

**CANTON AREA SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
JUNE 30, 2018**

**CANTON AREA SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Canton Area School District
Canton, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Canton Area School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Canton Area School District, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Correction of Error

As discussed in Note 16, the June 30, 2017 financial statements have been restated to properly state accounts payable in the school lunch fund during the year ended June 30, 2018. Our opinion is not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 1, Note 9 and Note 16 to the financial statements, during the year ended June 30, 2018, the Canton Area School District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to that matter.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule - general fund, schedule of changes in the District's total OPEB liability and related ratios, schedule of District's PSERS OPEB contribution, schedule of District's proportionate share of the net pension liability - PSERS, the schedule of employer's contribution for PSERS, and notes to the required supplementary information on pages 3 - 12, 51, 52, 53, 54, 55 and 56, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards on page 57 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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.

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Corning, New York
December 13, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Introduction

Our discussion and analysis of the Canton Area School District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2018. It also provides a description and understanding of the various financial statements and other financial and statistical information contained herein. This section is only an introduction and should be read in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

- As of June 30, 2018, the District's net position on the government-wide statements amounted to a deficit of \$11,786,578 for governmental activities. The unrestricted net position was a deficit of \$17,626,610, the net investment in capital assets was \$5,840,032 and there were no amounts classified as restricted net position as of June 30, 2018. The deficit in net position is caused by the net pension liability required to be recorded by GASB No. 68, as well as the other postemployment benefits (OPEB) liability required to be recorded by GASB No. 75.
- As of June 30, 2018, the District's net position on the government-wide statements amounted to a deficit of \$315,822 for business-type activities. The unrestricted net position was a deficit of \$333,049, the net investment in capital assets was \$17,227 and there were no amounts classified as restricted net position as of June 30, 2018. The deficit in net position is caused by the net pension liability required to be recorded by GASB No. 68, as well as the other postemployment benefits (OPEB) liability required to be recorded by GASB No. 75.
- The "current ratio", which is an indicator of liquidity, for governmental activities was 2.50 and 2.61 as of June 30, 2018 and 2017, respectively.
- The "current ratio", which is an indicator of liquidity, for business-type activities was 7.63 and 6.28 as of June 30, 2018 and 2017, respectively.
- The District's overall net position for governmental activities increased by \$242,843 or 2.02% in 2017-2018 compared with an increase of \$269,358 or 2.19% in 2016-2017.
- The District's overall net position for business-type activities increased by \$6,366 or 1.98% in 2017-2018 compared with a decrease of \$4,634 or 1.46% in 2016-2017.

Overview of the Financial Statements

The discussion and analysis provided here is intended to serve as an introduction to the District's basic financial statements. These statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. The statements also include required and other supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents financial information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Net position is classified into three components as follows:

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Net Investment in Capital Assets - This amount consists of capital assets, net of accumulated depreciation and reduced by outstanding debt, excluding unspent bond proceeds, bond premiums and discounts, and deferred refund proceeds.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors or laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that is not invested in capital assets or restricted net position.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the District that are principally supported by property taxes and intergovernmental revenues, governmental activities, from other functions that are intended to recover all or a significant portion of their costs through user fees and charges, business-type activities. The governmental activities of the District are categorized as instructional, instructional student support, administrative and financial support, operation and maintenance of plant, pupil transportation, student activities, community service, debt interest and unallocated depreciation. The business-type activities of the District include operation of the school lunch fund.

The government-wide financial statements can be found on pages 13 - 14 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains two governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balance for the general fund and debt service fund, which are considered to be the District's only major funds as defined by Governmental Accounting Standards Board Statement No. 34.

The District legally adopts an annual budget for its general fund. A budgetary comparison statement has been provided in the required supplementary information section of this report to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

**CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

Proprietary Fund

The District maintains one proprietary fund, which is used to report the same functions presented as business-type activities in the government-wide financial statements. The District uses the proprietary fund to account for the school lunch fund activities.

The basic proprietary fund financial statements can be found on pages 19 - 21 of this report.

Fiduciary Funds

The fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the District's own programs. The accounting used for the fiduciary funds is much like that used for proprietary funds.

The fiduciary funds of the District include the private-purpose trust fund and agency fund. The private-purpose trust fund is used to account for assets held by the District in a trustee capacity. This fund accounts for various scholarship programs for students. The agency fund is used to account for assets held and administered by the District for a third party. Student activities assets are accounted for in this fund.

The fiduciary fund financial statements can be found on page 22 - 23 of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24 - 50 of this report.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information. This includes a budgetary comparison schedule for the general fund, schedule of changes in the District's total OPEB liability and related ratios, schedule of District's PSERS OPEB contribution, a schedule of District's proportionate share of the net pension liability - PSERS, and the schedule of employer's contribution for PSERS. Also included in this section are the notes to required supplementary information. Required supplementary information and related notes to the required supplementary information can be found on pages 51 - 56 of this report.

Single Audit Reports

The schedule of expenditures of federal awards presents the activity of federal award programs administered by the District. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information 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), using the accrual basis of accounting. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Also included in the single audit reports are the notes to the schedule of expenditures of federal awards, as well as information on the results from the single audit performed by the District's independent auditors'. The single audit reports can be found on pages 57 - 63 of this report.

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Government-wide Overall Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The statement of net position provides the perspective of the District as a whole. The condensed statements of net position and statements of activities located in table 1 and table 2, respectively, present summarized financial data from the government-wide financial statements located in the basic financial statements section of this report. This information is presented in comparative form, with totals from the financial statements for the fiscal years ended June 30, 2018 and 2017, along with totals for the primary government as a whole.

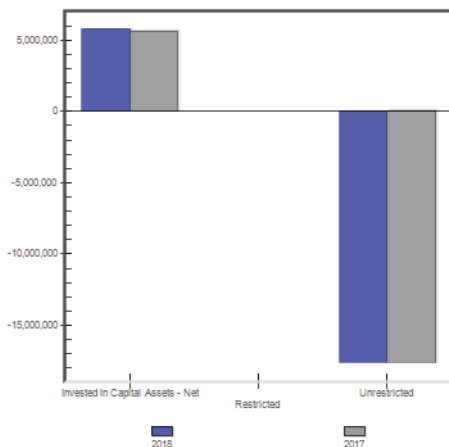
Table 1

Condensed Statements of Net Position
June 30, 2018 and 2017

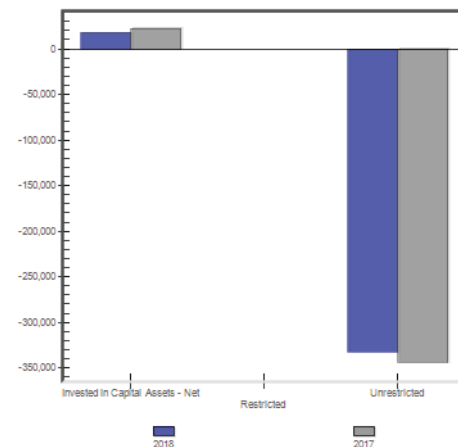
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	<u>Restated</u>		<u>Restated</u>		<u>Restated</u>		
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
Assets and Deferred							
Outflows of Resources							
Current assets	\$ 6,929,374	\$ 6,266,360	\$ 117,971	\$ 100,053	\$ 7,047,345	\$ 6,366,413	10.7 %
Capital assets	12,189,639	12,751,647	17,227	22,586	12,206,866	12,774,233	(4.4)%
Deferred outflows of resources	3,626,704	4,217,974	67,252	81,119	3,693,956	4,299,093	(14.1)%
Total assets and deferred outflows of resources	<u>\$ 22,745,717</u>	<u>\$ 23,235,981</u>	<u>\$ 202,450</u>	<u>\$ 203,758</u>	<u>\$ 22,948,167</u>	<u>\$ 23,439,739</u>	(2.1)%
Liabilities and Deferred							
Inflows of Resources							
Current liabilities	\$ 2,772,197	\$ 2,403,180	\$ 15,456	\$ 15,943	\$ 2,787,653	\$ 2,419,123	15.2 %
Long-term liabilities	30,928,599	32,466,359	472,742	489,984	31,401,341	32,956,343	(4.7)%
Deferred inflows of resources	831,499	395,863	30,074	20,019	861,573	415,882	107.2 %
Total liabilities and deferred inflows of resources	<u>34,532,295</u>	<u>35,265,402</u>	<u>518,272</u>	<u>525,946</u>	<u>35,050,567</u>	<u>35,791,348</u>	(2.1)%
Net Position							
Net investment in capital assets	5,840,032	5,629,867	17,227	22,586	5,857,259	5,652,453	3.6 %
Unrestricted	<u>(17,626,610)</u>	<u>(17,659,288)</u>	<u>(333,049)</u>	<u>(344,774)</u>	<u>(17,959,659)</u>	<u>(18,004,062)</u>	(0.2)%
Total net position	<u>\$ (11,786,578)</u>	<u>\$ (12,029,421)</u>	<u>\$ (315,822)</u>	<u>\$ (322,188)</u>	<u>\$ (12,102,400)</u>	<u>\$ (12,351,609)</u>	(2.0)%

The largest portion of the District's net position reflects its investment in capital assets, less any related outstanding debt that was used to acquire those assets. This amounted to \$5,857,259 and \$5,652,453 for the District at the fiscal years ended June 30, 2018 and 2017, respectively. The District uses the capital assets to provide a variety of services to its students. Accordingly, these assets are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of net position is an unrestricted deficit caused by the net pension liability required to be recorded by GASB No. 68, as well as the other postemployment benefits (OPEB) liability required to be recorded by GASB No. 75. At June 30, 2018 and 2017, the District had a deficit unrestricted net position of \$17,959,659 and \$18,004,062, respectively.

Net Position Components - Governmental



Net Position Components - Business-Type



**CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

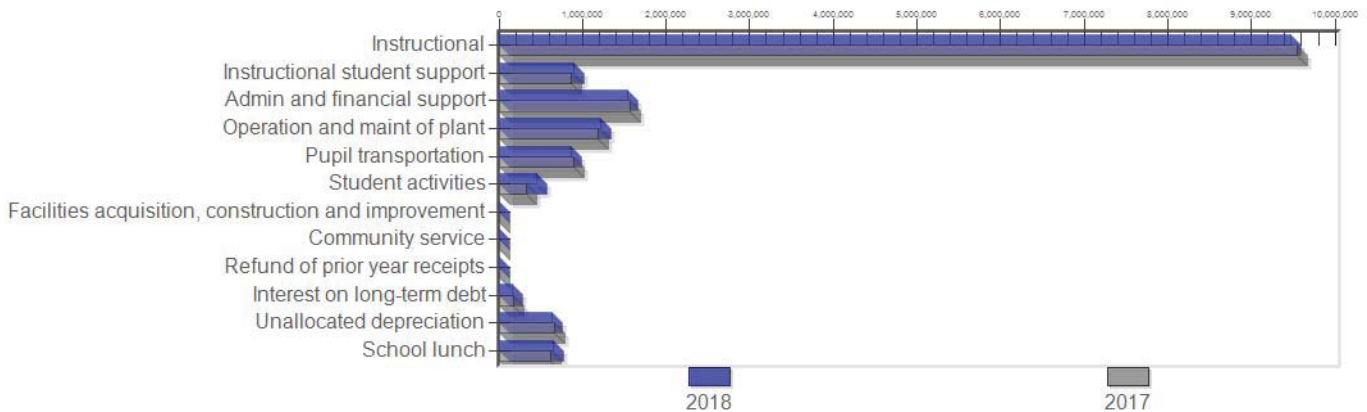
Table 2

**Condensed Statements of Activities
For the Years Ended June 30, 2018 and 2017**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	
Revenues							
Program Revenues							
Charges for services	\$ 25,427	\$ 29,007	\$ 83,833	\$ 88,324	\$ 109,260	\$ 117,331	(6.9)%
Operating grants and contributions	3,781,469	4,337,902	579,151	530,936	4,360,620	4,868,838	(10.4)%
Capital grants and contributions	278,514	-	-	-	278,514	-	0.0 %
Total program revenues	<u>4,085,410</u>	<u>4,366,909</u>	<u>662,984</u>	<u>619,260</u>	<u>4,748,394</u>	<u>4,986,169</u>	(4.8)%
General Revenues							
Property taxes and related items	3,868,004	3,743,498	-	-	3,868,004	3,743,498	3.3 %
Grants, subsidies, and contributions	7,258,087	7,229,298	-	-	7,258,087	7,229,298	0.4 %
Investment earnings	68,764	26,392	-	-	68,764	26,392	160.5 %
Miscellaneous	213,202	143,705	-	-	213,202	143,705	48.4 %
Total general revenues	<u>11,408,057</u>	<u>11,142,893</u>	<u>-</u>	<u>-</u>	<u>11,408,057</u>	<u>11,142,893</u>	2.4 %
Total revenues	<u>15,493,467</u>	<u>15,509,802</u>	<u>662,984</u>	<u>619,260</u>	<u>16,156,451</u>	<u>16,129,062</u>	0.2 %
Program Expenses							
Instructional	9,470,645	9,551,389	-	-	9,470,645	9,551,389	(0.8)%
Instructional student support	894,368	862,116	-	-	894,368	862,116	3.7 %
Administrative and financial support	1,545,731	1,566,521	-	-	1,545,731	1,566,521	(1.3)%
Operation and maintenance of plant	1,224,628	1,188,043	-	-	1,224,628	1,188,043	3.1 %
Pupil transportation	859,024	891,487	-	-	859,024	891,487	(3.6)%
Student activities	444,298	333,954	-	-	444,298	333,954	33.0 %
Facilities acquisition, construction and improvement	14,000	13,150	-	-	14,000	13,150	6.5 %
Community service	60	60	-	-	60	60	0.0 %
Interest on long-term debt	159,752	174,758	-	-	159,752	174,758	(8.6)%
Unallocated depreciation	638,118	658,966	-	-	638,118	658,966	(3.2)%
School lunch	-	-	656,618	623,894	656,618	623,894	5.2 %
Total expenses	<u>15,250,624</u>	<u>15,240,444</u>	<u>656,618</u>	<u>623,894</u>	<u>15,907,242</u>	<u>15,864,338</u>	0.3 %
Changes in net position	\$ <u>242,843</u>	\$ <u>269,358</u>	\$ <u>6,366</u>	\$ <u>(4,634)</u>	\$ <u>249,209</u>	\$ <u>264,724</u>	(5.9)%

