,446,988</u>	<u>\$ 12,304,047</u>	<u>\$ 11,948,166</u>	<u>\$ 355,881</u>
Instructional and School Leadership:					
0021	Instructional Leadership	\$ 199,182	\$ 199,582	\$ 184,580	\$ 15,002
0023	School Leadership	998,488	1,042,278	1,030,197	12,081
	Total Instructional and School Leadership	<u>\$ 1,197,670</u>	<u>\$ 1,241,860</u>	<u>\$ 1,214,777</u>	<u>\$ 27,083</u>
Support Services - Student:					
0031	Guidance, Counseling and Evaluation Services	\$ 746,678	\$ 667,923	\$ 606,912	\$ 61,011
0032	Social Work Services	63,222	41,034	19,392	21,642
0033	Health Services	268,609	250,109	238,864	11,245
0034	Student Transportation	951,132	1,125,945	1,033,891	92,054
0036	Cocurricular/Extracurricular Activities	1,029,069	1,064,762	1,062,515	2,247
	Total Support Services - Student	<u>\$ 3,058,710</u>	<u>\$ 3,149,773</u>	<u>\$ 2,961,574</u>	<u>\$ 188,199</u>
Administrative Support Services:					
0041	General Administration	\$ 748,952	\$ 748,952	\$ 746,287	\$ 2,665
	Total Administrative Support Services	<u>\$ 748,952</u>	<u>\$ 748,952</u>	<u>\$ 746,287</u>	<u>\$ 2,665</u>
Support Services - Nonstudent Based:					
0051	Facilities Maintenance and Operations	\$ 2,383,081	\$ 2,318,581	\$ 2,234,034	\$ 84,547
0052	Security and Monitoring Services	242,855	268,818	249,599	19,219
0053	Data Processing Services	228,947	257,447	246,719	10,728
	Total Support Services - Nonstudent Based	<u>\$ 2,854,883</u>	<u>\$ 2,844,846</u>	<u>\$ 2,730,352</u>	<u>\$ 114,494</u>
Intergovernmental Charges:					
0099	Other Intergovernmental Charges	\$ 265,000	\$ 282,725	\$ 282,724	\$ 1
	Total Intergovernmental Charges	<u>\$ 265,000</u>	<u>\$ 282,725</u>	<u>\$ 282,724</u>	<u>\$ 1</u>
6030	Total Expenditures	\$ 20,572,203	\$ 20,572,203	\$ 19,883,880	\$ 688,323
1100	Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ -	\$ 2,831,277	\$ 2,831,277
1200	Net Change in Fund Balance	\$ -	\$ -	\$ 2,831,277	\$ 2,831,277
0100	Fund Balance - Beginning (September 1)	8,087,124	8,087,124	8,087,124	-
3000	Fund Balance - Ending (August 31)	\$ 8,087,124	\$ 8,087,124	\$ 10,918,401	\$ 2,831,277

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, 2023

	<u>2022*</u>	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017 *</u>	<u>2016 *</u>	<u>2015 *</u>	<u>2014 *</u>
District's proportion of the net pension liability	0.0079760463%	0.0075265162%	0.0074293982%	0.0088058682%	0.0086617962%	0.0085221090%	0.0083248638%	0.0086765000%	0.0044324000%
District's proportionate share of the net pension liability	\$ 4,735,174	\$ 1,916,737	\$ 3,979,034	\$ 4,577,566	\$ 4,767,663	\$ 2,724,911	\$ 3,145,842	\$ 3,067,027	\$ 1,183,956
State's proportionate share of the net pension liability associated with the District	<u>9,643,865</u>	<u>4,515,359</u>	<u>9,464,593</u>	<u>8,289,987</u>	<u>8,984,621</u>	<u>5,396,438</u>	<u>6,544,950</u>	<u>6,309,383</u>	<u>5,202,426</u>
Total	<u>\$ 14,379,039</u>	<u>\$ 6,432,096</u>	<u>\$ 13,443,627</u>	<u>\$ 12,867,553</u>	<u>\$ 13,752,284</u>	<u>\$ 8,121,349</u>	<u>\$ 9,690,792</u>	<u>\$ 9,376,410</u>	<u>\$ 6,386,382</u>
District's covered-employee payroll (for Measurement Year)	\$ 12,414,332	\$ 12,047,147	\$ 11,703,170	\$ 10,870,191	\$ 10,478,627	\$ 10,201,420	\$ 9,958,428	\$ 9,376,410	\$ 638,382
District's proportionate share of the net pension liability as a percentage of it's covered-employee payroll	38.14%	15.91%	34.00%	42.11%	45.50%	26.71%	31.59%	32.71%	18.54%
Plan fiduciary net position as a percentage of the total pension liability	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

