

**CANTON AREA SCHOOL DISTRICT
FINANCIAL STATEMENTS AND SINGLE AUDIT REPORTS
JUNE 30, 2019**

**CANTON AREA SCHOOL DISTRICT
TABLE OF CONTENTS**

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 12
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds	
Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
Statement of Revenues, Expenditures and Changes in Fund Balance	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities	18
Proprietary Fund	
Statement of Net Position	19
Statement of Revenues, Expenses and Change in Net Position	20
Statement of Cash Flows	21
Fiduciary Funds	
Statement of Fiduciary Net Position	22
Statement of Change in Fiduciary Net Position	23
Notes to Financial Statements	24 - 49
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule - General Fund	50
Schedule of Changes in the District's Total/Net OPEB Liability and Related Ratios	51
Schedule of District's PSERS OPEB Contributions	52
Schedule of District's Proportionate Share of the Net Pension Liability - PSERS	53
Schedule of Employer's Contributions for PSERS	54
Notes to Required Supplementary Information	55
SINGLE AUDIT REPORTS	
Schedule of Expenditures of Federal Awards	56
Notes to Schedule of Expenditures of Federal Awards	57
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 <i>Government Auditing Standards</i>	58
Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	59 - 60
Schedule of Findings and Questioned Costs	61
Summary Schedule of Prior Year Findings	62

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, 2019, 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, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule - general fund, schedule of changes in the District's total/net OPEB liability and related ratios, schedule of District's PSERS OPEB contributions, schedule of District's proportionate share of the net pension liability - PSERS, schedule of employer's contributions for PSERS, and notes to the required supplementary information on pages 3 - 12, 50, 51, 52, 53, 54 and 55, 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 56 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 9, 2019, 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 9, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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, 2019. 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, 2019, the District's net position on the government-wide statements amounted to a deficit of \$10,952,089 for governmental activities. The unrestricted net position was a deficit of \$17,034,232, the net investment in capital assets was \$6,082,143 and there were no amounts classified as restricted net position as of June 30, 2019. 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, 2019, the District's net position on the government-wide statements amounted to a deficit of \$324,733 for business-type activities. The unrestricted net position was a deficit of \$347,406, the net investment in capital assets was \$22,673 and there were no amounts classified as restricted net position as of June 30, 2019. 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 2.66 and 2.50 as of June 30, 2019 and 2018, respectively.
- The "current ratio", which is an indicator of liquidity, for business-type activities was 6.19 and 7.63 as of June 30, 2019 and 2018, respectively.
- The District's overall net position for governmental activities increased by \$834,489 or 7.08% in 2018-2019 compared with an increase of \$242,843 or 2.02% in 2017-2018.
- The District's overall net position for business-type activities decreased by \$8,911 or 2.82% in 2018-2019 compared with an increase of \$6,366 or 1.98% in 2017-2018.

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, 2019

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 refunding 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, 2019

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 - 49 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/net OPEB liability and related ratios, schedule of District's PSERS OPEB contributions, a schedule of District's proportionate share of the net pension liability - PSERS, and the schedule of employer's contributions 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 50 - 55 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 56 - 62 of this report.

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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, 2019 and 2018, along with totals for the primary government as a whole.

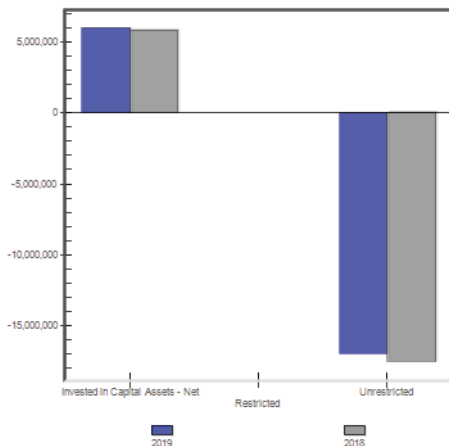
Table 1

Condensed Statements of Net Position
June 30, 2019 and 2018

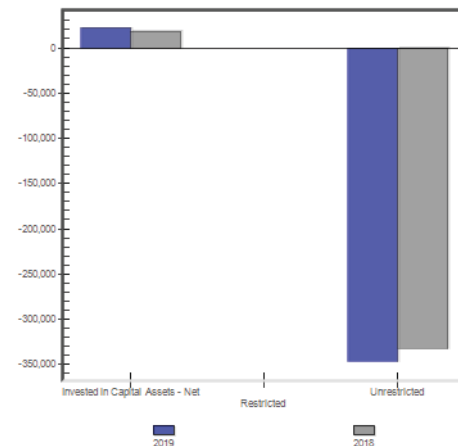
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	
Assets and Deferred Outflows of Resources							
Current assets	\$ 7,416,422	\$ 6,929,374	\$ 119,606	\$ 117,971	\$ 7,536,028	\$ 7,047,345	6.9 %
Capital assets	11,644,479	12,189,639	22,673	17,227	11,667,152	12,206,866	(4.4)%
Deferred outflows of resources	<u>3,014,516</u>	<u>3,626,704</u>	<u>57,752</u>	<u>67,252</u>	<u>3,072,268</u>	<u>3,693,956</u>	(16.8)%
Total assets and deferred outflows of resources	<u>\$ 22,075,417</u>	<u>\$ 22,745,717</u>	<u>\$ 200,031</u>	<u>\$ 202,450</u>	<u>\$ 22,275,448</u>	<u>\$ 22,948,167</u>	(2.9)%
Liabilities and Deferred Inflows of Resources							
Current liabilities	\$ 2,792,126	\$ 2,772,197	\$ 19,331	\$ 15,456	\$ 2,811,457	\$ 2,787,653	0.9 %
Long-term liabilities	29,154,208	30,928,599	470,026	472,742	29,624,234	31,401,341	(5.7)%
Deferred inflows of resources	<u>1,081,172</u>	<u>831,499</u>	<u>35,407</u>	<u>30,074</u>	<u>1,116,579</u>	<u>861,573</u>	29.6 %
Total liabilities and deferred inflows of resources	<u>33,027,506</u>	<u>34,532,295</u>	<u>524,764</u>	<u>518,272</u>	<u>33,552,270</u>	<u>35,050,567</u>	(4.3)%
Net Position							
Net investment in capital assets	6,082,143	5,840,032	22,673	17,227	6,104,816	5,857,259	4.2 %
Unrestricted	<u>(17,034,232)</u>	<u>(17,626,610)</u>	<u>(347,406)</u>	<u>(333,049)</u>	<u>(17,381,638)</u>	<u>(17,959,659)</u>	(3.2)%
Total net position	<u>\$ (10,952,089)</u>	<u>\$ (11,786,578)</u>	<u>\$ (324,733)</u>	<u>\$ (315,822)</u>	<u>\$ (11,276,822)</u>	<u>\$ (12,102,400)</u>	(6.8)%

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 \$6,104,816 and \$5,857,259 for the District at the fiscal years ended June 30, 2019 and 2018, 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, 2019 and 2018, the District had a deficit unrestricted net position of \$17,381,638 and \$17,959,659, 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, 2019**