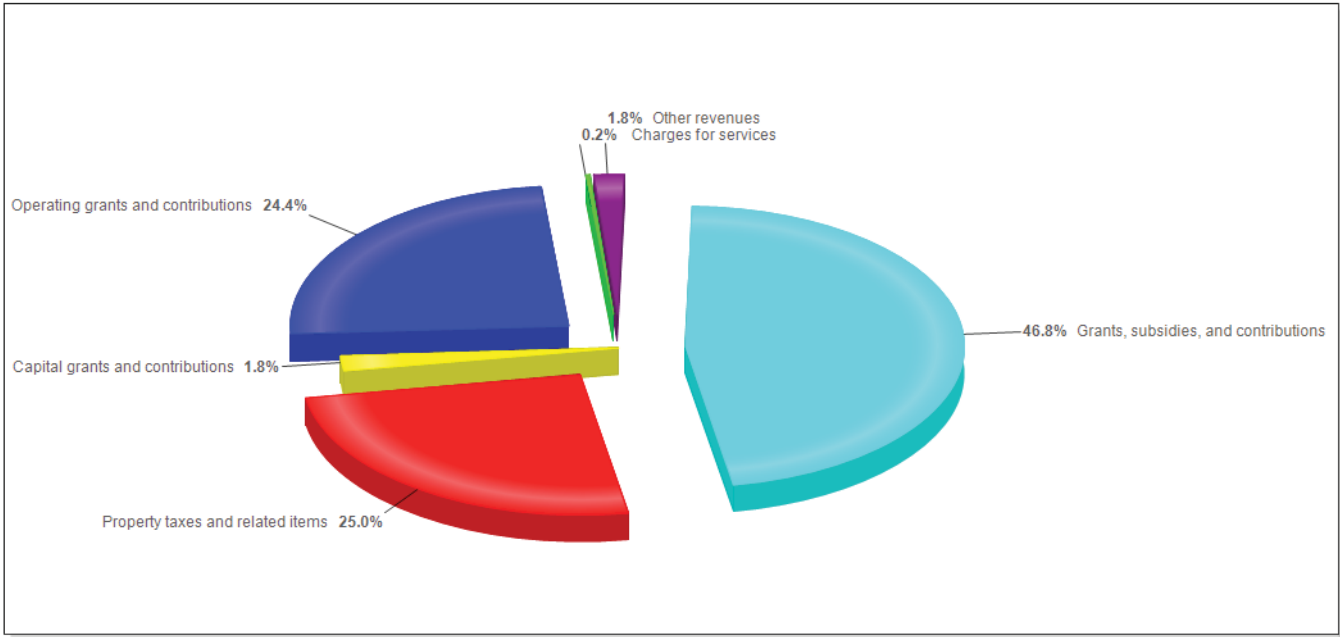
The District's governmental activities experienced an increase in net position of \$242,843 for the fiscal year ended June 30, 2018. This represents an increase of approximately 2.02% from the previous fiscal year. Governmental activities revenues experienced an increase from state reimbursement subsidies for retirement and an increase in earned income tax revenue. Expenditures increased slightly from the previous year primarily due to a significant increase in the PSERS rate for the District's contribution and healthcare expenses. The District's business-type activities experienced an increase in net position of \$6,366 for the fiscal year ended June 30, 2018. This represents an increase of approximately 1.98% from the previous fiscal year. Revenues were up for the business-type activities primarily due to an increase in federal and state reimbursements under the Community Eligibility Provision as well as an increase in participation. Expenditures increased for business-type activities primarily due to higher costs supporting increased participation.

Comparative Expenses by Function

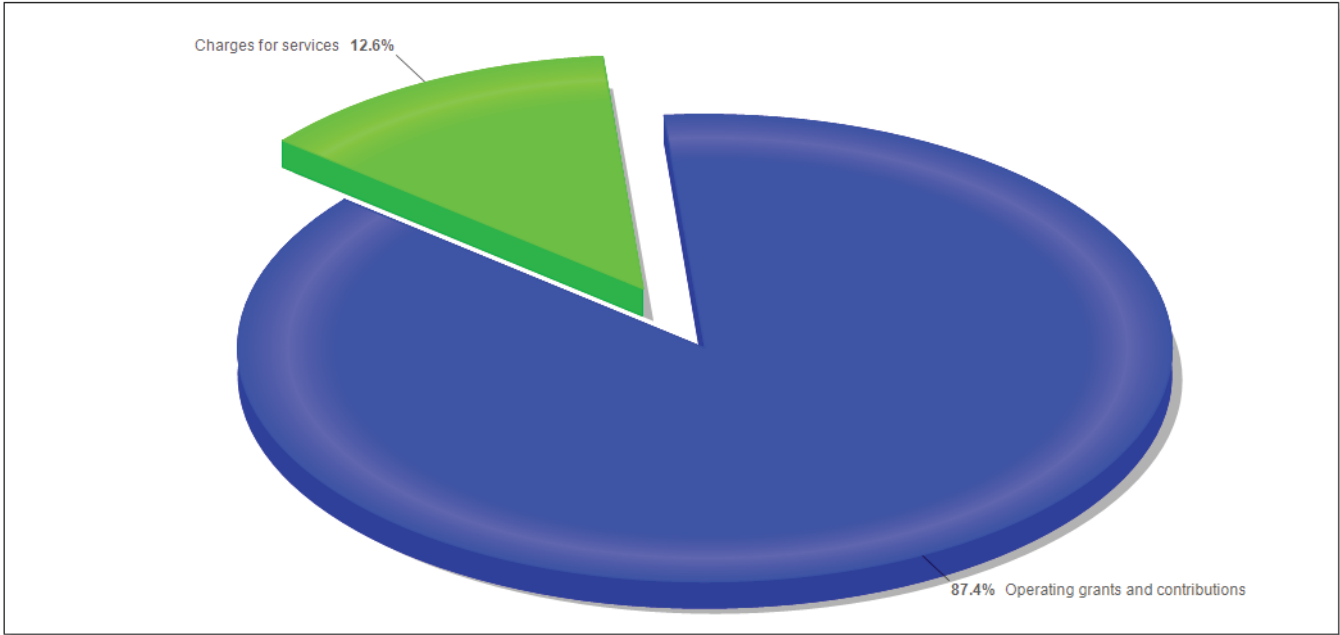


**CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

**Sources of Revenues for Governmental Activities
Fiscal Year 2018**



**Sources of Revenues for Business-Type Activities
Fiscal Year 2018**



CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018

The tables below present the cost of each of the District's functions and programs, as well as each function's net cost (total cost less revenues generated by the activity). Providing this information allows residents within the District to consider the cost of each function in comparison to the benefits they believe are provided by that function.

	<u>Total Cost of Services</u>		
	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Instructional	\$ 9,470,645	\$ 9,551,389	(0.8)%
Instructional student support	894,368	862,116	3.7 %
Administrative and financial support	1,545,731	1,566,521	(1.3)%
Operation and maintenance of plant	1,224,628	1,188,043	3.1 %
Pupil transportation	859,024	891,487	(3.6)%
Student activities	444,298	333,954	33.0 %
Facilities acquisition, construction and improvement	14,000	13,150	6.5 %
Community service	60	60	- %
Interest on long-term debt	159,752	174,758	(8.6)%
Unallocated depreciation	638,118	658,966	(3.2)%
School lunch	<u>656,618</u>	<u>623,894</u>	5.2 %
Total expenses	<u>\$ 15,907,242</u>	<u>\$ 15,864,338</u>	0.3 %

	<u>Net Cost (Profit) of Services</u>		
	<u>2018</u>	<u>2017</u>	<u>Percentage Change</u>
Instructional	\$ 6,147,262	\$ 6,342,215	(3.1)%
Instructional student support	777,252	768,312	1.2 %
Administrative and financial support	1,343,096	1,387,937	(3.2)%
Operation and maintenance of plant	1,105,125	1,079,791	2.3 %
Pupil transportation	859,024	184,275	366.2 %
Student activities	400,039	295,032	35.6 %
Facilities acquisition, construction and improvement	14,000	13,150	6.5 %
Community service	60	60	- %
Refund of prior year receipts	-	(30,961)	100.0 %
Interest on long-term debt	(118,762)	174,758	(168.0)%
Unallocated depreciation	638,118	658,966	(3.2)%
School lunch	<u>(6,366)</u>	<u>4,634</u>	(237.4)%
Total net cost	<u>\$ 11,158,848</u>	<u>\$ 10,878,169</u>	2.6 %

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018

Capital Assets

At June 30, 2018, the District had \$28,765,476 invested in land, buildings and improvements, and furniture and equipment. Depreciation expense of \$643,477 has been recorded for the year ended June 30, 2018, with an ending accumulated depreciation balance of \$16,558,610. The net book value of capital assets at June 30, 2018, was \$12,206,866. The table presented below displays the fiscal 2018 and 2017 balances for the major classes of assets:

Capital Assets (Net of Depreciation)
At June 30, 2018 and 2017

	<u>2018</u>	<u>2017</u>	<u>Total Percentage Change</u>
Land	\$ 1,265,599	\$ 1,265,599	-
Site improvements	1,307,868	1,428,598	(8.5)%
Buildings	9,347,057	9,756,621	(4.2)%
Vehicles	15,932	18,828	(15.4)%
Equipment, furniture and fixtures	<u>270,410</u>	<u>304,587</u>	(11.2)%
Total	<u>\$ 12,206,866</u>	<u>\$ 12,774,233</u>	(4.4)%

Additional information on the District's capital assets can be found in Notes 1 and 7 on pages 28 and 36, respectively, of this report.

Long-Term Obligations

At June 30, 2018 and 2017, the District had total long-term obligations of \$32,189,078 and \$33,627,507, respectively. The District has maintained a credit rating of A from the Moody's Corporation for the fiscal years ended June 30, 2018 and 2017. The table presented below displays the fiscal 2018 and 2017 balances for the long-term obligations:

Long-Term Obligations
At June 30, 2018 and 2017

	<u>2018</u>	<u>Restated 2017</u>	<u>Total Percentage Change</u>
Bonds payable - net of premiums	\$ 6,368,603	\$ 7,143,150	(10.8)%
Compensated absences	175,923	176,886	(0.5)%
Separately financed specific liabilities - OPEB	200	-	100.0 %
OPEB liability - local	596,352	464,113	28.5 %
OPEB liability - proportionate share	992,000	1,011,358	(1.9)%
Separately financed specific liabilities - pension	4,000	4,000	-
Net pension liability	<u>24,052,000</u>	<u>24,828,000</u>	(3.1)%
Total	<u>\$32,189,078</u>	<u>\$ 33,627,507</u>	(4.3)%

Additional information on the District's long-term obligations can be found in Note 1, 8, 9 and 11 on pages 29 - 30 and 37 - 48 of this report.

**CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

Governmental Fund Analysis

Fund financial statements are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$16,412,052 and \$16,429,411, and expenditures and other financing uses of \$16,114,299 and \$15,762,459 in 2018 and 2017, respectively. Overall fund balance for all governmental funds increased by \$297,753 in 2018, which represents a change of approximately 6.72%. The components of the change are as follows:

- The fund balance in the general fund increased by \$297,753, which represents a change of approximately 6.72%.
- Total revenues and other financing sources in the general fund decreased by \$17,359 and total expenditures and other financing uses increased by \$351,840.

General Fund Budgetary Highlights

A budgetary comparison schedule for the District's general fund is presented as required supplementary information on page of these financial statements. The District's budgetary policies are described on page 56 in the notes to required supplementary information.

Significant Variances Between Original and Amended Budget

Significant variances between the original and amended budget are described in the following paragraph. The table immediately following the District's analysis of the variances between the original and amended budget displays the variances as illustrated in the budgetary comparison schedule.

The District's original budget for regular instruction included expenses for existing staff from the prior year, but the teaching staff was reduced by one teacher through attrition. Management of plant services actual expenses were more than budgeted due to the increase in staff and a one-time payment for an early retirement incentive for a supervisor position. The District's original budget for other instructional programs included expenses for several additional students to be educated by alternative education providers, but did not need to expend the resources.

**Original to Amended
At June 30, 2018**

	<u>Original</u>	<u>Amended</u>	<u>Variance</u>
Expenditures and Other Uses			
Regular programs	\$ 7,359,347	\$ 7,173,483	\$ (185,864)
Operation and maintenance of plant services	\$ 1,073,956	\$ 1,201,709	\$ 127,753

Significant Variances Between Amended Budget and Actual Results

Significant variances between the amended budget and actual results are described in the following paragraph. The table immediately following the District's analysis of the variances between the amended budget and actual results displays the variances as illustrated in the budgetary comparison schedule.

Along with a real estate tax increase for the 2017-2018 fiscal year, the District's budget included conservative estimates for delinquent tax collection as well as real estate and real estate transfer tax. State revenue appears to be less, but the majority of the difference is due to the fact that the District received a significant amount of PLAN CON reimbursement in the 2016-2017 school year, which was actually for the prior year, inflating the 2016-2017 balance. The revenue from PLAN CON reverted back to one year's worth in 2017-2018. The District budgeted for additional students to be sent to BLaST for special instruction which did not actually get sent to the school during the year. The District budgeted for replacement of a large section of the parking lot at the elementary school but did not end up needing to incur that expense in the current fiscal year. The District budgeted for current year repayments of debt. In addition, it was required to transfer the debt payments out of the general fund and into a debt service fund for payments on debt. The District budgeted \$100,000 in budgetary reserves which were not needed during the audit year.

**CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2018**

**Amended to Actual
At June 30, 2018**

	<u>Amended</u>	<u>Actual</u>	<u>Variance</u>
Revenues and Other Sources			
Local sources	\$ 4,058,897	\$ 4,368,894	\$ 309,997
State sources	\$ 10,517,166	\$ 10,742,248	\$ 225,082
Expenditures and Other Uses			
Regular programs	\$ 7,173,483	\$ 7,075,623	\$ 97,860
Other instructional programs	\$ 204,306	\$ 67,633	\$ 136,673
Debt service	\$ 933,883	\$ -	\$ 933,883
Budgetary reserve	\$ 100,000	\$ -	\$ 100,000
Interfund transfers out	\$ -	\$ 933,882	\$ (933,882)

Economic Factors and Next Year's Budget

The Canton Area School District expects to maintain relatively stable revenue and expenses as compared to past years. The District increased real estate property tax two years in a row and expects to raise them for one more consecutive year help offset the sustained increase in employer retirement contribution since the State subsidies are not keeping pace. The District's current central bargaining unit contract is in effect until 2023 which make projections more clear.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, 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, please contact:

Canton Area School District
Attn: Mr. Mark Jannone, Business Manager
509 East Main Street
Canton, Pennsylvania 17724

BASIC FINANCIAL STATEMENTS

CANTON AREA SCHOOL DISTRICT
Statement of Net Position
June 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 4,229,975	\$ 42,340	\$ 4,272,315
Investments	1,550,977	-	1,550,977
Taxes receivable	361,294	-	361,294
Due from other governments	781,327	62,394	843,721
Inventories	<u>5,801</u>	<u>13,237</u>	<u>19,038</u>
Total current assets	6,929,374	117,971	7,047,345
Capital Assets - Net	<u>12,189,639</u>	<u>17,227</u>	<u>12,206,866</u>
Deferred Outflows of Resources			
Deferred refunding proceeds	18,996	-	18,996
Deferred outflows of resources - pensions	3,443,487	64,191	3,507,678
Deferred outflows of resources - OPEB - local	111,029	2,070	113,099
Deferred outflows of resources - OPEB - proportionate share	<u>53,192</u>	<u>991</u>	<u>54,183</u>
Total deferred outflows of resources	<u>3,626,704</u>	<u>67,252</u>	<u>3,693,956</u>
Current Liabilities			
Internal balances	(15,456)	15,456	-
Accounts payable	176,672	-	176,672
Payroll accruals and withholdings	1,803,943	-	1,803,943
Accrued interest	19,301	-	19,301
Bonds payable - current portion - net of premiums	<u>787,737</u>	<u>-</u>	<u>787,737</u>
Total current liabilities	<u>2,772,197</u>	<u>15,456</u>	<u>2,787,653</u>
Long-Term Liabilities			
Compensated absences	172,477	3,446	175,923
Bonds payable - net of current portion and premiums	5,580,866	-	5,580,866
Separately financed specific liabilities - OPEB - proportionate share	196	4	200
OPEB liability - local	585,439	10,913	596,352
OPEB liability - proportionate share	973,846	18,154	992,000
Separately financed specific liabilities - pension	3,927	73	4,000
Net pension liability - proportionate share	<u>23,611,848</u>	<u>440,152</u>	<u>24,052,000</u>
Total long-term liabilities	<u>30,928,599</u>	<u>472,742</u>	<u>31,401,341</u>
Deferred Inflows of Resources			
Deferred inflows of resources - pensions	760,817	14,183	775,000
Deferred inflows of resources - OPEB - proportionate share	70,682	1,318	72,000
Advances on future period revenues	<u>-</u>	<u>14,573</u>	<u>14,573</u>
Total deferred inflows of resources	<u>831,499</u>	<u>30,074</u>	<u>861,573</u>
Net Position			
Net investment in capital assets	5,840,032	17,227	5,857,259
Unrestricted	<u>(17,626,610)</u>	<u>(333,049)</u>	<u>(17,959,659)</u>
Total net position	<u>\$ (11,786,578)</u>	<u>\$ (315,822)</u>	<u>\$ (12,102,400)</u>

The accompanying notes are an integral part of these financial statements.

CANTON AREA SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Program Revenues</u>				<u>Net (Expenses) Revenues and Changes in Position</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</u>
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Governmental activities							
Instructional	\$ 9,470,645	\$ -	\$ 3,323,383	\$ -	\$ (6,147,262)	\$ -	\$ (6,147,262)
Instructional student support	894,368	-	117,116	-	(777,252)	-	(777,252)
Administrative and financial support	1,545,731	-	202,635	-	(1,343,096)	-	(1,343,096)
Operation and maintenance of plant	1,224,628	8,825	110,678	-	(1,105,125)	-	(1,105,125)
Pupil transportation	859,024	-	-	-	(859,024)	-	(859,024)
Student activities	444,298	16,602	27,657	-	(400,039)	-	(400,039)
Facilities acquisition, construction and improvement	14,000	-	-	-	(14,000)	-	(14,000)
Community service	60	-	-	-	(60)	-	(60)
Interest on long-term debt	159,752	-	-	278,514	118,762	-	118,762
Unallocated depreciation	638,118	-	-	-	(638,118)	-	(638,118)
Total governmental activities	<u>15,250,624</u>	<u>25,427</u>	<u>3,781,469</u>	<u>278,514</u>	<u>(11,165,214)</u>	<u>-</u>	<u>(11,165,214)</u>
Business-type activities							
School lunch fund	656,618	83,833	579,151	-	-	6,366	6,366
Total primary government	<u>\$ 15,907,242</u>	<u>\$ 109,260</u>	<u>\$ 4,360,620</u>	<u>\$ 278,514</u>	<u>(11,165,214)</u>	<u>6,366</u>	<u>(11,158,848)</u>
General Revenues							
Property taxes and other tax items					3,868,004	-	3,868,004
General purpose grants, subsidies and contributions					7,258,087	-	7,258,087
Earnings on investments					68,764	-	68,764
Miscellaneous income					213,202	-	213,202
Total general revenues					<u>11,408,057</u>	<u>-</u>	<u>11,408,057</u>
Changes in Net Position					<u>242,843</u>	<u>6,366</u>	<u>249,209</u>
Net Position - Beginning, as Previously Stated					(10,699,182)	(313,649)	(11,012,831)
Cumulative Effect of Change in Accounting Principle					(1,330,239)	(24,797)	(1,355,036)
Restatement					-	16,258	16,258
Net Position - Beginning					<u>(12,029,421)</u>	<u>(322,188)</u>	<u>(12,351,609)</u>
Net Position - Ending					<u>\$ (11,786,578)</u>	<u>\$ (315,822)</u>	<u>\$ (12,102,400)</u>

The accompanying notes are an integral part of these financial statements.

CANTON AREA SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 4,229,975	\$ -	\$ 4,229,975
Investments	1,550,977	-	1,550,977
Taxes receivable	361,294	-	361,294
Due from other funds	15,456	-	15,456
Due from other governments	781,327	-	781,327
Inventories	<u>5,801</u>	<u>-</u>	<u>5,801</u>
Total Assets	<u>\$ 6,944,830</u>	<u>\$ -</u>	<u>\$ 6,944,830</u>
Liabilities			
Accounts payable	\$ 176,672	\$ -	\$ 176,672
Payroll accruals and withholdings	<u>1,803,943</u>	<u>-</u>	<u>1,803,943</u>
Total liabilities	<u>1,980,615</u>	<u>-</u>	<u>1,980,615</u>
Deferred Inflows of Resources			
Unavailable revenues - property taxes	<u>233,847</u>	<u>-</u>	<u>233,847</u>
Fund Balances			
Nonspendable			
Inventories	5,801	-	5,801
Assigned			
Reserve for subsequent year	253,600	-	253,600
Reserve for PSERS/health insurance	3,225,822	-	3,225,822
Unassigned	<u>1,245,145</u>	<u>-</u>	<u>1,245,145</u>
Total fund balances	<u>4,730,368</u>	<u>-</u>	<u>4,730,368</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,944,830</u>	<u>\$ -</u>	<u>\$ 6,944,830</u>

The accompanying notes are an integral part of these financial statements.

CANTON AREA SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018

Total Governmental Fund Balances		\$	4,730,368
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds. These assets consisted of the following:</p>			
Capital assets - not depreciated			1,265,599
Land			1,265,599
Capital assets - net of depreciation			
Site improvements	\$	2,831,212	
Buildings		21,638,409	
Library and textbooks		495,398	
Vehicles		47,470	
Equipment, furniture and fixtures		<u>2,135,108</u>	
Total depreciable capital assets		27,147,597	
Less, accumulated depreciation		<u>(16,223,557)</u>	
Total depreciable capital assets - net of depreciation			10,924,040
<p>Other long-term asset is not available to pay for current period expenditures and therefore is deferred in the funds. This asset consists of the following:</p>			
Deferred refunding proceeds		21,370	
Less accumulated amortization		<u>(2,374)</u>	
Total deferred refunding proceeds - net			18,996
<p>Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of the following:</p>			
Bonds payable - net of premium		(6,368,603)	
Accrued interest		(19,301)	
Compensated absences		<u>(172,477)</u>	
Total liabilities			(6,560,381)
<p>Property taxes receivable not considered available for current operations are deferred inflows of resources in the government funds but recognized as revenue in the statement of activities.</p>			
			233,847
<p>Pension and OPEB related assets, liabilities, deferred inflows and outflows are not financial resources or are not due and payable in the current period and therefore are not reported in the funds. These consist of the following:</p>			
Deferred outflows of resources - pensions		3,443,487	
Deferred inflows of resources - pensions		(760,817)	
Separately financed specific liabilities - pension		(3,927)	
Net pension liability - proportionate share		(23,611,848)	
OPEB liability - local		(585,439)	
OPEB liability - proportionate share		(973,846)	
Deferred outflows of resources - OPEB - local		111,029	
Deferred outflows of resources - OPEB - proportionate share		53,192	
Deferred inflows of resources - OPEB - proportionate share		(70,682)	
Separately financed specific liabilities - OPEB - proportionate share		<u>(196)</u>	
Total pension and OPEB related items			<u>(22,399,047)</u>
Net Position of Governmental Activities		\$	<u>(11,786,578)</u>

The accompanying notes are an integral part of these financial statements.

CANTON AREA SCHOOL DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 4,368,894	\$ -	\$ 4,368,894
State sources	10,742,248	-	10,742,248
Federal sources	<u>367,028</u>	-	<u>367,028</u>
Total revenues	<u>15,478,170</u>	<u>-</u>	<u>15,478,170</u>
Other Financing Sources			
Interfund transfers in	<u>-</u>	<u>933,882</u>	<u>933,882</u>
Total revenues and other financing sources	<u>15,478,170</u>	<u>933,882</u>	<u>16,412,052</u>
Expenditures			
Instructional	9,340,592	-	9,340,592
Instructional student support	876,709	-	876,709
Administrative and financial support	1,512,641	-	1,512,641
Operation and maintenance of plant	1,207,466	-	1,207,466
Pupil transportation	859,024	-	859,024
Student activities	436,043	-	436,043
Facilities acquisition, construction and improvement	14,000	-	14,000
Community service	60	-	60
Debt service	<u>-</u>	<u>933,882</u>	<u>933,882</u>
Total expenditures	<u>14,246,535</u>	<u>933,882</u>	<u>15,180,417</u>
Other Financing Uses			
Interfund transfers out	<u>933,882</u>	<u>-</u>	<u>933,882</u>
Total expenditures and other financing uses	<u>15,180,417</u>	<u>933,882</u>	<u>16,114,299</u>
Change in Fund Balance	297,753	-	297,753
Fund Balance - Beginning	<u>4,432,615</u>	<u>-</u>	<u>4,432,615</u>
Fund Balance - Ending	<u>\$ 4,730,368</u>	<u>\$ -</u>	<u>\$ 4,730,368</u>

The accompanying notes are an integral part of these financial statements.

CANTON AREA SCHOOL DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balance of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balance - Total Governmental Funds	\$	297,753
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are the following:		
Capital outlay	\$ 78,300	
Depreciation expense	(638,118)	
Disposals	<u>(2,190)</u>	
Total capital outlay and depreciation expense		(562,008)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term debt in the statement of net position. In the current period, this amounted to the following:		
Debt repayments - principal		767,781
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. In the current period, these amounts are the following:		
Change in compensated absences		1,355
Change in other postemployment benefits liability and related items - local		(16,586)
Change in other postemployment benefits liability and related items - proportionate share		1,318
Deferred refunding proceeds are expensed in the governmental funds but capitalized and amortized in the statements of net position:		
Amortization of deferred refunding proceeds		(2,374)
Debt premiums are expensed in the governmental funds but shown net in bonds payable and amortized in the statement of net position:		
Amortization of bond premiums		6,766
Changes in the proportionate share of net pension asset/liability reported in the statement of activities do not provide for or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds:		
		(268,416)
Other differences:		
Change in unavailable revenues from property taxes	15,297	
Change in accrued interest	<u>1,957</u>	
Total other differences		<u>17,254</u>
Change in Net Position of Governmental Activities	\$	<u>242,843</u>

The accompanying notes are an integral part of these financial statements.

CANTON AREA SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2018

	<u>School Lunch Fund</u>
Current Assets	
Cash and cash equivalents	\$ 42,340
Due from other governments	62,394
Inventories	<u>13,237</u>
Total current assets	<u>117,971</u>
Capital Assets - Net	<u>17,227</u>
Deferred Outflows of Resources	
Deferred outflows of resources - pensions	64,191
Deferred outflows of resources - OPEB - local	2,070
Deferred outflows of resources - OPEB - proportionate share	<u>991</u>
Total deferred outflows of resources	<u>67,252</u>
Current Liabilities	
Due to other funds	<u>15,456</u>
Total current liabilities	<u>15,456</u>
Long-Term Liabilities	
Compensated absences	3,446
Separately financed specific liabilities - OPEB - proportionate share	4
OPEB liability - local	10,913
OPEB liability - proportionate share	18,154
Separately financed specific liabilities - pension	73
Net pension liability - proportionate share	<u>440,152</u>
Total long-term liabilities	<u>472,742</u>
Deferred Inflows of Resources	
Deferred inflows of resources - pensions	14,183
Deferred inflows of resources - OPEB - proportionate share	1,318
Advances on future period revenues	<u>14,573</u>
Total deferred inflows of resources	<u>30,074</u>
Net Position	
Net investment in capital assets	17,227
Unrestricted	<u>(333,049)</u>
Total net position	<u>\$ (315,822)</u>

The accompanying notes are an integral part of these financial statements.