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

* The years above present data for the measurement period ending date. The measurement period represents the period for which the pensions plan prepares its reports which provides a 10 month delay for financial reporting in accordance with GASB 68.

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED AUGUST 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contributions	\$ 428,054	\$ 372,186	\$ 321,237	\$ 306,527	\$ 308,207	\$ 289,422	\$ 278,598	\$ 264,615	\$ 249,695
Contributions in relations to the contractual required contributions	<u>(428,054)</u>	<u>(372,186)</u>	<u>(321,237)</u>	<u>(306,527)</u>	<u>(308,207)</u>	<u>(289,422)</u>	<u>(278,598)</u>	<u>(264,615)</u>	<u>(249,695)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 13,524,212	\$ 12,414,332	\$ 12,047,147	\$ 11,703,170	\$ 10,870,191	\$ 10,478,627	\$ 10,201,420	\$ 9,958,428	\$ 9,662,998
Contributions as a percentage of covered employee payroll	3.17%	3.00%	2.67%	2.62%	2.84%	2.76%	2.73%	2.66%	2.58%

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

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULES OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
YEAR ENDED AUGUST 31, 2023

	<u>2022*</u>	<u>2021*</u>	<u>2020*</u>	<u>2019*</u>	<u>2018*</u>	<u>2017*</u>
District's proportion of the Net OPEB Liability (Asset)	0.0125555673%	0.0130031329%	0.1310458470%	0.0130989097%	0.0126784234%	0.0120813358%
District's proportionate share of the Net OPEB Liability (Asset)	\$ 3,006,306	\$ 5,015,889	\$ 4,981,644	\$ 6,194,634	\$ 6,330,453	\$ 5,253,720
State's proportionate share of the Net OPEB Liability (Asset) associated with the District	<u>3,667,221</u>	<u>6,720,174</u>	<u>6,694,136</u>	<u>8,231,284</u>	<u>9,091,767</u>	<u>8,017,765</u>
Total	<u>\$ 6,673,527</u>	<u>\$ 11,736,063</u>	<u>\$ 11,675,780</u>	<u>\$ 14,425,918</u>	<u>\$ 15,422,220</u>	<u>\$ 13,271,485</u>
District's covered-employee payroll (for Measurement Year)	\$ 12,414,332	\$ 12,047,147	\$ 11,703,170	\$ 10,870,191	\$ 10,478,627	\$ 10,201,420
District's proportionate share of the Net OPEB Liability as a percentage of it's covered-employee payroll	24.22%	41.64%	42.57%	56.99%	60.41%	51.50%
Plan fiduciary net position as a percentage of the Total OPEB Liability	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%

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

* The years above present data for the measurement period ending date. The measurement period represents the period for which the pension plan prepares its reports which provides a 10 month delay for financial reporting in accordance with GASB 75.