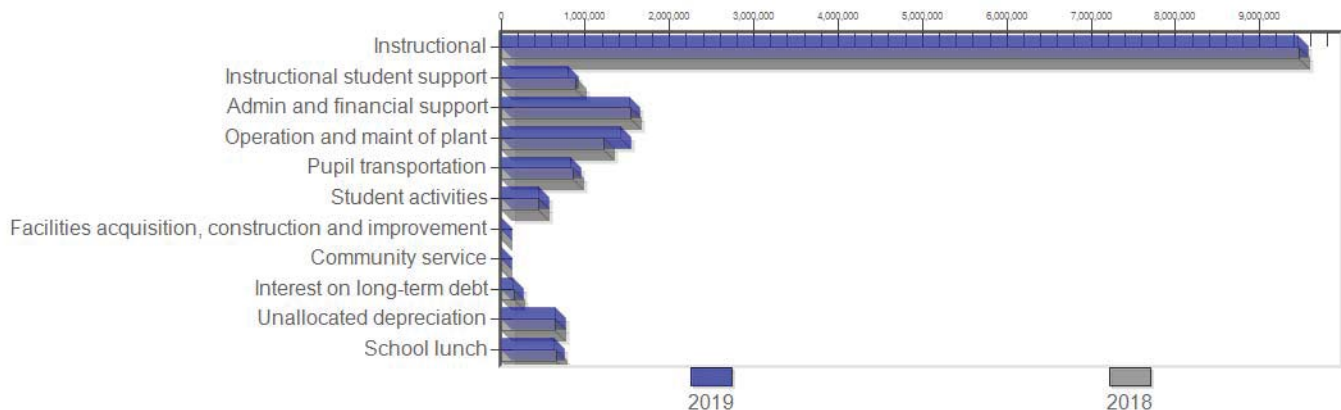
Table 2

**Condensed Statements of Activities
For the Years Ended June 30, 2019 and 2018**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total Primary Government</u>		<u>Total Percentage Change</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	
Revenues							
Program Revenues							
Charges for services	\$ 31,480	\$ 25,427	\$ 86,840	\$ 83,833	\$ 118,320	\$ 109,260	8.3 %
Operating grants and contributions	4,051,055	3,781,469	528,998	579,151	4,580,053	4,360,620	5.0 %
Capital grants and contributions	279,312	278,514	-	-	279,312	278,514	0.3 %
Total program revenues	<u>4,361,847</u>	<u>4,085,410</u>	<u>615,838</u>	<u>662,984</u>	<u>4,977,685</u>	<u>4,748,394</u>	4.8 %
General Revenues							
Property taxes and related items	4,075,322	3,868,004	-	-	4,075,322	3,868,004	5.4 %
Grants, subsidies, and contributions	7,404,014	7,258,087	-	-	7,404,014	7,258,087	2.0 %
Investment earnings	116,203	68,764	-	-	116,203	68,764	69.0 %
Miscellaneous	142,500	213,202	-	-	142,500	213,202	(33.2)%
Total general revenues	<u>11,738,039</u>	<u>11,408,057</u>	<u>-</u>	<u>-</u>	<u>11,738,039</u>	<u>11,408,057</u>	2.9 %
Total revenues	<u>16,099,886</u>	<u>15,493,467</u>	<u>615,838</u>	<u>662,984</u>	<u>16,715,724</u>	<u>16,156,451</u>	3.5 %
Program Expenses							
Instructional	9,458,021	9,470,645	-	-	9,458,021	9,470,645	(0.1)%
Instructional student support	802,448	894,368	-	-	802,448	894,368	(10.3)%
Administrative and financial support	1,522,706	1,545,731	-	-	1,522,706	1,545,731	(1.5)%
Operation and maintenance of plant	1,413,967	1,224,628	-	-	1,413,967	1,224,628	15.5 %
Pupil transportation	832,600	859,024	-	-	832,600	859,024	(3.1)%
Student activities	449,383	444,298	-	-	449,383	444,298	1.1 %
Facilities acquisition, construction and improvement	-	14,000	-	-	-	14,000	(100.0)%
Community service	2,310	60	-	-	2,310	60	3,750.0 %
Interest on long-term debt	146,278	159,752	-	-	146,278	159,752	(8.4)%
Unallocated depreciation	637,684	638,118	-	-	637,684	638,118	(0.1)%
School lunch	-	-	624,749	656,618	624,749	656,618	(4.9)%
Total expenses	<u>15,265,397</u>	<u>15,250,624</u>	<u>624,749</u>	<u>656,618</u>	<u>15,890,146</u>	<u>15,907,242</u>	(0.1)%
Changes in net position	\$ <u>834,489</u>	\$ <u>242,843</u>	\$ <u>(8,911)</u>	\$ <u>6,366</u>	\$ <u>825,578</u>	\$ <u>249,209</u>	231.3 %

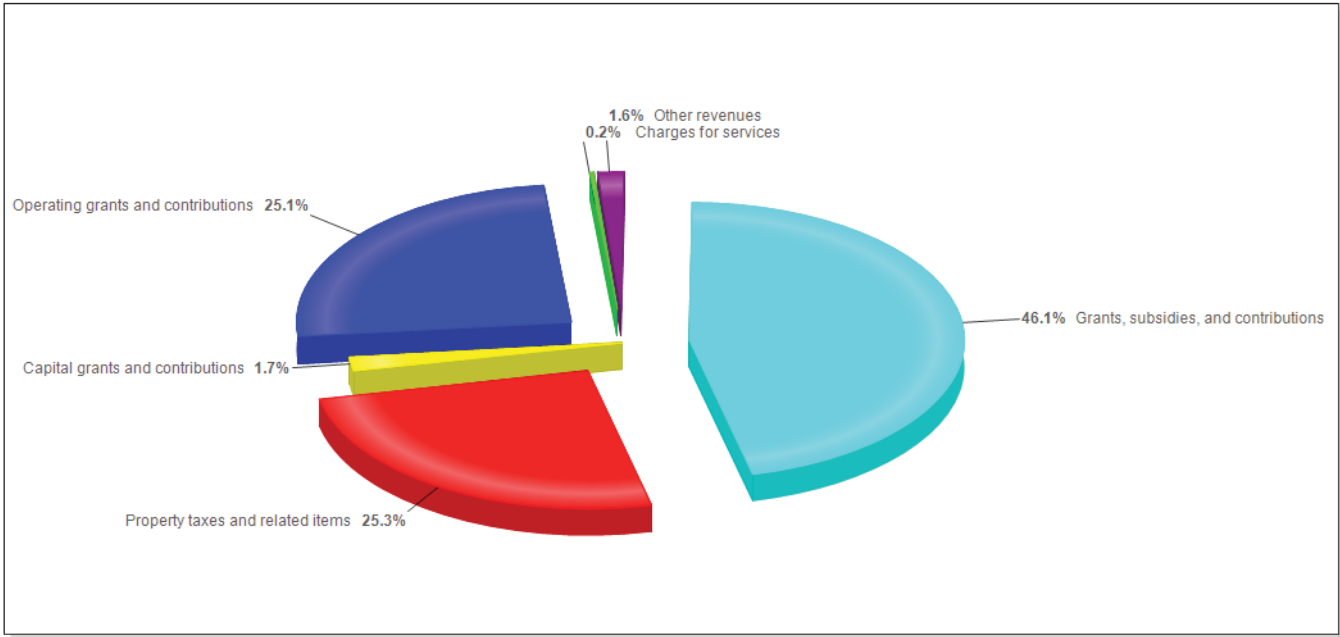
The District's governmental activities experienced an increase in net position of \$834,489 for the fiscal year ended June 30, 2019. This represents an increase of approximately 7.08% from the previous fiscal year. Governmental activities revenues experienced an increase from state reimbursement subsidies for retirement and an increase in federal sources. Expenditures were consistent with the previous year. The District's business-type activities experienced a decrease in net position of \$8,911 for the fiscal year ended June 30, 2019. This represents a decrease of approximately 2.82% from the previous fiscal year. Revenues were down for the business-type activities primarily due to a decrease in federal and state reimbursements under the Community Eligibility Provision because of a decrease in participation. Expenditures also decreased for business-type activities primarily due to decreased participation.