CANTON AREA SCHOOL DISTRICT
Statement of Revenues, Expenses and Change in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	School Lunch Fund
Operating Revenues	
Charges for services	\$ <u>83,833</u>
Operating Expenses	
Salaries and benefits	237,988
Services and supplies	408,719
Repairs and maintenance	4,552
Depreciation	<u>5,359</u>
Total operating expenses	<u>656,618</u>
Operating Loss	<u>(572,785)</u>
Nonoperating Revenues	
State sources	54,565
Federal sources	<u>524,586</u>
Total nonoperating revenues	<u>579,151</u>
Change in Net Position	<u>6,366</u>
Net Position - Beginning, as Previously Stated	(313,649)
Cumulative Effect of Change in Accounting Principle	(24,797)
Restatement	<u>16,258</u>
Net Position - Beginning	<u>(322,188)</u>
Net Position - Ending	<u>\$ (315,822)</u>

The accompanying notes are an integral part of these financial statements.

CANTON AREA SCHOOL DISTRICT
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	School Lunch Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 85,524
Payments to suppliers	(413,335)
Payments to employees	(233,484)
Net cash flows used in operating activities	<u>(561,295)</u>
Cash Flows from Noncapital Financing Activities	
State sources	54,599
Federal sources	523,477
Net cash flows provided by noncapital financing activities	<u>578,076</u>
Change in Cash and Cash Equivalents	16,781
Cash and Cash Equivalents - Beginning	<u>25,559</u>
Cash and Cash Equivalents - Ending	<u>\$ 42,340</u>
Reconciliation of Operating Loss to Net Cash Flows used in Operating Activities	
Operating loss	\$ (572,785)
Adjustments	
Depreciation expense	5,359
Changes in assets, liabilities and deferred inflows of resources	
Inventories	(62)
Accounts payable	(2)
Due to other funds	(485)
Advances on future period revenues	1,691
Other current or noncurrent liabilities	4,989
Net Cash Flows used in Operating Activities	<u>\$ (561,295)</u>

The accompanying notes are an integral part of these financial statements.

CANTON AREA SCHOOL DISTRICT
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	<u>Private- Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents - restricted	\$ <u>51,321</u>	\$ <u>125,292</u>
Total Assets	\$ <u>51,321</u>	\$ <u>125,292</u>
Liabilities		
Other liabilities	\$ -	\$ <u>125,292</u>
Net Position		
Restricted		
Held in trust for student activities	<u>51,321</u>	
Total Liabilities and Net Position	\$ <u>51,321</u>	

The accompanying notes are an integral part of these financial statements.

CANTON AREA SCHOOL DISTRICT
Statement of Change in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	<u>Private- Purpose Trust</u>
Additions	
Contributions	\$ 22,876
Interest income	<u>9,277</u>
Total additions	32,153
Deductions	
Awards and donations	<u>21,217</u>
Change in Net Position	10,936
Net Position - Beginning	<u>40,385</u>
Net Position - Ending	<u>\$ 51,321</u>

The accompanying notes are an integral part of these financial statements.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

District Overview

The Canton Area School District is located in Bradford, Lycoming and Tioga Counties in the northeastern section of the Commonwealth of Pennsylvania, with the Borough of Canton as the center of the District. The Borough of Canton is approximately 40 miles north of the city of Williamsport, Pennsylvania and 35 miles south of the city of Elmira, New York. The Canton Area School District includes the Borough of Canton and the Townships of Canton and LeRoy in Bradford County; the Townships of McIntyre and McNett in Lycoming County; and the Township of Union in Tioga County. The District is comprised of two schools, the Canton Area Elementary School and the Canton Jr/Sr High School.

Financial Reporting Entity

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity* and Statement No. 61, *The Financial Reporting Entity: Omnibus*, the District has reviewed and evaluated its relationship with various agencies to determine if these agencies should be included in the annual financial statements of the District. The decision to include a potential component unit in the District's reporting entity is based on several criteria set forth in GASB Statements No. 14 and No. 61, including legal standing, fiscal dependency and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities considered in determining the District's reporting entity.

- ◆ BLaST Intermediate Unit # 17
- ◆ Bradford County Tax Collection Committee
- ◆ Northern Tier Insurance Consortium
- ◆ Northern Tier Career Center

There were no situations in which the District designates management of an agency or where the District was able to significantly influence operations of an agency. The District does not solely fund deficits or receive the surplus funds of any other agency. There is no outstanding debt that is an obligation solely of the District, and the District does not contribute to a significant part of any other agency's revenues. The District is responsible for its proportionate share of the Northern Tier Career Center's ("NTCC") debt, along with other member districts of the Northern Tier Career Center. The NTCC is therefore considered a joint venture. Based on the above criteria, the District has not included any of the agencies listed above in the District's annual financial statements. These agencies are considered separate legal entities and are responsible for their own independent audits. Separately issued financial statements of these entities can be obtained from their respective administrative offices:

BlaST Intermediate Unit # 17
33 Springbrook Drive
Canton, Pennsylvania 17724

Bradford County Tax Collection Committee
410 State Street
Towanda, Pennsylvania 18848

Northern Tier Insurance Consortium
33 Springbrook Drive
Canton, Pennsylvania 17724

Northern Tier Career Center
120 Career Center Lane
Towanda, Pennsylvania 18848

Basis of Presentation

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The District complies with the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement codifies all sources of accounting principles generally accepted in the United States of America into the GASB's authoritative literature. The District also complies with the provisions of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. These statements provide guidance on presenting deferred outflows, deferred inflows and net position. The District's most significant accounting policies to the financial statements are described in the following paragraphs.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

The District's basic financial statements consist of government-wide financial statements, including the statement of net position and the statement of activities and fund financial statements which provide a more detailed level of information.

Government-Wide Financial Statements

The government-wide financial statements, which consist of the statement of net position and the statement of activities, report information on all of the non-fiduciary activities of the primary government. Governmental activities, which are supported primarily through governmental subsidies and taxes, are reported separately from business-type activities, which are intended to be funded primarily through fees and charges for goods or services. The fiduciary funds are excluded from the government-wide financial statements.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each program or function of the District's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Indirect expenses are allocated among the programs, functions and segments using a full cost allocation approach and are combined with direct expenses activity.

Program revenues include (1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function (2) grants and contributions that are restricted to meeting the operational requirements of a particular function and (3) grants and contributions that are restricted to meeting the capital requirements of a particular function.

General revenues include taxes and other revenues not specifically identifiable with a particular program or function of the District.

Fund Financial Statements

The accounting system is organized and separated on a fund basis. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities of the District and attaining certain objectives in accordance with special regulations, restrictions or limitations. The emphasis of fund financial statements is on major funds, each of which are displayed in a separate column. All remaining funds are aggregated and reported as total nonmajor funds. There are three categories of funds: governmental, proprietary and fiduciary.

Governmental Funds - Governmental funds are funds through which most governmental functions are financed. The only major governmental funds of the District are the general fund and the debt service fund. The general fund is the principal operating fund and includes all operations not required to be recorded in other funds. The debt service fund accounts for accumulation of resources and the payment of principal and interest on long-term obligations for governmental activities.

Proprietary Fund - The proprietary fund is used to account for ongoing activities which are similar to those often found in the private sector. The District's only proprietary fund is the school lunch fund. The school lunch fund accounts for activities that are usually self-sustaining, all or in part, through user charges for services rendered.

The proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from producing and delivering goods, and providing services in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Fiduciary Funds - These are funds that account for the assets held by the District as a trustee or agent for individuals, private organizations and governmental units. These assets are not available to support the District's programs. The fiduciary funds of the District include the private-purpose trust fund and agency fund. The private-purpose trust fund is used to account for assets held by the District in a trustee capacity. This fund accounts for various scholarship programs for students. The agency fund is used to account for assets held and administered by the District for a third party. Student activities assets are accounted for in this fund.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured. Basis of accounting refers to when revenues and expenses or expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting also relates to the timing of the measurement made, regardless of the measurement focus applied.

Accrual Basis - The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The economic resources measurement focus means that all of the assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operations (whether current or non-current) of the District are included in the statement of net position. The statement of activities presents increases (revenues) and decreases (expenses) in total net position.

Modified Accrual Basis - The governmental fund financial statements are accounted for using the modified accrual basis of accounting and use the current financial resources measurement focus. Under the modified accrual basis, revenues are recognized in the accounting period in which they become measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to finance any of the liabilities of the current period. For the District, available means expected to be received within sixty days of year end. With this measurement focus only current assets, deferred outflows of resources, liabilities and deferred inflows of resources are included on the balance sheet. Property taxes and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The statement of revenues, expenditures and changes in fund balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources.

Reconciliations accompany the governmental fund financial statements to reconcile and explain the differences between fund balances and changes in fund balances, as presented in the fund financial statements, and net position and changes in net position, as presented in the government-wide financial statements.

Future Changes in Accounting Standards

GASB has issued Statement No. 83 - *Certain Asset Retirement Obligations*. Effective for periods beginning after June 15, 2018.

GASB has issued Statement No. 84 - *"Fiduciary Activities."* Effective for periods beginning after December 15, 2018.

GASB has issued Statement No. 87 - *"Leases."* Effective for periods beginning after December 15, 2019.

GASB has issued Statement No. 88 - *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*. Effective for periods beginning after June 15, 2018.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

GASB has issued Statement No. 89 - *Accounting for Interest Cost Incurred before the End of a Construction Period*. Effective for periods beginning after December 15, 2019.

GASB has issued Statement No. 90 - *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. Effective for periods beginning after December 15, 2018.

The District will evaluate the impact each of these pronouncements may have on its financial statements and will implement them as applicable and when material.

Use of Estimates

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on informed estimates and judgments of management with consideration given to materiality. Actual results may differ from those estimates.

Cash and Cash Equivalents

For purposes of reporting in the statements of net position, the balance sheet and the statement of cash flows, the District includes all cash accounts and all highly liquid debt instruments purchased with an original maturity of three months or less in cash and cash equivalents. The District may invest excess cash in certificates of deposit with high credit quality financial institutions.

Investments

Investments held by the District are reported at their fair market value based on quoted prices in actively traded markets as of year end. The District's investment policy and the Pennsylvania School Code establish criteria for the type of investments that can be held by the District. Investment income and changes in the fair value of investments are recorded as earnings on investments in the government-wide statement of activities and included in local sources on the statement of revenues, expenditures and changes in fund balances.

Taxes Receivable

Taxes receivable consisted of property taxes levied and uncollected as of year end for the current property tax levy and previous property tax levies. Taxes receivable also included earned income taxes uncollected as of year end.

Internal Balances

Short-term interfund receivables and payables are classified as current assets and liabilities in the fund financial statements. Short-term interfund receivables and payables between governmental activities and business-type activities are netted on the government-wide statement of net position. Short-term interfund receivables and payables between governmental and fiduciary funds are listed as internal balances on the government-wide statement of net position.

Due from Other Governments

The District reports amounts as due from other governments, which consist of funds claimed but not received from various federal, state and other governmental agencies.

Inventories

Inventories are valued at cost, or fair value if donated, using the first-in/first-out ("FIFO") method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Capital Assets

Capital assets are reported in the governmental activities column on the government-wide statement of net position but are reported as expenditures in the governmental fund financial statements. Capital assets purchased and used by the proprietary fund are recorded in both the business-type activities column in the government-wide statement of net position and in the respective proprietary fund financial statement of net position.

The District has established a capital asset policy which defines capital assets and establishes criteria for capitalization and depreciation. Capital assets are recorded at historical cost for purchased or constructed assets and at estimated fair market value for donated assets. The District's capitalization policy also establishes a capitalization threshold, which defines the dollar threshold for capitalizing assets and a useful-life range for each capital asset class. All capital assets are depreciated, with the exception of construction in progress and land. Depreciation is calculated using the straight-line method. Capital assets, which include land, construction in progress, site improvements, buildings, library and textbooks, vehicles, and equipment, furniture and fixtures are reported in the government-wide statement of net position.

	<u>Capitalization Threshold</u>	<u>Years</u>
Land	All assets	N/A
Site improvements	\$1,000	20
Buildings	\$1,000	40
Library and textbooks	\$1,000	5-10
Vehicles	\$1,000	9
Equipment, furniture and fixtures	\$1,000	10-15

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities are reported on the government-wide financial statements in their entirety. Governmental fund payables and accrued liabilities are recognized as fund liabilities when incurred.

Unavailable Revenues - Property Taxes

Unavailable revenues from property taxes are reported in the governmental fund financial statements when potential revenues do not meet both the measurable and available criteria for recognition in the current period.

Statute provides the authority for the District to levy taxes to be used to finance expenditures within the first 60 days of the succeeding fiscal year. Consequently, such amounts are recognized as revenue in the subsequent fiscal year, rather than when measurable and available.

Unavailable revenues from property taxes that were recorded in the governmental funds for resources that are earned but not available are recorded as revenue in the government-wide statements.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position reports a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense / expenditures) until then. The government has the following items that qualify for reporting in this category.

The first is a deferred charge on refunding of debt reported in the district-wide statement of net position. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to pensions reported in the district-wide and proprietary fund statements of net position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension system not included in pension expense. Also included in this item are the District contributions to the pension system subsequent to the measurement date. The last represents the effect of the net change in the

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

District's OPEB liability and the difference between actual and expected experience, changes in assumptions, difference between projected and actual investment earnings and other inputs related to the OPEB liability. Also included in this item are the Districts contributions to the OPEB plan subsequent to the measurement date.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has three items that qualify for reporting in that category. The first item represents contract revenues received in prior years that are being recognized in the current year. The second item is related to pensions reported in the district-wide statement of net position. This represents the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. The third item is related to advances on future period revenues. This represents amounts already received for future school lunch sales. The last item represents the changes in assumptions and changes in proportion related to the OPEB liability.

Long-Term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities statement of net position. Bond premiums and discounts result from a difference between the debt amount to be repaid by the District and the amount of proceeds received by the District. Bond premiums and discounts are amortized as a component of interest expense over the life of the debt obligation using the straight line method. Deferred gains or losses on refundings of debt result from the difference between the reacquisition price and the net carrying amount of the old debt. Deferred gains or losses on refundings of debt are reported as a deferred outflow of resources or a deferred inflow of resources and amortized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter using the straight line method. In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, and deferred gains or losses on refundings of debt in the current period. The face amount of debt issued is reported as other financing sources in the governmental fund financial statements. Premiums and discounts received on debt issuances are reported as other financing sources and uses. Bonds are presented net of remaining premiums and discounts on the statement of net position. Deferred gains or losses on refundings of debt are reported as deferred refunding proceeds on the statement of net position, net of applicable amortization.