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DISTRICT'S OPEB CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM OF TEXAS
 YEAR ENDED AUGUST 31, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 113,631	\$ 103,124	\$ 101,584	\$ 99,598	\$ 92,966	\$ 86,889
Contributions in relations to the contractual required contributions	<u>(113,631)</u>	<u>(103,124)</u>	<u>(101,584)</u>	<u>(99,598)</u>	<u>(92,966)</u>	<u>(86,889)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered employee payroll	\$ 13,524,212	\$ 12,414,332	\$ 12,047,147	\$ 11,703,170	\$ 10,870,191	\$ 10,478,627
Contributions as a percentage of covered employee payroll	0.84%	0.83%	0.84%	0.85%	0.86%	0.83%

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

CANTON INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED AUGUST 31, 2023

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 on 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 Since the Prior Measurement Date

Actuarial assumptions and methods have been modified since the determination of the prior year net pension liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

2. Changes of Benefit Terms Since the Prior Measurement Date

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

C. OPEB Healthcare Plan

1. Changes of Assumptions Since the Prior Measurement Date

The single discount rate changed from 1.95% as of last year to 3.91% at August 31, 2022. Lower participation rates and updates to the health care trend rate assumptions were also factors then decreased the District's proportion of the total OPEB liability.

2. Changes of Benefit Terms Since the Prior Measurement Date

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

OTHER SUPPLEMENTARY INFORMATION

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 YEAR ENDED AUGUST 31, 2023

Tax Roll Year	Last Ten Years Ended August 31	1 Tax Rates		3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2022	20 Current Year's Total Levy	30 Maintenance Tax Collections	30a Debt Service Tax Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2023
		Maintenance	2 Debt Service							
XXXX	2014 and Prior Years	Various	Various	Various	58,441	-	9,566	3,664	2	45,213
2014	2015	1.040000	0.431000	621,060,822	18,532	-	3,400	1,409	(1)	13,722
2015	2016	1.040000	0.431000	619,753,886	19,093	-	3,032	1,256	-	14,805
2016	2017	1.040000	0.431000	657,659,222	22,115	-	4,818	1,997	-	15,300
2017	2018	1.040000	0.431000	682,761,931	30,150	-	5,961	2,470	(1)	21,718
2018	2019	1.040000	0.431000	721,634,874	41,026	-	10,171	4,215	(613)	26,027
2019	2020	0.970000	0.431000	807,578,301	74,579	-	13,589	6,038	(5,100)	49,852
2020	2021	0.913100	0.431000	895,957,746	148,304	-	25,329	11,956	(9,437)	101,582
2021	2022	0.872000	0.431000	1,013,069,415	280,948	-	58,031	28,683	(28,106)	166,128
2022	2023	0.854600	0.431000	1,186,309,583	-	15,251,196	9,870,584	4,978,026	(107,235)	295,351
1000 TOTALS					\$ 693,188	\$ 15,251,196	\$ 10,004,481	\$ 5,039,714	\$ (150,491)	\$ 749,698

CANTON INDEPENDENT SCHOOL DISTRICT
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2023

Data Control Codes	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
5700 Local and Intermediate Sources	\$ (288,649)	\$ 288,649	\$ 292,667	\$ 4,018
5800 State Program Revenues	(3,640)	3,640	5,088	1,448
5900 Federal Program Revenues	<u>(549,000)</u>	<u>649,000</u>	<u>835,268</u>	<u>186,268</u>
5020 Total Revenues	<u>\$ (841,289)</u>	<u>\$ 941,289</u>	<u>\$ 1,133,023</u>	<u>\$ 191,734</u>
EXPENDITURES				
Current:				
Support Services - Student (Pupil):				
0035 Food Services	<u>\$ 841,289</u>	<u>\$ 941,289</u>	<u>\$ 980,260</u>	<u>\$ (38,971)</u>
Total Support Service - Student (Pupil)	<u>\$ 841,289</u>	<u>\$ 941,289</u>	<u>\$ 980,260</u>	<u>\$ (38,971)</u>
6030 Total Expenditures	<u>\$ 841,289</u>	<u>\$ 941,289</u>	<u>\$ 980,260</u>	<u>\$ (38,971)</u>
1100 Excess (Deficiency) of Revenues Over Expenditures	<u>\$ (1,682,578)</u>	<u>\$ -</u>	<u>\$ 152,763</u>	<u>\$ 152,763</u>
1200 Net Change in Fund Balance	\$ (1,682,578)	\$ -	\$ 152,763	\$ 152,763
0100 Fund Balance - Beginning (September 1)	<u>198,837</u>	<u>198,837</u>	<u>198,837</u>	<u>-</u>
3000 Fund Balance - Ending (August 31)	<u>\$ (1,483,741)</u>	<u>\$ 198,837</u>	<u>\$ 351,600</u>	<u>\$ 152,763</u>