Comparative Expenses by Function

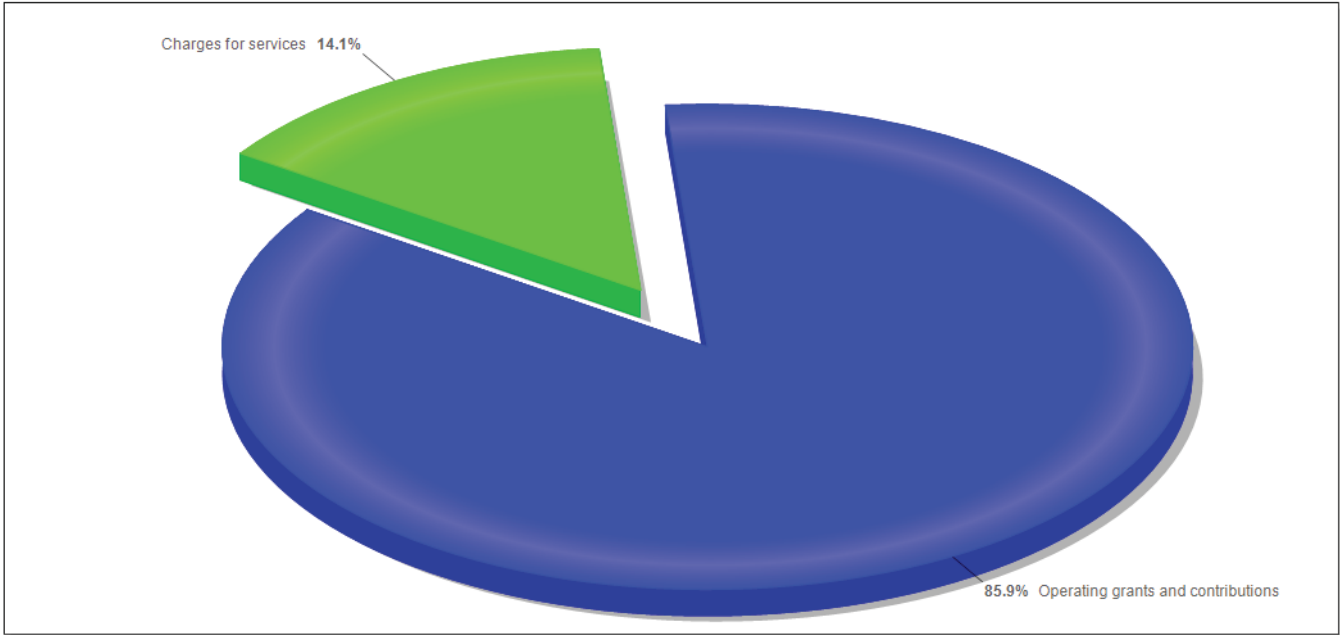


**CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

**Sources of Revenues for Governmental Activities
Fiscal Year 2019**



**Sources of Revenues for Business-Type Activities
Fiscal Year 2019**



CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

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>2019</u>	<u>2018</u>	<u>Percentage Change</u>
Instructional	\$ 9,458,021	\$ 9,470,645	(0.1)%
Instructional student support	802,448	894,368	(10.3)%
Administrative and financial support	1,522,706	1,545,731	(1.5)%
Operation and maintenance of plant	1,413,967	1,224,628	15.5 %
Pupil transportation	832,600	859,024	(3.1)%
Student activities	449,383	444,298	1.1 %
Facilities acquisition, construction and improvement	-	14,000	(100.0)%
Community service	2,310	60	3,750.0 %
Interest on long-term debt	146,278	159,752	(8.4)%
Unallocated depreciation	637,684	638,118	(0.1)%
School lunch	<u>624,749</u>	<u>656,618</u>	(4.9)%
Total expenses	<u>\$ 15,890,146</u>	<u>\$ 15,907,242</u>	(0.1)%

	<u>Net Cost (Profit) of Services</u>		
	<u>2019</u>	<u>2018</u>	<u>Percentage Change</u>
Instructional	\$ 5,896,711	\$ 6,147,262	(4.1)%
Instructional student support	686,035	777,252	(11.7)%
Administrative and financial support	1,311,062	1,343,096	(2.4)%
Operation and maintenance of plant	1,273,806	1,105,125	15.3 %
Pupil transportation	832,600	859,024	(3.1)%
Student activities	396,376	400,039	(0.9)%
Facilities acquisition, construction and improvement	-	14,000	(100.0)%
Community service	2,310	60	3,750.0 %
Interest on long-term debt	(133,034)	(118,762)	(12.0)%
Unallocated depreciation	637,684	638,118	(0.1)%
School lunch	<u>8,911</u>	<u>(6,366)</u>	240.0 %
Total net cost	<u>\$ 10,912,461</u>	<u>\$ 11,158,848</u>	(2.2)%

CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019

Capital Assets

At June 30, 2019, the District had \$28,749,168 invested in land, buildings and improvements, and furniture and equipment. Depreciation expense of \$643,738 has been recorded for the year ended June 30, 2019, with an ending accumulated depreciation balance of \$17,082,016. The net book value of capital assets at June 30, 2019, was \$11,667,152. The table presented below displays the fiscal 2019 and 2018 balances for the major classes of assets:

Capital Assets (Net of Depreciation)
At June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Total Percentage Change</u>
Land	\$ 1,265,599	\$ 1,265,599	- %
Site improvements	1,188,175	1,307,868	(9.2)%
Buildings	8,937,493	9,347,057	(4.4)%
Vehicles	13,036	15,932	(18.2)%
Equipment, furniture and fixtures	<u>262,849</u>	<u>270,410</u>	(2.8)%
Total	<u>\$ 11,667,152</u>	<u>\$ 12,206,866</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, 2019 and 2018, the District had total long-term obligations of \$30,423,097 and \$32,189,078, respectively. The District has maintained a credit rating of A from the Moody's Corporation for the fiscal years ended June 30, 2019 and 2018. The table presented below displays the fiscal 2019 and 2018 balances for the long-term obligations:

Long-Term Obligations
At June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>	<u>Total Percentage Change</u>
Bonds payable - net of premiums	\$ 5,578,957	\$ 6,368,603	(12.4)%
Compensated absences	181,527	175,923	3.2 %
Separately financed specific liabilities - OPEB	100	200	(50.0)%
Total OPEB liability - local	616,513	596,352	3.4 %
Net OPEB liability - proportionate share	1,001,000	992,000	0.9 %
Separately financed specific liabilities - pension	3,000	4,000	(25.0)%
Net pension liability	<u>23,042,000</u>	<u>24,052,000</u>	(4.2)%
Total	<u>\$30,423,097</u>	<u>\$ 32,189,078</u>	(5.5)%

Additional information on the District's long-term obligations can be found in Note 1, 8, 9 and 10 on pages 29 - 30 and 37 - 47 of this report.

**CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

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 \$17,043,677 and \$16,412,052, and expenditures and other financing uses of \$16,557,784 and \$16,114,299 in 2019 and 2018, respectively. Overall fund balance for all governmental funds increased by \$485,893 in 2019, which represents a change of approximately 10.27%. The components of the change are as follows:

- The fund balance in the general fund increased by \$485,893, which represents a change of approximately 10.27%.
- Total revenues and other financing sources in the general fund increased by \$686,088 and total expenditures and other financing uses increased by \$442,521.

General Fund Budgetary Highlights

A budgetary comparison schedule for the District's general fund is presented as required supplementary information on page 50 of these financial statements. The District's budgetary policies are described on page 55 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 budgets for special programs, other instructional programs and administration support services originally budgeted for the final allocation of services provided by the intermediate unit for which are expended in special programs and administration support services. When the invoice was not received prior to year-end, a transfer was made to other instructional programs for these anticipated expenses. Operation and maintenance of plant services budget was increased during the year to account for additional projects such as the resurfacing of gym floors which cost about \$46,000 and an upgrade to the HVAC software system for about \$25,000. Additionally, the District incurred expenses of about \$110,000 for unexpected mold remediation during the year which was not incorporated in the original budget. The mold remediation qualified under a local disaster rain event and was fully reimbursed by FEMA and PEMA.

	Original to Amended At June 30, 2019		
	<u>Original</u>	<u>Amended</u>	<u>Variance</u>
Expenditures and Other Uses			
Special programs	\$ 1,944,544	\$ 1,702,235	\$ (242,309)
Other instructional programs	\$ 129,264	\$ 455,264	\$ 326,000
Administration support services	\$ 1,039,637	\$ 931,636	\$ (108,001)
Operation and maintenance of plant services	\$ 1,178,673	\$ 1,417,674	\$ 239,001

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.

**CANTON AREA SCHOOL DISTRICT
Management's Discussion and Analysis
For the Year Ended June 30, 2019**

The District prepares a conservative budget and therefore does not budget for interest income, which totaled about \$115,000 this year. In addition, a conservative increase for real estate taxes was budgeted and came in about \$111,000 over budget. The District did not anticipate an increase in state and federal funding and based those budgets on prior year actuals. The District made a budget transfer from special programs to other instructional programs not anticipating the final invoice from the intermediate unit which expended an additional \$300,000 for special programs causing a variance from the budget for both expenditure items. The District budgets for their debt service payments in the general fund and not in interfund transfers causing variances for those expenditures compared to budget. The District budgeted \$202,590 in budgetary reserves which were not needed during the audit year.

	Amended to Actual			
	At June 30, 2019			
	<u>Amended</u>		<u>Actual</u>	<u>Variance</u>
Revenues and Other Sources				
Local sources	\$ 4,182,289	\$	4,586,289	\$ 404,000
State sources	\$ 10,635,156	\$	10,927,598	\$ 292,442
Federal sources	\$ 380,000	\$	594,944	\$ 214,944
Expenditures and Other Uses				
Special programs	\$ 1,702,235	\$	1,959,813	\$ (257,578)
Other instructional programs	\$ 455,264	\$	78,176	\$ 377,088
Debt service	\$ 934,847	\$	-	\$ 934,847
Budgetary reserve	\$ 202,590	\$	-	\$ 202,590
Interfund transfers out	\$ -	\$	934,846	\$ (934,846)