Accounting and Financial Reporting for Pensions

The District complies with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions – Amendment to GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. The primary objective of the Statements is to improve accounting and financial reporting by state and local governments for pensions. The implementation of the Statements requires the District to report as a liability its portion of the collective pension liability in the Commonwealth of Pennsylvania Public School Employees' Retirement System ("PSERS"). The implementation of the Statements also requires the District to report a deferred outflow and/or inflow of resources for the effect of the net change in the District's proportion of the collective net pension liability and difference during the measurement period between the District's contributions and its proportionate share of total contributions to the pension systems not included in pension expense. Also included as a deferred outflow of resources is the District contributions to the pension systems subsequent to the measurement date.

The District complies with GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The primary objective of the Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. The Statement clarifies certain provisions with regard to the accounting and financial reporting for separately financed specific liabilities for defined benefit plans.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Accounting and Financial Reporting for Post Employment Benefits

During the year ended June 30, 2018, the District adopted provisions of GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). See Note 9 and Note 16 of the financial statements for the impact of the implementation on the financial statements.

Compensated Absences, Vacation and Sick Leave

Vested compensated absences are accrued in proprietary fund types as they are earned by employees. Compensated absences related to governmental activities are accrued in the government-wide financial statements as they are earned by the employees and accrued in the governmental fund financial statements when payable from current financial resources. Employees of the District are entitled to paid sick and personal days depending on job classification, length of service and other factors. The District has calculated the accumulated sick days for each employee based on an agreed-upon amount of \$30 per day. Certain employees are also entitled to payment for all earned vacation days at termination or retirement at each employee's current rate.

Net Position and Fund Balance

Government-wide Financial Statements - Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied. Net position in the statement of net position includes the following:

Net Investment in Capital Assets - The component of net position that reports the difference between capital assets, bond discounts and deferred refunding proceeds, less both the accumulated depreciation and the outstanding balance of debt and bond premiums. Unspent bond proceeds are excluded. This amounted to \$5,857,259 for the primary government as of June 30, 2018.

Restricted - The components of restricted net position reports amounts restricted by external parties. There were no restricted amounts as of June 30, 2018.

Unrestricted - The difference between the assets and deferred outflows of resources and the liabilities and deferred inflows of resources that is not reported as restricted or net investment in capital assets. This amounted to a deficit of \$17,959,659 for the primary government as of June 30, 2018.

Governmental Fund Financial Statements - In the governmental fund financial statements, the District reports fund balances in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. GASB Statement No. 54 improves the usefulness and clarity of fund balance categories to make the nature and extent of the constraints placed on a District's fund balances more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable Fund Balance - amounts that are not in spendable form (such as inventory and prepaids) or are required to be maintained intact.

Restricted Fund Balance - amounts with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Committed Fund Balance - amounts constrained to specific purposes by a government itself, using its highest level of decision making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint. For the purposes of the District, the highest level of decision making authority resides with the Board of Education.

Assigned Fund Balance - amounts a government intends to use for a specific purpose. Intent can be expressed by the governing body or by an official or body to which the Board of Education delegates the authority. For the purposes of the District, the Board of Education has delegated authority to the Business Manager.

Unassigned Fund Balance - amounts that are available for any purpose.

For the classification of governmental fund balances, the District considers an expenditure to be made from the budgetary appropriations first when more than one classification is available. The District establishes and modifies fund balance commitments by a passage of a resolution in meetings of the Board of Education. Assigned fund balance is established by the District through adoption or amendment of the budget as intended for specific purposes (such as the purchase of capital assets, construction, debt service or for other purposes). The District's Business Manager is responsible for all the purchasing activities of the District and encumbrances at year end, which are considered assigned funds and therefore, the Business Manager is designated as having the authority to assign amounts intended to be used for specific purposes. The Board of Education approves the adoption and amendment of the budget and has the authority of final review of all assignments of fund balance.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balances). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balances in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

The following is a summary of the District's fund balance classifications and categories within those classifications held at the fiscal year ended June 30, 2018:

Nonspendable

Inventories - Amounts related to inventory for natural gas used for heating that is not in spendable form. Nonspendable fund balance amounted to \$5,801 for all governmental funds as of June 30, 2018.

Assigned

Reserve for Subsequent Year - Reserve for subsequent year represents the estimated fund balance that is appropriated into the adopted budget. The balance at June 30, 2018, was \$253,600.

Reserve for PSERS/Health Insurance - Reserve for PSERS/Health Insurance represents assigned funds used to finance the employer portion of future retirement and health insurance payments for the District. This amounted to \$3,225,822 for all governmental funds as of June 30, 2018.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Unassigned

Unassigned - Unassigned fund balance consisted of excess funds that have not been classified in the previous categories. All funds in this category are considered spendable resources. This category also provides the resources necessary to meet unexpected expenditures and revenue shortfalls. This amounted to \$1,245,145 for all governmental funds as of June 30, 2018.

Property Taxes

The District levies property taxes based on the assessed value of the real estate within the District's borders. The assessed values are determined by the counties in which the District resides. The District levies the tax each July 1, the discount period ends August 31, face period ends October 31 and the penalty period ends December 31. Uncollected taxes at December 31 are turned over to the applicable County for collection and liens are placed against the property by the applicable County.

Interfund Transfers

Interfund transfers are reported as other financing sources and uses in governmental funds. These internal balances are reported as nonoperating revenues and expenses in the proprietary fund.

Exchange transactions between funds are reported as revenues in the seller funds, and as expenditures or expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as an interfund transfer.

Note 2. Cash and Cash Equivalents

Carrying amounts of cash and cash equivalents as of June 30, 2018, appear in the financial statements as summarized below:

Cash and cash equivalents - governmental funds, balance sheet	\$ 4,229,975
Cash and cash equivalents - school lunch fund, statement of net position	42,340
Cash and cash equivalents - fiduciary funds, statement of net position	<u>176,613</u>
Total cash and cash equivalents	<u>\$ 4,448,928</u>

Deposits are valued at cost or cost plus interest and are categorized as either (1) insured, or collateralized with securities held by the District's agent in the District's name, (2) uninsured, and for which the securities are held by the financial institution or its trust department in the District's name, or (3) uncollateralized.

At June 30, 2018, the bank balance of deposits held was \$5,991,565. Financial institutions used by the District are required to secure deposits of all "public bodies" with a pledge of collateral in accordance with Pennsylvania Pledge Act 72 (72 P.S. Section 3836-1 et seq.). Therefore, all of the District's deposits were deemed to be fully collateralized at June 30, 2018.

Accounts covered by FDIC insurance coverage for a government unit are insured up to \$250,000 for the combined amount of all time and savings accounts (including NOW accounts) and up to \$250,000 for all demand deposit accounts (interest-bearing and noninterest-bearing).

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 3. Investments

The District's investment policy and the Pennsylvania School Code establish criteria for the type of investments that can be held by the District. Permissible investments include obligations of the U.S. Treasury and U.S. Agencies, repurchase agreements, and obligations of Pennsylvania or its localities.

Carrying amounts of investments as of June 30, 2018, appear in the financial statements as summarized below:

Investments - governmental funds, balance sheet	\$ 1,550,977
Investments - school lunch fund, statement of net position	-
Investments - fiduciary funds, statements of net position	-
Total investments	<u>\$ 1,550,977</u>

Investments measured at cost plus accrued interest

The District invest cash in excess of its immediate needs in certificates of deposit with high credit quality financial institutions. Non negotiable certificates of deposit are valued at cost plus accrued interest, which approximates fair value due to the short-term nature of these investments. Investments in non negotiable certificates of deposit consisted of the following at June 30, 2018:

<u>Fund</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Original Maturity</u>
General fund	\$ 1,550,977	.90 %	24-35 months

The certificate is subject to a fixed interest rate at .90% and has original maturity of twenty-four to thirty-five months, with penalties for early withdrawal. Any penalties would not have a material effect on the financial statements.

Interest Rate Risk - In accordance with its investment policy, the District manages its exposure by requiring the individual responsible for the investments to report monthly on the following:

1. Amount of funds invested
2. Interest earned and received to date.
3. Types and amounts of each investment and the interest rate of each.
4. Names of the institutions where investments are placed
5. Current market value of the funds invested.
6. Other information required by the Board of Education.

Credit Risk - The District's investment policy states that the District is to only invest in authorized instruments that are backed by the "full faith and credit" of the federal or state government and those that are limited to those with the highest credit rating available for such instruments issued by a recognized organization. If, after purchase, the rating of any instrument is reduced and is no longer in compliance with this policy, the individual responsible for the District's investments shall advise the Board of Education at the earliest opportunity of such action and make recommendations for altering investments.

Concentration of Credit Risk - The District's investment policy places no limit on the amount the District may invest in any one issuer. However, the District's investment policy calls for portfolio diversification. The Board of Education is to receive notification upon any concentration of investments.

Section 440.01 of the Pennsylvania School Code authorizes the District to invest in the following:

- United States treasury bills;
- Short-term obligations of the United States government or its agencies. Short-term obligations usually refer to investments of less than 13 months.
- Deposits in savings accounts or time deposits or share accounts of institutions insured by:
 1. The Federal Deposit Insurance Corporation (FDIC), or
 2. The Federal Savings and Loan Insurance Corporation, or
 3. The National Credit Union Share Insurance Fund.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

- Collateral, as provided by law, shall be pledged by the depository against any remaining uninsured balance.
- Obligations of the United States of America or any of its agencies or instruments backed by the full faith and credit of the United States of America, the Commonwealth of Pennsylvania or any of its agencies or instrumentalities. Full faith and credit means the obligation is backed by the government's ability to levy taxes to repay debt. These investments include any bonds issued by the Commonwealth of Pennsylvania or any municipality or school district carrying the backing of the taxation powers of the governmental unit issuing the debt. Some investments of the Federal government do not have full faith and credit backing. Fannie-Mae (FNMA) and Freddy-Mac (FNMC) bonds do not. Ginnie-Mae (GNMA) bonds do have full faith and credit backing.
- Shares of an investment company registered under the Investment Company Act of 1940 whose shares are registered under the Securities Act of 1933 provided that the following are met:
 1. The only investments of that company are in the authorized investments for school district funds listed in the categories above, and repurchase agreements fully collateralized by such investments.
 2. The investment company is managed so as to maintain its shares as a constant net asset value in accordance with 17 CFR 270 2a-7 (relating to money market funds).
 3. The investment company is rated in the highest category by a nationally recognized rating agency.

The District's investment policy prohibits the District from investing in foreign currency and would not have any related risk that would require disclosure pursuant to GASB Statement No. 40, *Deposit and Investment Risk Disclosures*.

Note 4. Taxes Receivable

Taxes receivable consisted of the following at June 30, 2018:

<u>Description</u>	<u>Amount</u>
Property taxes receivable	\$ 259,602
Earned income taxes receivable	<u>101,692</u>
Total	<u>\$ 361,294</u>

Note 5. Due from Other Governments

The District reports amounts as due from other governments, which consists of funds claimed but not received from various state, federal and other governmental agencies. The District believes that all amounts due from other governments are fully collectible, therefore no allowance for doubtful accounts has been recorded. Due from other governments consisted of the following at June 30, 2018:

<u>Description</u>	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Total</u>
State receivables	\$ 488,147	\$ 3,383	\$ 491,530
Federal receivables	<u>293,180</u>	<u>59,011</u>	<u>352,191</u>
Total	<u>\$ 781,327</u>	<u>\$ 62,394</u>	<u>\$ 843,721</u>

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 6. Internal Balances

Internal balances for each fund of the primary government were comprised of the following at June 30, 2018:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 15,456	\$ -
School lunch fund	<u>-</u>	<u>15,456</u>
Total	<u>\$ 15,456</u>	<u>\$ 15,456</u>

Internal balances of the District are utilized to:

- (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them
- (2) move expenditures from chargeable funds to a single fund for disbursement and
- (3) compensate for the time lag between the dates interfund goods and services are provided or reimbursable and the payments are actually made between the funds.

Interfund transfers for each fund of the primary government were comprised of the following at June 30, 2018:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 933,882
Debt service fund	<u>933,882</u>	<u>-</u>
Total	<u>\$ 933,882</u>	<u>\$ 933,882</u>

Interfund transfers of the District are utilized to pay debt principal and interest on bonds payable.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 7. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital Assets Not Depreciated				
Land	\$ <u>1,265,599</u>	\$ _____ -	\$ _____ -	\$ <u>1,265,599</u>
Capital Assets Depreciated				
Site improvements	2,831,212	-	-	2,831,212
Buildings	21,638,409	-	-	21,638,409
Library and textbooks	495,398	-	-	495,398
Vehicles	47,470	-	-	47,470
Equipment, furniture and fixtures	<u>2,317,856</u>	<u>78,300</u>	<u>(261,048)</u>	<u>2,135,108</u>
Total capital assets depreciated	<u>27,330,345</u>	<u>78,300</u>	<u>(261,048)</u>	<u>27,147,597</u>
Less - Accumulated Depreciation				
Site improvements	1,402,614	120,730	-	1,523,344
Buildings	11,881,788	409,564	-	12,291,352
Library and textbooks	495,398	-	-	495,398
Vehicles	28,642	2,896	-	31,538
Equipment, furniture and fixtures	<u>2,035,855</u>	<u>104,928</u>	<u>(258,858)</u>	<u>1,881,925</u>
Total accumulated depreciation	<u>15,844,297</u>	<u>638,118</u>	<u>(258,858)</u>	<u>16,223,557</u>
Total capital assets depreciated - net	<u>11,486,048</u>	<u>(559,818)</u>	<u>(2,190)</u>	<u>10,924,040</u>
Governmental Activities Capital Assets - Net	<u>\$ 12,751,647</u>	<u>\$ (559,818)</u>	<u>\$ (2,190)</u>	<u>\$ 12,189,639</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets Depreciated				
Equipment	\$ 352,280	\$ -	\$ -	\$ 352,280
Less - Accumulated Depreciation				
Equipment	<u>329,694</u>	<u>5,359</u>	<u>-</u>	<u>335,053</u>
Business-Type Activities Capital Assets - Net	<u>\$ 22,586</u>	<u>\$ (5,359)</u>	<u>\$ -</u>	<u>\$ 17,227</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Unallocated depreciation	\$ <u>638,118</u>
Business-Type Activities	
School lunch fund	\$ <u>5,359</u>

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 8. Long-Term Obligations

Summary of Long-Term Obligations

A summary of government-wide long-term debt is detailed in the following schedule as of June 30, 2018:

	<u>Restated Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 7,109,322	\$ -	\$ 767,781	\$ 6,341,541	\$ 780,972
Plus, bond premium	33,828	-	6,766	27,062	6,765
Compensated absences	176,886	-	963	175,923	-
Separately financed specific liabilities - OPEB	-	-	-	-	-
Separately financed specific liabilities - proportionate share	-	200	-	200	-
OPEB liability - local	464,113	132,239	-	596,352	-
OPEB liability - proportionate share	1,011,358	-	19,358	992,000	-
Separately financed specific liabilities - pension	4,000	-	-	4,000	-
Net pension liability	<u>24,828,000</u>	<u>-</u>	<u>776,000</u>	<u>24,052,000</u>	<u>-</u>
	<u>\$33,627,507</u>	<u>\$ 132,439</u>	<u>\$ 1,570,868</u>	<u>\$32,189,078</u>	<u>\$ 787,737</u>

Bonds Payable

The District borrows money in order to acquire land and equipment or to construct buildings and improvements. This enables the cost of these capital assets to be borne by the present and future taxpayers receiving the benefit of the capital assets. These long-term liabilities, which are full faith and credit debt of the District, are recorded in the District-wide statement of net position.