CANTON INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED AUGUST 31, 2023

Data Control Codes	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
5700 Local and Intermediate Sources	\$ 5,005,362	\$ 5,005,362	\$ 5,221,711	\$ 216,349
5800 State Program Revenues	500	500	103,374	102,874
5020 Total Revenues	\$ 5,005,862	\$ 5,005,862	\$ 5,325,085	\$ 319,223
EXPENDITURES				
Debt Service:				
0071 Principal on Long-term Debt	\$ 2,749,687	\$ 2,949,687	\$ 915,000	\$ 2,034,687
0072 Interest on Long-term Debt	2,251,175	2,251,175	2,047,633	203,542
0073 Debt Issuance Costs and Fees	5,000	55,000	10,830	44,170
Total Debt Service	\$ 5,005,862	\$ 5,255,862	\$ 2,973,463	\$ 2,282,399
6030 Total Expenditures	\$ 5,005,862	\$ 5,255,862	\$ 2,973,463	\$ 2,282,399
1100 Excess (Deficiency) of Revenues Over Expenditures	\$ -	\$ (250,000)	\$ 2,351,622	\$ 2,601,622
OTHER FINANCING SOURCES (USES)				
8949 Other Uses	\$ -	\$ -	\$ (2,281,802)	\$ (2,281,802)
7080 Net Other Financing Sources (Uses)	\$ -	\$ -	\$ (2,281,802)	\$ (2,281,802)
1200 Net Change in Fund Balance	\$ -	\$ (250,000)	\$ 69,820	\$ 319,820
0100 Fund Balance - Beginning (September 1)	564,879	564,879	564,879	-
3000 Fund Balance - Ending (August 31)	\$ 564,879	\$ 314,879	\$ 634,699	\$ 319,820

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
 AS OF AUGUST 31, 2023

<u>Data Control Codes</u>		<u>Response</u>
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and / other sources information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered to not have made timely payments). Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial hold was resolved and cleared within 30 days, the shool district is considered to have been insued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state or federal funds?	No
SF7	Did the school post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Administrative Code and other statues, laws and rules that were in effect at the school districts fiscal year-end?	Yes
SF8	Did the school board members discuss the school districts property value at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -

CANTON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO
 STATE MANDATED PROGRAM REQUIREMENTS
 YEAR ENDED AUGUST 31, 2023

<u>Data Control Codes</u>		<u>Response</u>
<u>Section A: Compensatory Education Programs</u>		
<u>AP1</u>	Did your District expend any state compensatory education program state allotment funds during the District's fiscal year?	Yes
<u>AP2</u>	Does the District have written policies and procedures for its state compensatory education program?	Yes
<u>AP3</u>	List the total state allotment funds received for state compensatory education programs during the District's fiscal year.	\$ 1,626,161
<u>AP4</u>	List the actual direct program expenditures for state compensatory education programs during the District's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$ 919,917
<u>Section B: Bilingual Education Programs</u>		
<u>AP5</u>	Did your District expend any bilingual education program state allotment funds during the District's	Yes
<u>AP6</u>	Does the District have written policies and procedures for its bilingual education program?	Yes
<u>AP7</u>	List the total state allotment funds received for bilingual education programs during the District's fiscal year.	\$ 61,792
<u>AP8</u>	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PIC's 25, 35)	\$ 36,273