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 did not increase real estate property taxes for the 2019-2020 school year and expects state and federal funding to have a slight increase. The District's current central bargaining unit contract is in effect until 2021 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, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Current Assets			
Cash and cash equivalents	\$ 4,810,590	\$ 97,421	\$ 4,908,011
Investments	1,564,983	-	1,564,983
Taxes receivable	378,648	-	378,648
Due from other governments	657,046	8,363	665,409
Inventories	<u>5,155</u>	<u>13,822</u>	<u>18,977</u>
Total current assets	<u>7,416,422</u>	<u>119,606</u>	<u>7,536,028</u>
Capital Assets - Net	<u>11,644,479</u>	<u>22,673</u>	<u>11,667,152</u>
Deferred Outflows of Resources			
Deferred refunding proceeds	16,621	-	16,621
Deferred outflows of resources - pensions	2,823,846	54,399	2,878,245
Deferred outflows of resources - OPEB - local	98,333	1,894	100,227
Deferred outflows of resources - OPEB - proportionate share	<u>75,716</u>	<u>1,459</u>	<u>77,175</u>
Total deferred outflows of resources	<u>3,014,516</u>	<u>57,752</u>	<u>3,072,268</u>
Current Liabilities			
Internal balances	(19,331)	19,331	-
Accounts payable	82,953	-	82,953
Payroll accruals and withholdings	1,911,637	-	1,911,637
Accrued interest	18,004	-	18,004
Bonds payable - current portion - net of premiums	<u>798,863</u>	<u>-</u>	<u>798,863</u>
Total current liabilities	<u>2,792,126</u>	<u>19,331</u>	<u>2,811,457</u>
Long-Term Liabilities			
Compensated absences	177,625	3,902	181,527
Bonds payable - net of current portion and premiums	4,780,094	-	4,780,094
Separately financed specific liabilities - OPEB - proportionate share	98	2	100
Total OPEB liability - local	604,861	11,652	616,513
Net OPEB liability - proportionate share	982,081	18,919	1,001,000
Separately financed specific liabilities - pension	2,943	57	3,000
Net pension liability - proportionate share	<u>22,606,506</u>	<u>435,494</u>	<u>23,042,000</u>
Total long-term liabilities	<u>29,154,208</u>	<u>470,026</u>	<u>29,624,234</u>
Deferred Inflows of Resources			
Deferred inflows of resources - pensions	1,010,533	19,467	1,030,000
Deferred inflows of resources - OPEB - proportionate share	70,639	1,361	72,000
Advances on future period revenues	<u>-</u>	<u>14,579</u>	<u>14,579</u>
Total deferred inflows of resources	<u>1,081,172</u>	<u>35,407</u>	<u>1,116,579</u>
Net Position			
Net investment in capital assets	6,082,143	22,673	6,104,816
Unrestricted	<u>(17,034,232)</u>	<u>(347,406)</u>	<u>(17,381,638)</u>
Total net position	<u>\$ (10,952,089)</u>	<u>\$ (324,733)</u>	<u>\$ (11,276,822)</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, 2019

	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Position</u>			
<u>Functions/Programs</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>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Governmental activities							
Instructional	\$ 9,458,021	\$ -	\$ 3,561,310	\$ -	\$ (5,896,711)	\$ -	\$ (5,896,711)
Instructional student support	802,448	-	116,413	-	(686,035)	-	(686,035)
Administrative and financial support	1,522,706	-	211,644	-	(1,311,062)	-	(1,311,062)
Operation and maintenance of plant	1,413,967	8,812	131,349	-	(1,273,806)	-	(1,273,806)
Pupil transportation	832,600	-	-	-	(832,600)	-	(832,600)
Student activities	449,383	22,668	30,339	-	(396,376)	-	(396,376)
Community service	2,310	-	-	-	(2,310)	-	(2,310)
Interest on long-term debt	146,278	-	-	279,312	133,034	-	133,034
Unallocated depreciation	637,684	-	-	-	(637,684)	-	(637,684)
Total governmental activities	<u>15,265,397</u>	<u>31,480</u>	<u>4,051,055</u>	<u>279,312</u>	<u>(10,903,550)</u>	<u>-</u>	<u>(10,903,550)</u>
Business-type activities							
School lunch fund	624,749	86,840	528,998	-	-	(8,911)	(8,911)
Total primary government	<u>\$ 15,890,146</u>	<u>\$ 118,320</u>	<u>\$ 4,580,053</u>	<u>\$ 279,312</u>	<u>(10,903,550)</u>	<u>(8,911)</u>	<u>(10,912,461)</u>
General Revenues							
Property taxes and other tax items					4,075,322	-	4,075,322
General purpose grants, subsidies and contributions					7,404,014	-	7,404,014
Earnings on investments					116,203	-	116,203
Miscellaneous income					142,500	-	142,500
Total general revenues					<u>11,738,039</u>	<u>-</u>	<u>11,738,039</u>
Changes in Net Position					834,489	(8,911)	825,578
Net Position - Beginning					<u>(11,786,578)</u>	<u>(315,822)</u>	<u>(12,102,400)</u>
Net Position - Ending					<u>\$ (10,952,089)</u>	<u>\$ (324,733)</u>	<u>\$ (11,276,822)</u>

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

CANTON AREA SCHOOL DISTRICT
Balance Sheet
Governmental Funds
June 30, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 4,810,590	\$ -	\$ 4,810,590
Investments	1,564,983	-	1,564,983
Taxes receivable	378,648	-	378,648
Due from other funds	19,331	-	19,331
Due from other governments	657,046	-	657,046
Inventories	<u>5,155</u>	<u>-</u>	<u>5,155</u>
Total Assets	<u>\$ 7,435,753</u>	<u>\$ -</u>	<u>\$ 7,435,753</u>
Liabilities			
Accounts payable	\$ 82,953	\$ -	\$ 82,953
Payroll accruals and withholdings	<u>1,911,637</u>	<u>-</u>	<u>1,911,637</u>
Total liabilities	<u>1,994,590</u>	<u>-</u>	<u>1,994,590</u>
Deferred Inflows of Resources			
Unavailable revenues - property taxes	<u>224,902</u>	<u>-</u>	<u>224,902</u>
Fund Balances			
Nonspendable			
Inventories	5,155	-	5,155
Assigned			
Reserve for subsequent year	262,500	-	262,500
Reserve for PSERS/health insurance	3,399,385	-	3,399,385
Unassigned	<u>1,549,221</u>	<u>-</u>	<u>1,549,221</u>
Total fund balances	<u>5,216,261</u>	<u>-</u>	<u>5,216,261</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,435,753</u>	<u>\$ -</u>	<u>\$ 7,435,753</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, 2019

Total Governmental Fund Balances		\$ 5,216,261
<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		
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>2,116,100</u>	
Total depreciable capital assets	27,128,589	
Less, accumulated depreciation	<u>(16,749,709)</u>	
Total depreciable capital assets - net of depreciation		10,378,880
<p>Other long-term asset is not available to pay for current period expenditures and therefore is not reported in the funds. This asset consists of the following:</p>		
Deferred refunding proceeds	18,996	
Less accumulated amortization	<u>(2,375)</u>	
Total deferred refunding proceeds - net		16,621
<p>Long-term liabilities that are not due and payable in the current period are not reported in the funds. These liabilities consist of the following:</p>		
Bonds payable - net of premium	(5,578,957)	
Accrued interest	(18,004)	
Compensated absences	<u>(177,625)</u>	
Total liabilities		(5,774,586)
<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>		
		224,902
<p>Some pension and OPEB liabilities and deferred inflows and outflows are not reported in governmental funds. These consist of the following:</p>		
Deferred outflows of resources - pensions	2,823,846	
Deferred inflows of resources - pensions	(1,010,533)	
Separately financed specific liabilities - pension	(2,943)	
Net pension liability - proportionate share	(22,606,506)	
Total OPEB liability - local	(604,861)	
Net OPEB liability - proportionate share	(982,081)	
Deferred outflows of resources - OPEB - local	98,333	
Deferred outflows of resources - OPEB - proportionate share	75,716	
Deferred inflows of resources - OPEB - proportionate share	(70,639)	
Separately financed specific liabilities - OPEB - proportionate share	<u>(98)</u>	
Total pension and OPEB related items		<u>(22,279,766)</u>
Net Position of Governmental Activities		\$ <u>(10,952,089)</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, 2019

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Total Governmental Funds</u>
Revenues			
Local sources	\$ 4,586,289	\$ -	\$ 4,586,289
State sources	10,927,598	-	10,927,598
Federal sources	594,944	-	594,944
Total revenues	<u>16,108,831</u>	<u>-</u>	<u>16,108,831</u>
Other Financing Sources			
Interfund transfers in	-	934,846	934,846
Total revenues and other financing sources	<u>16,108,831</u>	<u>934,846</u>	<u>17,043,677</u>
Expenditures			
Instructional	9,637,497	-	9,637,497
Instructional student support	818,007	-	818,007
Administrative and financial support	1,526,521	-	1,526,521
Operation and maintenance of plant	1,418,135	-	1,418,135
Pupil transportation	836,239	-	836,239
Student activities	449,383	-	449,383
Community service	2,310	-	2,310
Debt service	-	934,846	934,846
Total expenditures	<u>14,688,092</u>	<u>934,846</u>	<u>15,622,938</u>
Other Financing Uses			
Interfund transfers out	934,846	-	934,846
Total expenditures and other financing uses	<u>15,622,938</u>	<u>934,846</u>	<u>16,557,784</u>
Change in Fund Balance	485,893	-	485,893
Fund Balance - Beginning	<u>4,730,368</u>	<u>-</u>	<u>4,730,368</u>
Fund Balance - Ending	<u>\$ 5,216,261</u>	<u>\$ -</u>	<u>\$ 5,216,261</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, 2019