The District had the following serial bonds outstanding as of June 30, 2018:

<u>Purpose</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Serial Bonds, Series 2012	05/2027	2.00-4.20%	\$ 679,322	\$ -	\$ 67,781	\$ 611,541
Serial Bonds, Series 2014	05/2022	2.00-2.35%	3,590,000	-	695,000	2,895,000
Serial Bonds, Series 2015	05/2026	2.73%	2,840,000	-	5,000	2,835,000
Plus, bond premium			<u>33,828</u>	<u>-</u>	<u>6,766</u>	<u>27,062</u>
Total bonds payable - net of premiums			<u>\$ 7,143,150</u>	<u>\$ -</u>	<u>\$ 774,547</u>	<u>\$6,368,603</u>

Maturities of Bonds Payable

The annual aggregate maturities for bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 780,972	\$ 153,873	\$ 934,845
2020	792,098	143,375	935,473
2021	799,341	126,459	925,800
2022	821,613	108,689	930,302
2023	778,964	88,557	867,521
2024 - 2028	<u>2,368,553</u>	<u>137,789</u>	<u>2,506,342</u>
Total	<u>\$ 6,341,541</u>	<u>\$ 758,742</u>	<u>\$ 7,100,283</u>

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

General Obligation Series of 2012 - On June 13, 2012, the District issued General Obligation Bonds, Series of 2012, in the amount of \$1,000,000. Proceeds were used to provide funds to currently refund the District's outstanding General Obligation Bonds, Series 2007 and to pay the cost of issuing the bonds. Interest is payable on May 15 and November 15 of each year, with the principal payments due on May 15. The Series of 2012 bonds will mature on May 15, 2027.

General Obligation Series of 2014 - On September 4, 2014, the District issued General Obligation Bonds, Series of 2014, in the amount of \$5,040,000. Proceeds were used to provide funds to currently refund the District's outstanding General Obligation Bonds, Series 2009A and to pay the cost of issuing the bonds. Interest is payable on May 15 and November 15 of each year, with the principal payments due on May 15. The Series of 2014 bonds will mature on May 15, 2022.

General Obligation Series of 2015 - On September 15, 2015, the District issued a General Obligation Note, Series of 2015, in the amount of \$2,865,000. Proceeds, and an additional \$500,000, were used to provide funds to currently refund the District's outstanding General Obligation Bonds, Series 2010A and to pay the cost of issuing the bonds. Interest is payable on May 15 and November 15 of each year, with the principal payments due on May 15. The Series of 2015 bonds will mature on May 15, 2026.

Interest Expense

For the year ended June 30, 2018, the components of interest expense include the following:

Interest paid	\$ 166,101
Less: interest accrued in the prior year	(21,258)
Add: interest accrued in the current year	19,301
Less: amortization of premium	(6,766)
Add: amortization of deferred refunding	2,374
Total interest expense	\$ 159,752

Note 9. Other Post Employment Benefits Liability

Local Portion

Plan Description and Benefits - The District pays for a portion of eligible retirees' health insurance, depending on eligibility. Eligibility for postretirement benefits is based on age of retiree and years of service and depends upon the associated group or union. The District contributes to the Northern Tier Insurance Consortium Health Care Plan (the Plan), a single employer defined benefit healthcare plan administered by First Priority Life Insurance Company. The Plan provides medical benefits to active and retired employees of the District. The retired employees reimburse the District for 100% of their premium expense and the reimbursed amount is allocate against this expense.

Employees Covered by Benefit Terms - At June 30, 2018, the following employees were covered by the benefit terms:

Participant Data	
Active participants	115
Vested former participants	-
Retired participants	10
Total	125

Total Local OPEB Liability - The District's total local OPEB liability of \$596,352 was measured as of July 1, 2017 and was determined by an actuarial valuation as of July 1, 2017.

Actuarial Methods and Assumptions - Local - The total local OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Actuarial cost method	Entry age normal, as a level percent of salary
Salary scale increases	2.50%
Discount rate	3.13%
Healthcare cost trend rate	6.0% for 2017 and 5.5% in 2018 through 2023. Rates gradually decrease from 5.4% in 2024 to 3.9% in 2025 and later based on the Society of Actuaries Long-Run Medical Cost Trend Model

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index at July 1, 2017. Mortality rates were projected generationally by the Buck Modified 2016 projection scale to reflect mortality improvement.

The following table shows the changes to the total OPEB liability:

	Governmental Activities	Business-type Activities	Total
Original OPEB liability as of July 1, 2017 (under GASB 45)	\$ 120,435	\$ -	\$ 120,435
Cumulative effect of change in accounting principle (required by GASB 75)	<u>362,595</u>	<u>9,004</u>	<u>371,599</u>
Total OPEB liability as of July 1, 2017	483,030	9,004	492,034
Changes for the year:			
Service cost	34,790	649	35,439
Interest	12,524	233	12,757
Differences between expected and actual experience	64,666	1,205	65,871
Changes in assumptions or other inputs	17,839	333	18,172
Benefit payments	<u>(27,410)</u>	<u>(511)</u>	<u>(27,921)</u>
Net changes	<u>102,409</u>	<u>1,909</u>	<u>104,318</u>
Total OPEB liability as of June 30, 2018	<u>\$ 585,439</u>	<u>\$ 10,913</u>	<u>\$ 596,352</u>

Sensitivity of the District's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the District's net OPEB liability calculated using the discount rate of 3.13% per annum (the "current rate"), as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.13%) or 1% point higher (4.13%) than the current rate:

	1% Decrease (2.13%)	Current Assumption (3.13%)	1% Increase (4.13%)
Total Local OPEB Liability	\$ 638,052	\$ 596,352	\$ 556,955

Sensitivity of the total Net OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the local OPEB liability calculated using the healthcare cost trend rate of 6.00% per annum (the "current rate"), as well as what the local OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% point lower (5.00%) or 1% point higher (7.00%) than the current rate:

	1% Decrease (5.00%)	Current Assumption (6.00%)	1% Increase (7.00%)
Local Net OPEB Liability	\$ 536,439	\$ 596,352	\$ 666,633

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized local OPEB expense of \$54,661. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental	Business-type	Governmental	Business-type
	Activities	Activities	Activities	Activities
Differences between actual and expected experience	\$ 59,691	\$ 1,113	\$ -	\$ -
Changes of assumptions	16,467	307	-	-
Differences between projected and actual investment earnings	-	-	-	-
Changes in proportion	-	-	-	-
Employer contributions subsequent to the measurement date	34,871	650	-	-
Totals	\$ 111,029	\$ 2,070	\$ -	\$ -

\$35,521 reported as deferred outflows of resources related to OPEB resulting from District contributions to subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Governmental	Business-type
	Activities	Activities
For the fiscal year ended:		
2019	\$ 6,347	\$ 118
2020	6,347	118
2021	6,347	118
2022	6,347	118
2023	6,347	118
Thereafter	44,423	830
Total	\$ 76,158	\$ 1,420

PSERS - Proportionate Share

Plan Description and Benefits - PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employer or the PSERS' Health Options Program. As of June 30, 2018 there were no assumed future benefit increases to participating eligible retirees.

The PSERS's contractually required contribution rate for the fiscal year ended June 30, 2018 was 0.83% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Health Insurance Premium Assistance Program - PSERS provides Premium Assistance which, is a governmental cost sharing, multiple-employer other postemployment benefit plan (OPEB) for all eligible retirees who qualify and elect to participate. Employer contribution rates for Premium Assistance are established to provide reserves in the Health Insurance Account that are sufficient for the payment of Premium Assistance benefits for each succeeding year. Effective January 1, 2002 under the provisions of Act 9 of 2001, participating eligible retirees are entitled to receive premium assistance payments equal to the lesser of \$100 per month or

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

their out-of-pocket monthly health insurance premium. To receive premium assistance, eligible retirees must obtain their health insurance through either their school employers or the PSERS' Health Options Program. As of June 30, 2018 there were no assumed future benefit increases to participating eligible retirees.

Employees Covered by Benefit Terms - At June 30, 2018, the following employees were covered by the benefit terms:

Participant Data	
Active participants	115
Vested former participants	-
Retired participants	<u>10</u>
Total	<u>125</u>

Total Proportionate Share PSERS OPEB Liability - The District's total proportionate share PSERS OPEB liability of \$992,000 was measured as of June 30, 2017 and was determined by an actuarial valuation as of June 30, 2016. The District's share of the liability was 0.0487%.

Actuarial Methods and Assumptions - PSERS - The total PSERS OPEB liability as of June 30, 2017, was determined by rolling forward the PSERS's total OPEB Liability as of June 30, 2016 to June 30, 2017 using the following PSERS actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay.
- Investment return - 3.13% - S&P 20 year municipal bond rate.
- Salary growth - effective average of 5.00%, comprised of inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Premium assistance reimbursement is capped at \$1,200 per year.
- Assumed healthcare cost trends were applied to retirees with less than \$1,200 in premium assistance per year.
- Mortality rates were based on the RP-2014 mortality tables for males and females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 mortality improvement scale.
- Participation rate:
 - ◆ Eligible retirees will elect to participate pre-age 65 at 50%
 - ◆ Eligible retirees will elect to participate post-age 65 at 70%

The following assumptions were used to determine the contribution rate:

- The results of the actuarial valuation as of June 30, 2015 determined the employer contribution rate for the year ended June 30, 2017.
- Cost method - amount necessary to assure solvency of premium assistance through the third fiscal year after the valuation date.
- Asset valuation method - market value.
- Participation rate - 63% of eligible retirees are assumed to elect premium assistance.
- Mortality rates and retirement ages were based on the RP-2000 combined healthy annuitant tables with age set back 3 years for both males and females for healthy annuitants and for dependent beneficiaries. For disabled annuitants, the RP-2000 combined disabled tables with age set back 7 years for males and 3 years for females for disabled annuitants. (A unisex table based on the RP-2000 combined healthy annuitant tables with age set back 3 years for both genders assuming the population consists of 25% males and 75% females is used to determine actuarial equivalent benefits.)

Investments consist primarily of short term assets designed to protect the principal of the plan assets. The expected rate of return on OPEB plan investments was determined using the OPEB asset allocation policy and best estimates of geometric real rates of return for each asset class.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

The OPEB plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Under the program, as defined in the retirement code employer contribution rates for premium assistance are established to provide reserves in the health insurance account that are sufficient for the payment of premium assistance benefits for each succeeding year.

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate</u>
Cash	76.4%	0.6%
Fixed income	<u>23.6%</u>	1.5%
	<u>100.0%</u>	

The above was the Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2017.

The discount rate used to measure the total PSERS OPEB liability was 3.13%. Under the plan's funding policy, contributions are structured for short term funding of premium assistance. The funding policy sets contribution rates necessary to assure solvency of premium assistance through the third fiscal year after the actuarial valuation date. The premium assistance account is funded to establish reserves that are sufficient for the payment of premium assistance benefits for each succeeding year. Due to the short term funding policy, the OPEB plan's fiduciary net position was not projected to be sufficient to meet projected future benefit payments, therefore the plan is considered a "pay-as-you-go" plan. A discount rate of 3.13% which represents the S&P 20 year municipal bond rate at June 30, 2017, was applied to all projected benefit payments to measure the total PSERS OPEB liability.