FEDERAL AWARDS SECTION

CANTON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2023

Federal Grantor/ Pass Through Grantor/ Program Title	(02) Federal ALN Number	Pass-Through Grantor's Number	(03) Expenditures, Indirect Costs and Refunds
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through the Texas Education Agency:			
ESSA Title I Part A - Improving Basic Programs	84.010a	24610101234902	\$ 22,351
ESSA Title I Part A - Improving Basic Programs	84.010a	23610101234902	248,166
ESSA Title I Part A - School Improvement	84.010a	22610101234902	23,456
<i>Total ALN 84.010</i>			293,973
ESSA Title II Part A - Supporting Effective Education	84.367a	24694501234902	7,501
ESSA Title II Part A - Supporting Effective Education	84.367a	23694501234902	58,188
ESSA Title II Part A - Supporting Effective Education	84.367a	22694501234902	1,675
<i>Total ALN 84.367</i>			67,364
ESSA Title IV Part A - Student Support & Academic Achievement	84.424a	23680101234902	11,656
ESSA Title IV Part A - Student Support & Academic Achievement	84.424a	22680101234902	617
<i>Total ALN 84.424</i>			12,273
IDEA-B Formula - B	84.027	246600012349026600	35,867
IDEA-B Formula - B	84.027	236600012349026600	375,524
IDEA-B Formula - ARP - B	84.027	226600012349026600	38,024
IDEA-B Formula - High Cost - B	84.027	66002306	33,100
<i>Total ALN 84.027</i>			482,515
IDEA-B, Preschool - B	84.173a	246610012349026610	364
IDEA-B, Preschool - B	84.173a	236610012349026610	2,152
IDEA-B, Preschool - ARP - B	84.173a	226610012349026610	116
<i>Total ALN 84.173</i>			2,632
Carl Perkins - V	84.048	23420006234902	23,755
<i>Total ALN 84.048</i>			23,755
Elementary and Secondary School Emergency Relief - III - D*	84.425u	21528001234902	681,553
<i>Total ALN 84.425</i>			681,553
Total passed through Texas Education Agency			1,564,065
Passed through Education Service Center Region X:			
ESEA Title III Part A - LEP	84.365a	23671001057950	3,318
<i>Total ALN 84.365</i>			3,318
Total passed through Education Service Center, Region X			3,318
Total Department of Education			1,567,383
<u>U.S. DEPARTMENT OF JUSTICE</u>			
Passed through Justice Department:			
COPS School Violence Prevention Program	16.71	15JCOPS-21-GG-03726-SSIX	204,451
			204,451
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through the Texas Department of Agriculture:			
School Breakfast Program - A	10.553	01100	190,353
National School Lunch Program - A	10.555	01100	523,852
NSLP - Supply Chain Assistance Grant - A	10.555	01100	72,310
NSLP School Lunch Program - Pandemic Electronic Benefit Reimbursement	10.542	01100	3,135
NSLP - Commodities Delivery Reimbursement	10.560	01100	7,500
USDA Commodity Food Distribution	10.565	091015A	106,362
Total Department of Agriculture			903,512
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,675,346

* Indicates Major Program

A - Child Nutrition Cluster - Total Cluster - \$ 786,515

B - Special Education Cluster - Total Cluster - \$ 458,147

D - Education Stabilization Fund Cluster - Total Cluster - \$ 681,553

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, 2023

A. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal 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 the 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* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in net position of the District. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

B. Summary of Significant Accounting Policies

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal expenditures were accounted for in the General Fund and Special Revenue Funds which are governmental fund types. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant.

C. Food Distribution

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and used. No provision has been made for amounts on hand on August 31, 2023.

D. Indirect Cost

The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

E. 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)	\$	2,675,346
School Health and Related Services (SHARS)		385,892
Federal Revenue (Exhibit C-3)	\$	3,061,238