Net Change in Fund Balance - Total Governmental Funds \$ 485,893

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	\$	93,655	
Depreciation expense		(637,684)	
Disposals		<u>(1,131)</u>	
Total capital outlay, disposals and depreciation expense			(545,160)

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	782,880
-----------------------------	---------

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	(5,148)
Change in other postemployment benefits liability and related items - local	(32,212)
Change in other postemployment benefits liability and related items - proportionate share	14,523

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)
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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
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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:	136,969
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Other differences:

Change in unavailable revenues from property taxes	(8,945)		
Change in accrued interest		<u>1,297</u>	
Total other differences			<u>(7,648)</u>

Change in Net Position of Governmental Activities **\$ 834,489**

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

CANTON AREA SCHOOL DISTRICT
Statement of Net Position
Proprietary Fund
June 30, 2019

	School Lunch Fund
Current Assets	
Cash and cash equivalents	\$ 97,421
Due from other governments	8,363
Inventories	<u>13,822</u>
Total current assets	<u>119,606</u>
Capital Assets - Net	<u>22,673</u>
Deferred Outflows of Resources	
Deferred outflows of resources - pensions	54,399
Deferred outflows of resources - OPEB - local	1,894
Deferred outflows of resources - OPEB - proportionate share	<u>1,459</u>
Total deferred outflows of resources	<u>57,752</u>
Current Liabilities	
Due to other funds	<u>19,331</u>
Total current liabilities	<u>19,331</u>
Long-Term Liabilities	
Compensated absences	3,902
Separately financed specific liabilities - OPEB - proportionate share	2
Total OPEB liability - local	11,652
Net OPEB liability - proportionate share	18,919
Separately financed specific liabilities - pension	57
Net pension liability - proportionate share	<u>435,494</u>
Total long-term liabilities	<u>470,026</u>
Deferred Inflows of Resources	
Deferred inflows of resources - pensions	19,467
Deferred inflows of resources - OPEB - proportionate share	1,361
Advances on future period revenues	<u>14,579</u>
Total deferred inflows of resources	<u>35,407</u>
Net Position	
Net investment in capital assets	22,673
Unrestricted	<u>(347,406)</u>
Total net position	<u>\$ (324,733)</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, 2019

	School Lunch Fund
Operating Revenues	
Charges for services	\$ <u>86,840</u>
Operating Expenses	
Salaries and benefits	238,370
Services and supplies	376,725
Repairs and maintenance	3,600
Depreciation	<u>6,054</u>
Total operating expenses	<u>624,749</u>
Operating Loss	<u>(537,909)</u>
Nonoperating Revenues	
State sources	51,448
Federal sources	<u>477,550</u>
Total nonoperating revenues	<u>528,998</u>
Change in Net Position	(8,911)
Net Position - Beginning	<u>(315,822)</u>
Net Position - Ending	\$ <u>(324,733)</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, 2019

	School Lunch Fund
Cash Flows used in Operating Activities	
Receipts from customers	\$ 86,844
Payments to suppliers	(380,908)
Payments to employees	(222,384)
Net cash flows used in operating activities	<u>(516,448)</u>
Cash Flows from Noncapital Financing Activities	
State sources	54,361
Federal sources	528,668
Net cash flows from noncapital financing activities	<u>583,029</u>
Cash Flows used in Investing Activities	
Purchase of capital assets	<u>(11,500)</u>
Net cash flows used in investing activities	<u>(11,500)</u>
Change in Cash and Cash Equivalents	55,081
Cash and Cash Equivalents - Beginning	<u>42,340</u>
Cash and Cash Equivalents - Ending	<u>\$ 97,421</u>
Reconciliation of Operating Loss to Net Cash Flows used in Operating Activities	
Operating loss	\$ (537,909)
Adjustments	
Depreciation expense	6,054
Changes in assets, deferred outflows of resources, liabilities and deferred inflows of resources	
Inventories	(585)
Due to other funds	3,875
Advances on future period revenues	4
Compensated absences	456
Other current or noncurrent liabilities	11,657
Net Cash Flows used in Operating Activities	<u>\$ (516,448)</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, 2019

	<u>Private- Purpose Trust</u>	<u>Agency Fund</u>
Assets		
Cash and cash equivalents - restricted	\$ <u>48,181</u>	\$ <u>144,179</u>
Total Assets	\$ <u>48,181</u>	\$ <u>144,179</u>
Liabilities		
Other liabilities	\$ -	\$ <u>144,179</u>
Net Position		
Restricted		
Held in trust for student activities	<u>48,181</u>	
Total Liabilities and Net Position	\$ <u>48,181</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, 2019

	<u>Private- Purpose Trust</u>
Additions	
Contributions	\$ 22,971
Interest income	<u>2,757</u>
Total additions	25,728
Deductions	
Awards and donations	<u>28,868</u>
Change in Net Position	(3,140)
Net Position - Beginning	<u>51,321</u>
Net Position - Ending	<u>\$ 48,181</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 (the 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. 84 - "*Fiduciary Activities*." Effective for fiscal years beginning after December 15, 2018.

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

GASB has issued Statement No. 89 - "*Accounting for Interest Cost Incurred before the End of a Construction Period*." Effective for fiscal years 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 fiscal years beginning after December 15, 2018.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

GASB has issued Statement No. 91 - "*Conduit Debt Obligations*." Effective for fiscal years beginning after December 15, 2020.

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.

	Capitalization Threshold	Years
Land	All assets	N/A
Site improvements	\$1,000	20
Buildings	\$1,000	40
Library and textbooks	\$1,000	5-10
Vehicles	\$1,000	8
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.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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 District's OPEB liabilities 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 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 second item represents the differences between actual and expected experience, changes in assumptions and changes in proportion related to the OPEB liability. The third item is related to advances on future period revenues. This represents amounts already received for future school lunch sales.

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.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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.

Accounting and Financial Reporting for Post Employment Benefits

The District complies with the 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.

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 \$6,104,816 for the primary government as of June 30, 2019.

Restricted - The components of restricted net position reports amounts restricted by external parties. There were no restricted amounts as of June 30, 2019.

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 \$17,381,638 for the primary government as of June 30, 2019.

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.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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

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, 2019:

Nonspendable

Inventories - Amounts related to inventory for natural gas used for heating that is not in spendable form. Nonspendable fund balance amounted to \$5,155 for all governmental funds as of June 30, 2019.

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, 2019, was \$262,500.

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 \$3,399,385 for all governmental funds as of June 30, 2019.

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 \$1,549,221 for all governmental funds as of June 30, 2019.

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, 2019, appear in the financial statements as summarized below:

Cash and cash equivalents - governmental funds, balance sheet	\$ 4,810,590
Cash and cash equivalents - school lunch fund, statement of net position	97,421
Cash and cash equivalents - fiduciary funds, statement of net position	<u>192,360</u>
Total cash and cash equivalents	<u>\$ 5,100,371</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, 2019, the bank balance of deposits held was \$5,120,524. 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, 2019.

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, 2019, appear in the financial statements as summarized below:

Investments - governmental funds, balance sheet \$ 1,564,983

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, 2019:

<u>Fund</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Original Maturity</u>
General fund	\$ 1,564,983	.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, 2019:

<u>Description</u>	<u>Amount</u>
Property taxes receivable	\$ 273,293
Earned income taxes receivable	<u>105,355</u>
Total	<u>\$ 378,648</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, 2019:

<u>Description</u>	<u>General Fund</u>	<u>School Lunch Fund</u>	<u>Total</u>
State receivables	\$ 563,835	\$ 470	\$ 564,305
Federal receivables	<u>93,211</u>	<u>7,893</u>	<u>101,104</u>
Total	<u>\$ 657,046</u>	<u>\$ 8,363</u>	<u>\$ 665,409</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, 2019:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 19,331	\$ -
School lunch fund	<u>-</u>	<u>19,331</u>
Total	<u>\$ 19,331</u>	<u>\$ 19,331</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, 2019:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ -	\$ 934,846
Debt service fund	<u>934,846</u>	<u>-</u>
Total	<u>\$ 934,846</u>	<u>\$ 934,846</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, 2019 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>-</u>	\$ <u>-</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>2,135,108</u>	<u>93,655</u>	<u>(112,663)</u>	<u>2,116,100</u>
Total capital assets depreciated	<u>27,147,597</u>	<u>93,655</u>	<u>(112,663)</u>	<u>27,128,589</u>
Less - Accumulated Depreciation				
Site improvements	1,523,344	119,693	-	1,643,037
Buildings	12,291,352	409,564	-	12,700,916
Library and textbooks	495,398	-	-	495,398
Vehicles	31,538	2,896	-	34,434
Equipment, furniture and fixtures	<u>1,881,925</u>	<u>105,531</u>	<u>(111,532)</u>	<u>1,875,924</u>
Total accumulated depreciation	<u>16,223,557</u>	<u>637,684</u>	<u>(111,532)</u>	<u>16,749,709</u>
Total capital assets depreciated - net	<u>10,924,040</u>	<u>(544,029)</u>	<u>(1,131)</u>	<u>10,378,880</u>
Governmental Activities Capital Assets - Net	<u>\$ 12,189,639</u>	<u>\$ (544,029)</u>	<u>\$ (1,131)</u>	<u>\$ 11,644,479</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital Assets Depreciated				
Equipment	\$ 352,280	\$ 11,500	\$ (8,800)	\$ 354,980
Less - Accumulated Depreciation				
Equipment	<u>335,053</u>	<u>6,054</u>	<u>(8,800)</u>	<u>332,307</u>
Business-Type Activities Capital Assets - Net	<u>\$ 17,227</u>	<u>\$ 5,446</u>	<u>\$ -</u>	<u>\$ 22,673</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
Unallocated depreciation	\$ <u>637,684</u>
Business-Type Activities	
School lunch fund	\$ <u>6,054</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, 2019:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Bonds payable	\$ 6,341,541	\$ -	\$ 782,880	\$ 5,558,661	\$ 792,098
Plus, bond premium	27,062	-	6,766	20,296	6,765
Compensated absences	175,923	5,604	-	181,527	-
Separately financed specific liabilities - proportionate share	200	-	100	100	-
Total OPEB liability - local	596,352	20,161	-	616,513	-
Net OPEB liability - proportionate share	992,000	9,000	-	1,001,000	-
Separately financed specific liabilities - pension	4,000	-	1,000	3,000	-
Net pension liability	<u>24,052,000</u>	<u>-</u>	<u>1,010,000</u>	<u>23,042,000</u>	<u>-</u>
	<u>\$32,189,078</u>	<u>\$ 34,765</u>	<u>\$1,800,746</u>	<u>\$30,423,097</u>	<u>\$ 798,863</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, 2019:

<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%	\$ 611,541	\$ -	\$ 67,880	\$ 543,661
Serial Bonds, Series 2014	05/2022	2.00-2.35%	2,895,000	-	705,000	2,190,000
Serial Bonds, Series 2015	05/2026	2.73%	2,835,000	-	10,000	2,825,000
Plus, bond premium			<u>27,062</u>	<u>-</u>	<u>6,766</u>	<u>20,296</u>
Total bonds payable - net of premiums			<u>\$ 6,368,603</u>	<u>\$ -</u>	<u>\$ 789,646</u>	<u>\$5,578,957</u>

Maturities of Bonds Payable

The annual aggregate maturities for bonds payable are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	796,375	66,764	863,139
2025 - 2027	<u>1,570,270</u>	<u>137,789</u>	<u>1,708,059</u>
Total	<u>\$ 5,558,661</u>	<u>\$ 671,633</u>	<u>\$ 6,230,294</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.

In the event the District defaults in the payment of the principal of or the interest on any of the bonds after the same shall become due, whether at the stated maturity or upon call for prior redemption, and such default shall continue for 30 days, or if the District fails to comply with any provision of the bonds or the resolution, the law provides that the holders of 25% in aggregate principal amount of the bonds then outstanding may, upon appropriate action, appoint a trustee, who may be the paying agent, to represent the bondholders. The trustee may, and upon request of the holders of 25% in principal amount of the bonds then outstanding and upon being furnished with indemnity satisfactory to it shall, take such action on behalf of the bondholders as is more specifically set forth in the law. Such representation by the trustee shall be exclusive.

Interest Expense

For the year ended June 30, 2019, the components of interest expense include the following:

Interest paid	\$ 151,967
Less: interest accrued in the prior year	(19,301)
Add: interest accrued in the current year	18,004
Less: amortization of premium	(6,766)
Add: amortization of deferred refunding	2,374
Total interest expense	<u>\$ 146,278</u>

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 multiple 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. All employees are eligible for benefits upon retirement with 30 years of PSERS service or upon superannuation retirement. Retired employees are allowed to continue coverage for themselves and their dependents in the employer's group health plan until the retired employee reaches Medicare age. In order to obtain coverage, retired employees must provide payment equal to the premium determine for the purpose of COBRA.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Employees Covered by Benefit Terms - At June 30, 2019, 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 Local OPEB Liability - The District's total local OPEB liability of \$616,513 was measured as of July 1, 2018 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:

Actuarial cost method	Entry age normal, as a level percent of salary
Salary scale increases	2.50%
Discount rate	2.98%
Healthcare cost trend rate	6.0% for 2018 and 5.5% in 2019 through 2021. Rates gradually decrease from 5.4% in 2022 to 3.8% in 2075 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, 2018. 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
Total OPEB liability as of July 1, 2018	\$ 585,439	\$ 10,913	\$ 596,352
Changes for the year:			
Service cost	33,920	1,018	34,938
Interest	18,795	362	19,157
Differences between expected and actual experience	-	-	-
Changes in assumptions or other inputs	1,557	30	1,587
Benefit payments	<u>(34,850)</u>	<u>(671)</u>	<u>(35,521)</u>
Net changes	<u>19,422</u>	<u>739</u>	<u>20,161</u>
Total OPEB liability as of June 30, 2019	<u>\$ 604,861</u>	<u>\$ 11,652</u>	<u>\$ 616,513</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 2.98% 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 (1.98%) or 1% point higher (3.98%) than the current rate:

	1% Decrease (1.98%)	Current Assumption (2.98%)	1% Increase (3.98%)
Total Local OPEB Liability	\$ 658,995	\$ 616,513	\$ 576,256

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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, 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 or 1% point higher than the current rate:

	<u>1% Decrease</u>	<u>Current Assumption</u>	<u>1% Increase</u>
Local Net OPEB Liability	\$ 548,792	\$ 616,513	\$ 696,349

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

For the year ended June 30, 2019, the District recognized local OPEB expense of \$60,682. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Differences between actual and expected experience	\$ 54,684	\$ 1,053	\$ -	\$ -
Changes of assumptions	16,523	318	-	-
Differences between projected and actual investment earnings	-	-	-	-
Changes in proportion	-	-	-	-
Employer contributions subsequent to the measurement date	27,126	523	-	-
Totals	<u>\$ 98,333</u>	<u>\$ 1,894</u>	<u>\$ -</u>	<u>\$ -</u>

\$27,649 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
For the fiscal year ended:		
2020	\$ 6,463	\$ 124
2021	6,463	124
2022	6,463	124
2023	6,463	124
2024	6,463	124
Thereafter	38,892	751
Total	<u>\$ 71,207</u>	<u>\$ 1,371</u>

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, 2019 there were no assumed future benefit increases to participating eligible retirees.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

The PSERS's contractually required contribution rate for the fiscal year ended June 30, 2019 was 0.84% 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 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, 2019 there were no assumed future benefit increases to participating eligible retirees.

Employees Covered by Benefit Terms - At June 30, 2019, the following employees were covered by the benefit terms:

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

Total Proportionate Share PSERS OPEB Liability - The District's total proportionate share PSERS OPEB liability of \$1,001,000 was measured as of June 30, 2018 and was determined by an actuarial valuation as of June 30, 2017. The District's share of the liability was 0.0480%, which was a decrease of 0.0007 from its proportion measured as of June 30, 2017.

Actuarial Methods and Assumptions - PSERS - The net PSERS OPEB liability as of June 30, 2018, was determined by rolling forward the PSERS's net OPEB Liability as of June 30, 2017 to June 30, 2018 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 - 2.98% - 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, 2016 determined the employer contribution rate for the year ended June 30, 2018.
- 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 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.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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.

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	5.9%	0.3%
US Core Fixed Income	92.8%	1.2%
Non-US Developed Fixed	1.3%	0.4%
	<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, 2018.

The discount rate used to measure the total PSERS OPEB liability was 2.98%. 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 2.98% which represents the S&P 20 year municipal bond rate at June 30, 2018, was applied to all projected benefit payments to measure the total PSERS OPEB liability.

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

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Net PSERS OPEB liability as of July 1, 2018	\$ 973,846	\$ 18,154	\$ 992,000
Changes for the year:			
Service cost	17,660	340	18,000
Interest	31,395	605	32,000
Differences between expected and actual experience	981	19	1,000
Changes in assumptions or other inputs	5,887	113	6,000
Benefit payments	<u>(47,688)</u>	<u>(312)</u>	<u>(48,000)</u>
Net changes	8,235	765	9,000
Net PSERS OPEB liability as of June 30, 2019	<u>\$ 982,081</u>	<u>\$ 18,919</u>	<u>\$ 1,001,000</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 2.98% 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 (1.98%) or 1% point higher (3.98%) than the current rate:

	<u>1% Decrease (1.98%)</u>	<u>Current Assumption (2.98%)</u>	<u>1% Increase (3.98%)</u>
Total PSERS OPEB Liability	\$ 1,138,000	\$ 1,001,000	\$ 887,000

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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:

	<u>1% Decrease</u>	<u>Current Assumption</u>	<u>1% Increase</u>
Net PSERS OPEB Liability	\$ 1,001,000	\$ 1,001,000	\$ 1,001,000

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

For the year ended June 30, 2019, the District recognized proportionate share PSERS OPEB expense of \$40,000. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to PSERS OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>		<u>Deferred Inflows of Resources</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Differences between actual and expected experience	\$ 5,887	\$ 113	\$ -	\$ -
Changes of assumptions	15,698	302	37,282	718
Differences between projected and actual investment earnings	1,962	38	-	-
Changes in proportion	-	-	33,357	643
Employer contributions subsequent to the measurement date	52,169	1,006	-	-
Totals	<u>\$ 75,716</u>	<u>\$ 1,459</u>	<u>\$ 70,639</u>	<u>\$ 1,361</u>

\$53,175 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
For the fiscal year ended:		
2020	\$ (9,811)	\$ (189)
2021	(9,811)	(189)
2022	(9,811)	(189)
2023	(9,811)	(189)
2024	(9,811)	(189)
Thereafter	1,963	37
Total	<u>\$ (47,092)</u>	<u>\$ (908)</u>

Note 10. 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.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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.

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%.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

Employer Contributions

The District's contractually required contribution rate for the fiscal year ended June 30, 2019 was 32.60% 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 \$2,115,245 for the year ended June 30, 2019.

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, 2019, the District reported a liability of \$23,042,000 for its proportionate share of the net pension liability. The District reported a liability of \$3,000 for its proportionate share of the separately financed specific liabilities. The net pension liability was measured as of June 30, 2018, 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, 2017 to June 30, 2018. 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, 2018, the District's proportion was 0.0480%, which was a decrease of 0.0007 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019 the District recognized pension expense of \$2,036,000. At June 30, 2019, 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	\$ 182,484	\$ 3,515	\$ 349,272	\$ 6,728
Changes of assumptions	420,892	8,108	-	-
Net difference between projected and actual investment earnings on pension plan investments	110,864	2,136	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	34,339	662	661,261	12,739
Employer contributions subsequent to the measurement date	<u>2,075,267</u>	<u>39,978</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 2,823,846</u>	<u>\$ 54,399</u>	<u>\$ 1,010,533</u>	<u>\$ 19,467</u>

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

\$2,115,245 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, 2020. 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
2020	\$ 224,672	\$ 4,328
2021	52,979	1,021
2022	(454,249)	(8,751)
2023	(85,356)	(1,644)
2024	-	-
Total	<u>\$ (261,954)</u>	<u>\$ (5,046)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2018 was determined by rolling forward the System's total pension liability as of the June 30, 2017 actuarial valuation to June 30, 2018 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.

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%	5.2%
Fixed income	36.0%	2.2%
Commodities	8.0%	3.2%
Absolute return	10.0%	3.5%
Risk parity	10.0%	3.9%
Infrastructure/MLP's	8.0%	5.2%
Real estate	10.0%	4.2%
Alternative investments	15.0%	6.7%
Cash	3.0%	0.4%
Financing (LIBOR)	<u>(20.0)%</u>	0.9%
	<u>100.0%</u>	

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.3%. 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, 2019 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, 2018 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.

	1% Decrease <u>(6.25%)</u>	Current Discount <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Governmental Activities - Canton Area School District's proportionate share of the PSERS Net Pension Liability	\$ 28,023,159	\$ 22,606,506	\$ 18,027,712
Business-type Activities - Canton Area School District's proportionate share of the PSERS Net Pension Liability	\$ 539,841	\$ 435,494	\$ 347,288

Pension Plan Fiduciary Net Position

The components of the current year net pension liability of the employers as of the June 30, 2018 valuation date were as follows:

	PSERS
Valuation date	6/30/2018
Employers' total pension liability	\$ 104,368,679,000
Plan fiduciary net position	<u>(56,363,714,000)</u>
Employers' net pension liability	<u>\$ 48,004,965,000</u>
 Ratio of plan net position to the employers' total pension liability	 54.00 %

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 11. 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, 2019:

Property taxes receivable	\$ 273,293
Less: collections within the first sixty days	<u>(48,391)</u>
Total unavailable revenues from property taxes	<u>\$ 224,902</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
Notes to Financial Statements

Note 12. Related Parties

Joint Ventures

Bradford County Tax Collection Committee - Bradford County Tax Collection Committee is the Tax Collection Committee representing all earned income 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 \$518,358, net of the collection fee, for the year ended June 30, 2019.

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 \$1,553,936 for the year ended June 30, 2019. 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 \$69,069 for the fiscal year ended June 30, 2019.

Future payments including principal and interest are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	67,192	5,102	72,294
2025-2029	<u>66,570</u>	<u>2,663</u>	<u>69,233</u>
Total	<u>\$ 368,660</u>	<u>\$ 49,304</u>	<u>\$ 417,964</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 \$450,148 for the year ended June 30, 2019. The District had \$28,740 payable to BLaST for the year ended June 30, 2019.

CANTON AREA SCHOOL DISTRICT
Notes to Financial Statements

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:

Special Programs

The District's special programs exceeded budgeted amounts due to a mid-year transfer out of this budget line item. The District received their final reconciliation invoice from the intermediate unit after year end which caused them to be in violation of their final budget.

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.

Note 16. Subsequent Events

Subsequent to June 30, 2019, the Joint Operating Committee of Northern Tier Career Center, a joint venture of the District, passed a resolution to approve the refinancing of Northern Tier Career Center's Series of 2011 bond reissuance. The issuance of Northern Tier Career Center's Revenue Bonds, Series of 2019 in the amount of \$3,905,000, will advance refund its Revenue Bond, Series of 2011 and pay for the cost of issuing the new bonds. The Series of 2019 bond has an interest rate of 2.797% with final maturity due March 1, 2025. The District's tuition requirement related to the refunded bond issue are estimated as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 58,106	\$ 2,770	\$ 60,876
2021	58,962	8,762	67,724
2022	61,054	7,113	68,167
2023	62,576	5,405	67,981
2024	64,478	3,655	68,133
2025	66,190	1,851	68,041
Total	<u>\$ 371,366</u>	<u>\$ 29,556</u>	<u>\$ 400,922</u>

REQUIRED SUPPLEMENTARY INFORMATION

CANTON AREA SCHOOL DISTRICT
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Favorable (Unfavorable)
Revenues				
Local sources	\$ 4,182,289	\$ 4,182,289	\$ 4,586,289	\$ 404,000
State sources	10,635,156	10,635,156	10,927,598	292,442
Federal sources	380,000	380,000	594,944	214,944
Total revenues	<u>15,197,445</u>	<u>15,197,445</u>	<u>16,108,831</u>	<u>911,386</u>
Expenditures				
Regular programs	7,304,740	7,328,741	7,328,016	725
Special programs	1,944,544	1,702,235	1,959,813	(257,578)
Vocational education	273,000	273,000	271,492	1,508
Other instructional programs	129,264	455,264	78,176	377,088
Student support services	400,998	314,997	407,285	(92,288)
Instructional staff support services	330,878	243,878	243,069	809
Administration support services	1,039,637	931,636	931,146	490
Pupil health support services	169,049	167,748	167,653	95
Business support services	385,069	367,069	367,036	33
Operation and maintenance of plant services	1,178,673	1,417,674	1,418,135	(461)
Student transportation services	844,910	844,910	836,239	8,671
Central support services	177,329	228,339	228,339	-
Student activities	448,163	449,463	449,383	80
Community service	-	2,310	2,310	-
Site acquisition services	50,000	-	-	-
Debt service	934,847	934,847	-	934,847
Total expenditures	<u>15,611,101</u>	<u>15,662,111</u>	<u>14,688,092</u>	<u>974,019</u>
Other Financing Uses				
Budgetary reserve	253,600	202,590	-	202,590
Interfund transfers out	-	-	934,846	(934,846)
Total expenditures and other financing uses	<u>15,864,701</u>	<u>15,864,701</u>	<u>15,622,938</u>	<u>241,763</u>
Net Change in Fund Balance	(667,256)	(667,256)	485,893	1,153,149
Fund Balance - Beginning	<u>4,730,368</u>	<u>4,730,368</u>	<u>4,730,368</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 4,063,112</u>	<u>\$ 4,063,112</u>	<u>\$ 5,216,261</u>	<u>\$ 1,153,149</u>

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of Changes in the District's Total/Net OPEB Liability and Related Ratios
For the Year Ended June 30, 2019

Total OPEB Liability - Local

	<u>2019</u>	<u>2018</u>
Service cost	\$ 34,938	\$ 35,439
Interest	19,157	12,757
Changes of benefit terms	-	-
Differences between expected and actual experience	-	65,871
Changes in assumptions or other inputs	1,587	18,172
Benefit payments	<u>(35,521)</u>	<u>(27,921)</u>
Net changes in total OPEB liability	20,161	104,318
Total OPEB liability - beginning	<u>596,352</u>	<u>492,034</u>
Total OPEB liability - ending	<u>\$ 616,513</u>	<u>\$ 596,352</u>
Covered payroll	\$ 6,180,207	\$ 6,180,207
Total OPEB liability as a percentage of covered payroll	9.98 %	9.65 %

Net Total OPEB Liability - Proportionate Share

	<u>2019</u>	<u>2018</u>
Service cost	\$ 18,000	\$ 20,000
Interest	32,000	30,000
Changes of benefit terms	1,000	-
Differences between expected and actual experience	-	-
Changes in assumptions or other inputs	6,000	(8,000)
Benefit payments	<u>(48,000)</u>	<u>(129,000)</u>
Net changes in total OPEB liability	9,000	(87,000)
Total OPEB liability - beginning	<u>992,000</u>	<u>1,079,000</u>
Total OPEB liability - ending	<u>\$ 1,001,000</u>	<u>\$ 992,000</u>
Covered payroll	\$ 6,640,917	\$ 6,462,706
Total OPEB liability as a percentage of covered payroll	15.07 %	15.35 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Schedule of District's PSERS OPEB Contributions
For the Year Ended June 30, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 64,611	\$ 61,213	\$ 64,876	\$ 63,660	\$ 61,115	\$ 57,412
Contribution in relation to the actuarially determined contribution	<u>64,611</u>	<u>61,213</u>	<u>64,876</u>	<u>63,660</u>	<u>61,115</u>	<u>61,115</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	<u>\$ 6,640,917</u>	<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 payroll	0.97 %	0.95 %	1.00 %	0.98 %	0.95 %	0.95 %

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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
The District's proportion of the net pension liability	0.048000 %	0.048700 %	0.050100 %	0.049900 %	0.050400 %	0.050800 %
The District's proportionate share of the net pension liability	\$ 23,042,000	\$ 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	\$ 3,000	\$ 4,000	\$ 4,000	\$ 7,000	\$ -	\$ -
The District's covered payroll	\$ 6,640,917	\$ 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	346.97 %	372.17 %	383.20 %	333.19 %	311.11 %	324.67 %
Plan fiduciary net position as a percentage of the total pension liability	54.00 %	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 Contributions for PSERS
For the Year Ended June 30, 2019

	<u>2019</u>	<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>
Contractually required contribution	\$ 2,115,245	\$ 1,993,678	\$ 1,832,160	\$ 1,588,707	\$ 1,380,554	\$ 1,053,078	\$ 777,513	\$ 551,548	\$ 389,257	\$ 298,976
Contribution in relation to the contractually required contribution	<u>2,115,245</u>	<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>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contribution as a percentage of covered payroll	31.85 %	30.85 %	28.28 %	24.49 %	21.53 %	16.44 %	11.96 %	8.24 %	5.52 %	4.39 %

See accompanying notes to required supplementary information.

CANTON AREA SCHOOL DISTRICT
Notes to Required Supplementary Information
June 30, 2019

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/Net OPEB Liability and Related Ratios and Schedule of District's OPEB Contributions

The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated. 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.

The Schedule of District's Proportionate Share of the Net Pension Liability - PSERS 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.

SINGLE AUDIT REPORTS

CANTON AREA SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

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 6/30/18	Revenue Recognized	Federal Expenditures	Accrued (Deferred) Revenue at 6/30/19	Expenditures to Subrecipients	
U.S. Department of Agriculture												
Child Nutrition Cluster												
Pass through programs from:												
Pennsylvania Department of Education:												
National School Lunch Program	I	10.555	362-0000	17-18	N/A	\$ 42,520	\$ 42,520	\$ -	\$ -	\$ -	\$ -	
National School Lunch Program	I	10.555	362-0000	18-19	N/A	311,255	-	316,595	316,595	5,340	-	
School Breakfast Program	I	10.553	367-0000	17-18	N/A	16,491	16,491	-	-	-	-	
School Breakfast Program	I	10.553	367-0000	18-19	N/A	115,476	-	118,029	118,029	2,553	-	
Non-cash Assistance - Pass through programs from												
Pennsylvania Department of Agriculture:												
National School Lunch Program -	I	10.555	N/A	17-18	N/A	-	(13,236)	13,236	13,236	-	-	
Surplus Food Distribution	I	10.555	N/A	18-19	N/A	43,411	-	29,690	29,690	(13,721)	-	
Surplus Food Distribution	I	10.555	N/A	18-19	N/A	529,153	45,775	477,550	477,550	(5,828)	-	
Total Child Nutrition Cluster												
U.S. Department of Education												
Pass through program from Pennsylvania Department of Education:												
Other pass through programs:												
Title I Grants to Local Educational Agencies	I	84.010	013-180061	17-18	321,185	128,118	84,373	43,745	43,745	-	-	
Title I Grants to Local Educational Agencies	I	84.010	013-190061	18-19	382,098	307,385	-	391,758	391,758	84,373	-	
Total Title I Grants to Local Educational Agencies						435,503	84,373	435,503	435,503	84,373	-	
Supporting Effective Instruction												
State Grants	I	84.367	020-180061	17-18	50,343	6,709	-	6,709	6,709	-	-	
Supporting Effective Instruction												
State Grants	I	84.367	020-190061	18-19	53,897	43,270	-	43,270	43,270	-	-	
Total Supporting Effective Instruction State Grants						49,979	-	49,979	49,979	-	-	
Rural Education	I	84.358	N/A	18-19	10,331	10,331	-	10,331	10,331	-	-	
Student Support and Academic												
Enrichment Program	I	84.424	144-180061	18-19	23,230	23,230	-	23,230	23,230	-	-	
Total other pass through programs						519,043	84,373	519,043	519,043	84,373	-	
Pennsylvania Department of Education and BLAST IU #17:												
Special Education Cluster:												
Special Education Grants to States	I	84.027	N/A	17-18	207,287	207,287	207,287	-	-	-	-	
Special Education Grants to States	I	84.027	N/A	18-19	208,838	200,000	-	208,838	208,838	8,838	-	
Special Education Preschool	I	84.173	N/A	17-18	1,520	1,520	1,520	-	-	-	-	
Special Education Preschool	I	84.173	N/A	18-19	3,000	3,000	-	3,000	3,000	-	-	
Total Special Education Cluster					411,807	411,807	208,807	211,838	211,838	8,838	-	
Total U.S. Department of Education					930,850	930,850	293,180	730,881	730,881	93,211	-	
U.S. Department of Homeland Security												
Pass through program from Pennsylvania Emergency Management Agency:												
Disaster Grants - Public Assistance	I	97.036	N/A	18-19	75,901	75,901	-	75,901	75,901	-	-	
(Presidentially Declared Disasters)												
Total Expenditures of Federal Awards					\$ 1,535,904	\$ 338,955	\$ 1,284,332	\$ 1,284,332	\$ 1,284,332	\$ 87,383	\$ -	

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, 2019

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.

Non-monetary assistance is reported in the schedule at the fair market value of commodities received, which is provided by the State of Pennsylvania.

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, 2019, 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 9, 2019.

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 9, 2019

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, 2019. 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 programs for the year ended June 30, 2019.

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 9, 2019

CANTON AREA SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2019

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?
2. Significant deficiencies identified that are not considered to be material weaknesses?
3. Noncompliance material to the financial statements noted?

Yes No

Yes None reported

Yes No

Federal Awards

Internal control over major programs:

4. Material weaknesses identified?
5. Significant deficiencies identified that are not considered to be material weaknesses?

Yes No

Yes None reported

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

6. Audit findings disclosed that are required to be reported in accordance with 2 CFR Section 200.516(a) (Uniform Guidance)?
7. Major program audited was:

Unmodified

Yes No

Program Name

Child Nutrition Cluster

CFDA Federal Number

10.553 & 10.555

8. Dollar threshold to determine type A and type B programs:
9. Auditee qualified as low-risk auditee?

\$750,000

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, 2019**

PRIOR YEAR FINDINGS - FINANCIAL STATEMENT AUDIT

NONE

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

NONE