The following table shows the changes to the total OPEB liability:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Original PSERS OPEB liability as of July 1, 2017 (under GASB 45)	\$ -	\$ -	\$ -
Cumulative effect of change in accounting principle (required by GASB 75)	<u>1,059,254</u>	<u>19,746</u>	<u>1,079,000</u>
Total PSERS OPEB liability as of July 1, 2017	1,059,254	19,746	1,079,000
Changes for the year:			
Service cost	19,634	366	20,000
Interest	29,451	549	30,000
Differences between expected and actual experience	-	-	-
Changes in assumptions or other inputs	(7,854)	(146)	(8,000)
Benefit payments	<u>(126,639)</u>	<u>(2,361)</u>	<u>(129,000)</u>
Net changes	<u>(85,408)</u>	<u>(1,592)</u>	<u>(87,000)</u>
Total PSERS OPEB liability as of June 30, 2018	<u>\$ 973,846</u>	<u>\$ 18,154</u>	<u>\$ 992,000</u>

Sensitivity of the District's proportionate share of the net PSERS OPEB liability to changes in the discount rate

The following presents the District's net PSERS OPEB liability calculated using the discount rate of 3.13% per annum (the "current rate"), as well as what the District's net PSERS OPEB liability would be if it were calculated using a discount rate that is 1% point lower (2.13%) or 1% point higher (4.13%) than the current rate:

	<u>1% Decrease</u> <u>(2.13%)</u>	<u>Current Assumption</u> <u>(3.13%)</u>	<u>1% Increase</u> <u>(4.13%)</u>
Total PSERS OPEB Liability	\$ 1,128,000	\$ 992,000	\$ 880,000

Sensitivity of the total Net PSERS OPEB Liability to Change in Healthcare Cost Trend Rates

The following presents the PSERS's OPEB liability calculated using the healthcare cost trend rate per annum (the "current rate"), as well as what the District's OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% point lower or 1% point higher than the current rate:

CANTON AREA SCHOOL DISTRICT
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	1% Decrease (Between 4.00% to 7.00%)	Current Assumption (Between 5.00% to 8.00%)	1% Increase (Between 6.00% to 9.00%)
Net PSERS OPEB Liability	\$ 992,000	\$ 992,000	\$ 992,000

PSERS OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the District recognized proportionate share PSERS OPEB expense of \$38,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to PSERS OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between actual and expected experience	\$ -	\$ -	\$ -	\$ -
Changes of assumptions	-	-	45,158	842
Differences between projected and actual investment earnings	982	18	-	-
Changes in proportion	-	-	25,524	476
Employer contributions subsequent to the measurement date	<u>52,211</u>	<u>973</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 53,193</u>	<u>\$ 991</u>	<u>\$ 70,682</u>	<u>\$ 1,318</u>

\$53,184 reported as deferred outflows of resources related to OPEB resulting from District contributions to PSERS subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Governmental Activities	Business-type Activities
For the fiscal year ended:		
2019	\$ (11,780)	\$ (220)
2020	(11,780)	(220)
2021	(11,780)	(220)
2022	(11,780)	(220)
2023	(11,780)	(220)
Thereafter	<u>(10,800)</u>	<u>(200)</u>
Total	<u>\$ (69,700)</u>	<u>\$ (1,300)</u>

Note 10. Unavailable Revenues - Property Taxes

Unavailable revenues from property taxes are reported in the governmental fund financial statements when potential revenues do not meet both the measurable and available criteria for recognition in the current period. Property taxes collected within the first sixty days subsequent to year end are considered measurable and current. The components of unavailable revenues from property taxes are illustrated in the following schedule as of June 30, 2018:

Property taxes receivable	\$ 259,602
Less: collections within the first sixty days	<u>(25,755)</u>
Total unavailable revenues from property taxes	<u>\$ 233,847</u>

Unavailable revenues from property taxes that were recorded in the governmental funds balance sheet for resources that are earned but not available are recorded as revenue in the government-wide statement of activities.

CANTON AREA SCHOOL DISTRICT
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Note 11. Defined Benefit Plan

General Information

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 Public School Employees' Retirement System (PSERS) and additions to/deductions from PSERS's fiduciary net position have been determined on the same basis as they are reported by PSERS. 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.

Plan Description

PSERS is a governmental cost-sharing multi-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available financial report that can be obtained at www.psers.state.pa.us.

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62 with at least 1 year of credited service; (b) age 60 with 30 or more years of credited service; or (c) 35 or more years of service regardless of age. Act 120 of 2010 (Act 120) preserves the benefits of existing members and introduced benefit reductions for individuals who become new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E (Class T-E) and Membership Class T-F (Class T-F). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of 3 years of service or attain a total combination of age and service that is equal to or greater than 92 with a minimum of 35 years of service. Benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement benefits may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to 2% or 2.5%, depending upon membership class, of the member's final average salary (as defined in the Code) multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members) or who has at least five years of credited service (ten years for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Contributions

Member Contributions

The contribution policy is established in the Public School Employees' Retirement Code and requires contributions by active members, employers, and the Commonwealth. Active members who joined the System prior to July 22, 1983, contribute at 5.25% (Membership Class T-C) or at 6.50% (Membership Class T-D) of the member's qualifying compensation. Members who joined the System on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25% (Membership Class T-C) or at 7.50% (Membership T-D) of the member's qualifying compensation. Members who joined the System after June 30, 2001, contribute at 7.50% (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002. Members who joined the System after June 30, 2011, automatically contribute at the Membership Class T-E rate of 7.50% (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect class T-F membership, contribute at 10.30% (base rate) of the member's qualifying compensation. Membership Class T-E and Class T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50% and 9.50% and Membership Class T-F contribution rate to fluctuate between 10.30% and 12.30%.

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2018 was 31.74% of covered payroll, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Contributions to the pension plan from the District were \$1,993,678 for the year ended June 30, 2018.

GASB Statement No. 68 and No. 71

The District complies with GASB No. 68 and GASB No. 71. GASB No. 68 established standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumption that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement requires the employers liability to plan employees for defined benefit plans (net pension liability) be measured as the portion of the present value of projected benefit payments to be provided through the pension plan to current active and inactive employees that is attributed to those employees' past periods of service (total pension liability), less the amount of the pension plan's fiduciary net position. In addition, prior to implementing GASB Statements No. 68, employers participating in a cost-sharing plan recognized annual pension expense equal to their contractually required contribution to the plan. Upon the adoption of GASB Statement No. 68, employers participating in cost-sharing plans will recognize their proportionate share of the collective pension amounts for all benefits provided through the plan based on an allocation method.

At June 30, 2018, the District reported a liability of \$24,052,000 for its proportionate share of the net pension liability. The District reported a liability of \$4,000 for its proportionate share of the separately financed specific liabilities. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2016 to June 30, 2017. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2017, the District's proportion was 0.0487%, which was a increase of (0.0014)% from its proportion measured as of June 30, 2016.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

For the year ended June 30, 2018 the District recognized pension expense of \$2,300,000. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	PSERS			
	Deferred Outflows of Resources		Deferred Inflows of Resources	
	Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Differences between expected and actual experience	\$ 247,388	\$ 4,612	\$ 142,346	\$ 2,654
Changes of assumptions	641,050	11,950	-	-
Net difference between projected and actual investment earnings on pension plan investments	546,807	10,193	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	51,048	952	618,471	11,529
Employer contributions subsequent to the measurement date	<u>1,957,194</u>	<u>36,484</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 3,443,487</u>	<u>\$ 64,191</u>	<u>\$ 760,817</u>	<u>\$ 14,183</u>

\$1,993,678 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the fiscal year ended June 30:

	Governmental Activities	Business-type Activities
2018	\$ 123,694	\$ 2,306
2019	488,887	9,113
2020	313,162	5,838
2021	(200,267)	(3,733)
2022	<u>-</u>	<u>-</u>
Total	<u>\$ 725,476</u>	<u>\$ 13,524</u>

Actuarial Assumptions

The total pension liability as of June 30, 2017 was determined by rolling forward the System's total pension liability as of the June 30, 2016 actuarial valuation to June 30, 2017 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method - Entry Age Normal - level % of pay
- Investment return - 7.25%, includes inflation at 2.75%
- Salary growth - Effective average of 5.00%, which reflects an allowance for inflation of 2.75% and 2.25% for real wage growth and for merit or seniority increases.
- Mortality rates were based on the RP-2014 Combined Healthy Annuitant Tables for Males and Females, adjusted to reflect PSERS' experience and projected using a modified version of the MP-2015 Mortality Improvement Scale.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Expected rate of return on investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

<u>Asset Type</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate</u>
Global public equity	20.0%	5.1%
Fixed income	36.0%	2.6%
Commodities	8.0%	3.0%
Absolute return	10.0%	3.4%
Risk parity	10.0%	3.8%
Infrastructure/MLP's	8.0%	4.8%
Real estate	10.0%	3.6%
Alternative investments	15.0%	6.2%
Cash	3.0%	0.6%
Financing (LIBOR)	<u>(20.0)%</u>	1.1%
	<u>100.0%</u>	

For the year ended June 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.15%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at contractually required rates, actuarially determined. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate assumption

The following presents the District's proportionate share of the net pension liability of the PSERS plan, calculated as of the measurement date of June 30, 2017 using the discount rate of 7.25% per annum (the "current rate"). The table shows what the net pension liability would be if it were calculated using a discount rate that is 1% point lower (6.25%), or 1% point higher (8.25%) than the current rate.

	<u>1% Decrease (6.25%)</u>	<u>Current Discount (7.25%)</u>	<u>1% Increase (8.25%)</u>
Governmental Activities - Canton Area School District's proportionate share of the PSERS Net Pension Liability	\$ 29,064,210	\$ 23,611,848	\$ 19,008,657
Business-type Activities - Canton Area School District's proportionate share of the PSERS Net Pension Liability	\$ 541,790	\$ 440,152	\$ 354,343

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of the June 30, 2017 valuation date were as follows:

	PSERS
Valuation date	6/30/2017
Employers' total pension liability	\$ (102,543,741,000)
Plan fiduciary net position	<u>53,155,336,000</u>
Employers' net pension liability	<u>\$ (49,388,405,000)</u>
Ratio of plan net position to the employers' total pension liability	51.84 %

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report which can be found on the System's website at www.psers.state.pa.us.

Note 12. Related Parties

Joint Ventures

Bradford County Tax Collection Committee - Bradford County Tax Collection Committee is the Tax Collection Committee representing all taxing jurisdictions within Bradford County, Pennsylvania, as defined by Pennsylvania Act 32 of 2008. The Committee is comprised of representatives from each taxing jurisdiction. All actions of the Committee are approved by the representatives using a weighted voting system based on each taxing jurisdiction's percentage of earned income tax revenue and population. The Committee is responsible for overseeing the collection and distribution of earned income and net profit taxes within the Tax Collection District. Members of the Tax Collection District are comprised of all school districts and municipalities within the geographic boundaries of the Tax Collection District. Non-members are entities not included within the geographic boundaries of the Tax Collection District. Amounts remitted to the District from the Bradford County Tax Collection Committee amounted to \$488,580, net of the collection fee, for the year ended June 30, 2018.

Northern Tier Insurance Consortium - The District and other surrounding educational institutions created a joint venture, the Northern Tier Insurance Consortium (the "Consortium"), to provide adequate and affordable health, hospitalization, medical services and other insurance coverage to the District's employees and to stabilize the cost of this insurance over the long term. The governing body of the joint venture is comprised of a Director from each participating educational institution. The District pays an estimated monthly premium to the Consortium for health insurance coverage calculated by an annual actuarial assessment. The District's payments of monthly premiums amounted to \$1,452,141 for the year ended June 30, 2018. The Consortium self funds all claims and utilizes a third party to manage the claims.

Northern Tier Career Center - The school districts in Bradford County created the Northern Tier Career Center, to provide vocational-technical education opportunities for their students. The District appoints one member of the governing board. Consequently, the District does not have material control or fiscal responsibility over the Northern Tier Career Center. The District along with the other seven participating Districts share in the operating deficit or surplus of the Northern Tier Career Center. In the fiscal year ended June 30, 2006, the districts approved the Northern Tier Career Center capital improvement project and subsequent bond issue in the amount of \$9,200,000. By approving this project, the District agreed to an additional tuition increase to be used for funding the debt service of the project. The original bond issue was refunded in the fiscal year ended June 30, 2012 by issuing new bonds in the amount of \$7,965,000. The District's original net tuition requirement related to the original bond issue was \$874,920. The District's net tuition requirement related to the refunded bond issue is \$757,472 in total and \$69,530 for the fiscal year ended June 30, 2018.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Future payments including principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 54,207	\$ 14,862	\$ 69,069
2020	55,634	13,236	68,870
2021	57,536	11,428	68,964
2022	59,913	9,486	69,399
2023	61,815	7,389	69,204
2024-2028	<u>130,763</u>	<u>7,765</u>	<u>138,528</u>
Total	<u>\$ 419,868</u>	<u>\$ 64,166</u>	<u>\$ 484,034</u>

Jointly Governed Organization

BLaST Intermediate Unit #17 - BLaST Intermediate Unit #17 serves Bradford, Lycoming, Sullivan and Tioga counties. BLaST Intermediate Unit #17 assists regional schools with their charge to educate special needs children and provides speech, hearing, psychological and vision services. The members are comprised of the 19 school districts within Bradford, Lycoming, Sullivan and Tioga counties. The Board of Directors has oversight responsibility to provide financial interdependency, designate governing authority and the selection of management. The Board of Directors is comprised of one director from each of the nineteen member districts. The District's payments to BLaST amounted to \$467,401 for the year ended June 30, 2018.

Note 13. 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.

The District carries commercial insurance for these and other risks of loss including workers' compensation and general liability insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

Note 14. Federal and State Funded Programs

The District participates in a number of Federal and Pennsylvania grant and assistance programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

Note 15. Stewardship, Compliance, Accountability

Expenditures exceeding the budget by material margins are explained as follows:

Interfund Transfers Out

The District's interfund transfers out exceeded budgeted amounts due to the general fund transferring money to the debt service fund for payments of bond principal and interest.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Note 16. Restatement of Net Position

For the fiscal year ended June 30, 2018, the District implemented GASB Statement No. 75 - "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions." The implementation of this Statement resulted in the reporting of the entire actuarial accrued liability for other postemployment benefits. In addition, during the year ended June 30, 2018 prior year payables were removed from the school lunch fund and net position at June 30, 2017. The District's net position at June 30, 2017 has been restated as follows:

	Governmental Activities	Business-type Activities	Total
Net position beginning of year - as previously stated	\$ (10,699,182)	\$ (313,649)	\$ (11,012,831)
GASB Statement No. 75 implementation			
Beginning system OPEB liability	(1,421,849)	(28,750)	(1,450,599)
Beginning deferred outflow of resources for contributions subsequent to the measurement date	<u>91,610</u>	<u>3,953</u>	<u>95,563</u>
GASB Statement No. 75 implementation	<u>(1,330,239)</u>	<u>(24,797)</u>	<u>(1,355,036)</u>
Net position beginning of year - as restated - for OPEB	(12,029,421)	(338,446)	(12,367,867)
Payable restatement - to reverse prior year payables	<u>-</u>	<u>16,258</u>	<u>16,258</u>
Net position beginning of year - as restated	<u>\$ (12,029,421)</u>	<u>\$ (322,188)</u>	<u>\$ (12,351,609)</u>

The proprietary fund statement of revenues, expenditures and changes in fund balance has also been restated to reflect the above payable restatement, resulting in an increase of \$16,258 to beginning fund balance.

REQUIRED SUPPLEMENTARY INFORMATION

CANTON AREA SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Local sources	\$ 4,059,275	\$ 4,058,897	\$ 4,368,894	\$ 309,997
State sources	10,517,075	10,517,166	10,742,248	225,082
Federal sources	330,000	330,000	367,028	37,028
Total revenues	<u>14,906,350</u>	<u>14,906,063</u>	<u>15,478,170</u>	<u>572,107</u>
Expenditures				
Regular programs	7,359,347	7,173,483	7,075,623	97,860
Special programs	1,958,064	1,957,063	1,947,525	9,538
Vocational education	253,000	253,000	249,811	3,189
Other instructional programs	204,305	204,306	67,633	136,673
Student support services	386,845	386,844	386,814	30
Instructional staff support services	298,709	323,133	322,838	295
Administration support services	922,840	892,701	878,054	14,647
Pupil health support services	163,383	166,762	166,762	-
Business support services	384,858	387,194	387,194	-
Operation and maintenance of plant services	1,073,956	1,201,709	1,207,466	(5,757)
Student transportation services	830,700	859,024	859,024	-
Central support services	327,906	327,906	247,688	80,218
Student activities	406,257	436,043	436,043	-
Community service	35	35	60	(25)
Existing site improvement services	42,000	42,000	14,000	28,000
Debt service	933,883	933,883	-	933,883
Total expenditures	<u>15,546,088</u>	<u>15,545,086</u>	<u>14,246,535</u>	<u>1,298,551</u>
Other Financing Uses				
Budgetary reserve	100,000	100,000	-	100,000
Interfund transfers out	-	-	933,882	(933,882)
Total expenditures and other financing uses	<u>15,646,088</u>	<u>15,645,086</u>	<u>15,180,417</u>	<u>464,669</u>
Net Change in Fund Balance	(739,738)	(739,023)	297,753	1,036,776
Fund Balance - Beginning	<u>4,432,615</u>	<u>4,432,615</u>	<u>4,432,615</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 3,692,877</u>	<u>\$ 3,693,592</u>	<u>\$ 4,730,368</u>	<u>\$ 1,036,776</u>

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of Changes in the District's Total OPEB Liability and Related Ratios
For the Year Ended June 30, 2018

Total OPEB Liability - Local

Service cost	\$ 35,439
Interest	12,757
Changes of benefit terms	-
Differences between expected and actual experience	65,871
Changes in assumptions or other inputs	18,172
Expected benefit payments	<u>(27,921)</u>
Net changes in total OPEB liability	104,318
Total OPEB liability - beginning	<u>492,034</u>
Total OPEB liability - ending	<u>\$ 596,352</u>
Covered employee payroll	\$ 6,180,207
Total OPEB liability as a percentage of covered employee payroll	9.65 %

Total OPEB Liability - Proportionate Share

Service cost	\$ 20,000
Interest	30,000
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	(8,000)
Expected benefit payments	<u>(129,000)</u>
Net changes in total OPEB liability	(87,000)
Total OPEB liability - beginning	<u>1,079,000</u>
Total OPEB liability - ending	<u>\$ 992,000</u>
Covered employee payroll	\$ 6,462,706
Total OPEB liability as a percentage of covered employee payroll	15.35 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of District's PSERS OPEB Contribution
For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 61,213	\$ 64,876	\$ 63,660	\$ 61,115	\$ 57,412
Contribution in relation to the actuarially determined contribution	<u>61,213</u>	<u>64,876</u>	<u>63,660</u>	<u>61,115</u>	<u>57,412</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 6,462,706</u>	<u>\$ 6,479,057</u>	<u>\$ 6,487,288</u>	<u>\$ 6,412,260</u>	<u>\$ 6,405,367</u>
Contribution as a percentage of covered employee payroll	0.95 %	1.00 %	0.98 %	0.95 %	0.90 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of District's Proportionate Share of the Net Pension Liability - PSERS
For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
The District's proportion of the net pension liability	0.048700 %	0.050100 %	0.049900 %	0.050400 %	0.050800 %
The District's proportionate share of the net pension liability	\$ 24,052,000	\$ 24,828,000	\$ 21,615,000	\$ 19,949,000	\$ 20,796,000
The District's proportionate share of the separately financed specific liability	\$ 4,000	\$ 4,000	\$ 7,000	\$ -	\$ -
The District's covered payroll	\$ 6,462,706	\$ 6,479,057	\$ 6,487,288	\$ 6,412,260	\$ 6,405,367
The District's proportionate share of the net pension liability as a percentage of covered payroll	372.17 %	383.20 %	333.19 %	311.11 %	324.67 %
Plan fiduciary net position as a percentage of the total pension liability	51.84 %	50.14 %	54.36 %	57.24 %	54.49 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of Employer's Contribution for PSERS
For the Year Ended June 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Contractually required contribution	\$1,993,678	\$1,832,160	\$1,588,707	\$1,380,554	\$1,053,078	\$ 777,513	\$ 551,548	\$ 389,257	\$ 298,976	\$ 344,930
Contribution in relation to the contractually required contribution	<u>1,993,678</u>	<u>1,832,160</u>	<u>1,588,707</u>	<u>1,380,554</u>	<u>1,053,078</u>	<u>777,513</u>	<u>551,548</u>	<u>389,257</u>	<u>298,976</u>	<u>344,930</u>
Contribution deficiency (excess)	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -	\$ <u> </u> -
Contribution as a percentage of covered payroll	30.85 %	28.28 %	24.49 %	21.53 %	16.44 %	11.96 %	8.24 %	5.52 %	4.39 %	4.87 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2018

Note 1. Budgetary Comparison Schedule and Budgetary Basis Reporting

An operating budget for the general fund is adopted prior to the beginning of each year on the modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required.

The Pennsylvania School Code dictates specific procedures relative to adoption of the District's budget and reporting of its financial statements, specifically:

The District, before levying annual school taxes, is required to prepare an operating budget for the succeeding fiscal year.

The District is required to publish notice by advertisement, at least once in two newspapers of general circulation in the municipality in which it is located, and within fifteen days of final action, that the proposed budget has been prepared and is available for public inspection at the administrative office of the District.

Notice that public hearings will be held on the proposed operating budget must be included in the advertisement; such hearings are required to be scheduled at least ten days prior to when final action on adoption is taken by the Board.

Legal budgetary control is maintained at the sub-function level. The Board may make transfers of funds appropriated to any particular item of expenditure by action of the Board of Education in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

Note 2. Schedule of Changes in the District's Total OPEB Liability and Related Ratios and Schedule of District's OPEB Contribution

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicate. Additional information for the other postemployment benefit obligation, latest actuarial valuation and actuarial assumptions and methods can be found in the notes to the financial statements.

The Schedule of Changes in the District's Total OPEB Liability and Related Ratios and Schedule of District's OPEB Contribution is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

The Schedule of District's OPEB Contribution is required for cost-sharing plans and not single employer plans. Therefore, there is no disclosure for the local OPEB.

Note 3. Schedule of District's Proportionate Share of the Net Pension Liability - PSERS and Schedule of Employer's Contributions for PSERS

The information presented in these required supplementary schedules was determined as part of the audit of the Commonwealth of Pennsylvania Public School Employers' Retirement System Plan. Additional information for the pension schedules can be found in the notes to the financial statements.

SINGLE AUDIT REPORTS

CANTON AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Federal Grantor/Pass Through Grantor/ Program or Cluster Title	Source Code	Federal CFDA Number	Pass Through Grantor Number	Grant Period Beginning/ Ending Dates	Grant Amount	Total Received for Year	Accrued (Deferred) Revenue at 6/30/17	Revenue Recognized	Federal Expenditures	Accrued (Deferred) Revenue at 6/30/18	Expenditures to Subrecipients
U.S. Department of Agriculture											
Passed through the Pennsylvania Department of Education											
Child Nutrition Cluster:											
National School Lunch Hi/Low Program	I	10.555	362-0000	16-17	N/A	\$ 41,403	\$ 41,403	\$ -	\$ -	\$ -	\$ -
National School Lunch Hi/Low Program	I	10.555	362-0000	17-18	N/A	304,252	-	346,772	346,772	42,520	-
Severe Needs Breakfast Program	I	10.553	367-0000	16-17	N/A	16,499	16,499	-	-	-	-
Severe Needs Breakfast Program	I	10.553	367-0000	17-18	N/A	<u>114,482</u>	<u>-</u>	<u>130,973</u>	<u>130,973</u>	<u>16,491</u>	<u>-</u>
Total passed through the Pennsylvania Department of Education						<u>476,636</u>	<u>57,902</u>	<u>477,745</u>	<u>477,745</u>	<u>59,011</u>	<u>-</u>
Passed through the Pennsylvania Department of Agriculture											
Child Nutrition Cluster:											
National School Lunch - USDA Commodities	I	10.555	N/A	16-17	N/A	-	(11,074)	11,074	11,074	-	-
National School Lunch - USDA Commodities	I	10.555	N/A	17-18	N/A	<u>49,003</u>	<u>-</u>	<u>35,767</u>	<u>35,767</u>	<u>(13,236)</u>	<u>-</u>
Total passed through the Pennsylvania Department of Agriculture - Child Nutrition Cluster						<u>49,003</u>	<u>(11,074)</u>	<u>46,841</u>	<u>46,841</u>	<u>(13,236)</u>	<u>-</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster						<u>525,639</u>	<u>46,828</u>	<u>524,586</u>	<u>524,586</u>	<u>45,775</u>	<u>-</u>
U.S. Department of Education											
Passed through the Pennsylvania Department of Education											
Title I:											
Title I - Improving Programs	I	84.010	013-170061	16-17	269,743	108,167	84,373	23,794	23,794	-	-
Title I - Improving Programs	I	84.010	013-180061	17-18	321,185	<u>193,067</u>	<u>-</u>	<u>277,440</u>	<u>277,440</u>	<u>84,373</u>	<u>-</u>
Total Title I						<u>301,234</u>	<u>84,373</u>	<u>301,234</u>	<u>301,234</u>	<u>84,373</u>	<u>-</u>
Title II - Improving Teacher Quality	I	84.367	020-170061	16-17	61,047	12,160	-	12,160	12,160	-	-
Title II - Improving Teacher Quality	I	84.367	020-180061	17-18	50,343	<u>43,634</u>	<u>-</u>	<u>43,634</u>	<u>43,634</u>	<u>-</u>	<u>-</u>
Total Title II						<u>55,794</u>	<u>-</u>	<u>55,794</u>	<u>55,794</u>	<u>-</u>	<u>-</u>
Title IV Student Support and Academic Enrichment	I	84.424	144-180061	17-18	10,000	<u>10,000</u>	<u>-</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>
Total passed through the Pennsylvania Department of Education						<u>367,028</u>	<u>84,373</u>	<u>367,028</u>	<u>367,028</u>	<u>84,373</u>	<u>-</u>
Passed through BLaST IU #17											
Special Education Cluster:											
Special Education Grants to States (IDEA)	I	84.027	N/A	16-17	190,318	15,318	15,318	-	-	-	-
Special Education Grants to States (IDEA)	I	84.027	N/A	17-18	207,287	-	-	207,287	207,287	207,287	-
Special Education Preschool Grants (IDEA)	I	84.173	N/A	16-17	794	-	-	-	-	-	-
Special Education Preschool Grants (IDEA)	I	84.173	N/A	17-18	1,520	<u>-</u>	<u>-</u>	<u>1,520</u>	<u>1,520</u>	<u>1,520</u>	<u>-</u>
Total passed through BLaST IU #17 - Special Education Grants to States (IDEA)						<u>15,318</u>	<u>15,318</u>	<u>208,807</u>	<u>208,807</u>	<u>208,807</u>	<u>-</u>
Total Special Education Cluster						<u>15,318</u>	<u>15,318</u>	<u>208,807</u>	<u>208,807</u>	<u>208,807</u>	<u>-</u>
Total U.S. Department of Education						<u>382,346</u>	<u>99,691</u>	<u>575,835</u>	<u>575,835</u>	<u>293,180</u>	<u>-</u>
Total Expenditures of Federal Awards						<u>\$ 907,985</u>	<u>\$ 146,519</u>	<u>\$ 1,100,421</u>	<u>\$ 1,100,421</u>	<u>\$ 338,955</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards.

CANTON AREA SCHOOL DISTRICT
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards presents the activity of federal award programs administered by the District, which is described in Note 1 to the District's accompanying financial statements, using the modified accrual basis of accounting. Federal awards that are included in the schedule may be received directly from federal agencies, as well as federal awards that are passed through from other government agencies. The information in this schedule was prepared on the accrual basis of accounting and is presented in accordance with the requirements of *Title 2 U.S Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Indirect costs may be included in the reported expenditures, to the extent that they are included in the federal financial reports used as the source for the data presented. The District has elected not to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance. Matching costs (the District's share of certain program costs) are not included in the reported expenditures.

The basis of accounting varies by federal program consistent with the underlying regulations pertaining to each program.

The amounts reported as federal expenditures were obtained from the federal financial reports for the applicable program and periods. The amounts reported in these reports are prepared from records maintained for each program, which are reconciled with the District's financial reporting system.

Note 2. Source Codes

The accompanying schedule of expenditures of federal awards presents a column with the source code. The sources are as follows:

<u>Source Codes</u>	<u>Type of Funding</u>
D	Direct
I	Indirect
S	State share

INDEPENDENT AUDITORS' 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

To the Board of Education
Canton Area School District
Canton, Pennsylvania

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Canton Area School District (the District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Canton Area School District's basic financial statements, and have issued our report thereon dated December 13, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Corning, New York
December 13, 2018

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

To the Board of Education
Canton Area School District
Canton, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Canton Area School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2018. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to each of its federal programs.

Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2018.

Report on Internal Control Over Compliance

Management of the District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

EFPR Group, CPAs, PLLC

EFPR Group, CPAs, PLLC
Corning, New York
December 13, 2018

CANTON AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued on whether the basic financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- 1. Material weaknesses identified? Yes No
- 2. Significant deficiencies identified that are not considered to be material weaknesses? Yes No
- 3. Noncompliance material to the financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- 4. Material weaknesses identified? Yes No
- 5. Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Type of auditors' report issued on compliance for major program: Unmodified

- 6. Audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)? Yes No
- 7. Major program audited was:

Program Name	CFDA Federal Number
Title I - Improving Programs	CFDA No. 84.010

- 8. Dollar threshold to determine type A and type B programs: \$750,000
- 9. Auditee qualified as low-risk auditee? Yes No

FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE

**CANTON AREA SCHOOL DISTRICT
Summary Schedule of Prior Year Findings
For the Year Ended June 30, 2018**

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

PRIOR YEAR FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE