



Dave Yost • Auditor of State

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	14
Statement of Activities.....	15
Fund Financial Statements:	
Balance Sheet	
Governmental Funds	16
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	17
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds	18
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	19
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	20
Statement of Fiduciary Net Assets Fiduciary Funds	21
Statement of Changes in Fiduciary Net Assets Fiduciary Funds	22
Notes to the Basic Financial Statements	23
Federal Awards Receipts and Expenditures Schedule.....	56
Notes to the Federal Awards Receipts and Expenditures Schedule	57
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59
Independent Accountants' Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133	61
Schedule of Findings.....	63
Independent Accountants' Report on Applying Agreed-Upon Procedures.....	65

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

North Canton City School District
Stark County
525 Seventh Street NE
North Canton, Ohio 44720

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Canton City School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Canton City School District, Stark County, Ohio, as of June 30, 2011 and the respective changes in financial position, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3, during the year ended June 30, 2011 the District adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 22, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's Discussion and Analysis*, as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential 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 other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements taken as a whole. The federal awards receipts and expenditure schedule provides additional information required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The federal awards receipts and expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

September 22, 2011

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

The Management's Discussion and Analysis of the North Canton City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets of governmental activities increased \$5,490,016 which represents a 144.22% increase from 2010.
- General revenues accounted for \$43,108,356 in revenue or 85.25% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,458,115 or 14.75% of total revenues of \$50,566,471.
- The District had \$45,076,455 in expenses related to governmental activities; only \$7,458,115 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$43,108,356 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$42,983,485 in revenues and \$37,104,827 in expenditures and other financing uses. During fiscal year 2011, the general fund's fund balance increased \$5,880,571 from a restated deficit of \$3,635,392 to a balance of \$2,245,179.
- The debt service fund had \$1,948,333 in revenues and other financing sources and \$1,995,790 in expenditures. During fiscal year 2011, the debt service fund's fund balance decreased \$47,457 from \$2,122,078 to \$2,074,621.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the District as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Assets* and *Statement of Activities* provide information about the activities of the whole District, presenting both an aggregate view of the District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the District, the general fund and debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the District's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the District as a whole, the *financial position* of the District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the District's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required educational programs and other factors.

In the Statement of Net Assets and the Statement of Activities, the governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services and extracurricular activities,

The District's Statement of Net Assets and Statement of Activities can be found on pages 14-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 16-20 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 21 and 22. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 23-55 of this report.

The District as a Whole

The Statement of Net Assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets at June 30, 2011 and June 30, 2010.

	Net Assets	
	Governmental Activities 2011	Governmental Activities 2010
<u>Assets</u>		
Current and other assets	\$ 31,826,579	\$ 28,054,320
Capital assets, net	<u>21,741,901</u>	<u>22,521,752</u>
Total assets	<u>53,568,480</u>	<u>50,576,072</u>
<u>Liabilities</u>		
Current liabilities	26,731,750	27,088,920
Long-term liabilities	<u>17,540,226</u>	<u>19,680,664</u>
Total liabilities	<u>44,271,976</u>	<u>46,769,584</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	7,350,477	7,543,208
Restricted	2,770,952	3,306,666
Unrestricted (deficit)	<u>(824,925)</u>	<u>(7,043,386)</u>
Total net assets	<u>\$ 9,296,504</u>	<u>\$ 3,806,488</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2011, the District's assets exceeded liabilities by \$9,296,504. At year-end, restricted net assets were \$2,770,952.

At year-end, capital assets represented 40.59% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2011, were \$7,350,477. These capital assets are used to provide services to the students and 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 to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Assets of the District increased \$2,992,408 or 5.92%. This increase is primarily the result of an increase in cash and cash equivalents and an increase in property taxes receivable. These are both the result of the passage and collection of a new property tax levy. Liabilities of the District decreased \$2,497,608 or 5.34%. The most significant decrease was the in the area of long-term liabilities which decreased as the result of principal payments on bonds as well as a \$733,000 decrease in retirement incentive payable.

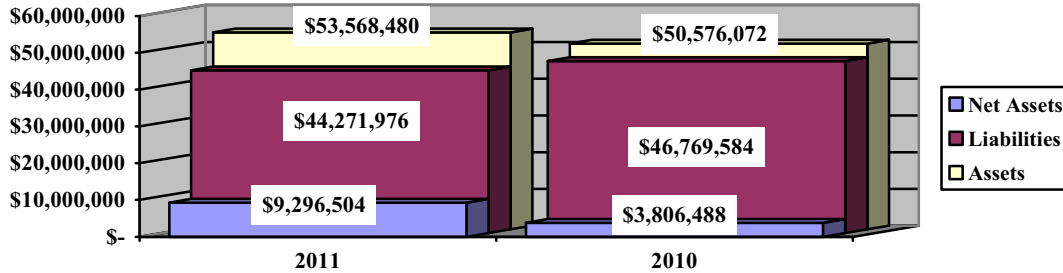
**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

A portion of the District's net assets, \$2,770,952, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$824,925. The unrestricted deficit decreased \$6,218,461 due to the collection of the new tax levy.

The graph below shows the District's assets, liabilities, and net assets at June 30, 2011 and 2010.

Governmental Activities



The table below shows the change in net assets for fiscal years 2011 and 2010.

Change in Net Assets

	Governmental Activities 2011	Governmental Activities 2010
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,755,042	\$ 3,055,377
Operating grants and contributions	4,703,073	3,803,859
General revenues:		
Property taxes	25,378,664	21,211,371
Grants and entitlements	17,545,464	17,995,112
Investment earnings	30,912	63,310
Miscellaneous	153,316	166,353
Total revenues	\$ 50,566,471	\$ 46,295,382

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Change in Net Assets

	<u>Governmental Activities 2011</u>	<u>Governmental Activities 2010</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 18,955,494	\$ 20,131,134
Special	3,236,843	3,319,207
Vocational	1,907,298	1,691,545
Adult/continuing	41,510	52,442
Other	254,903	123,646
Support services:		
Pupil	2,507,694	2,775,728
Instructional staff	2,524,301	2,597,410
Board of education	24,279	24,595
Administration	3,417,875	3,415,563
Fiscal	1,024,762	992,897
Business	31,747	29,839
Operations and maintenance	4,113,678	3,905,920
Pupil transportation	2,692,320	2,756,169
Central	308,785	313,001
Operations of non-instructional services		
Other non-instructional services	277,182	257,378
Food service operations	1,643,569	1,585,609
Extracurricular activities	1,268,564	1,252,333
Interest and fiscal charges	<u>845,651</u>	<u>603,210</u>
Total expenses	<u>45,076,455</u>	<u>45,827,626</u>
Change in net assets	5,490,016	467,756
Net assets at beginning of year	<u>3,806,488</u>	<u>3,338,732</u>
Net assets at end of year	<u>\$ 9,296,504</u>	<u>\$ 3,806,488</u>

Governmental Activities

Net assets of the District's governmental activities increased \$5,490,016. Total governmental expenses of \$45,076,455 were offset by program revenues of \$7,458,115 and general revenues of \$43,108,356. Program revenues supported 16.55% of the total governmental expenses. The most significant increase in program revenues was in the area of operating grants and contributions which increased \$899,214. This increase was primarily the result of an Education Jobs grant received from the State. The District received roughly \$726,000 during fiscal year 2011.

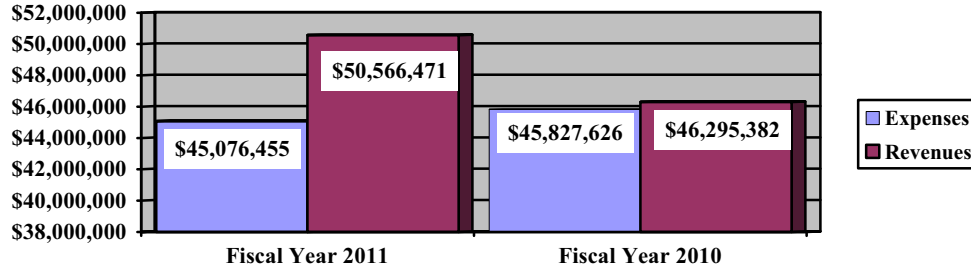
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 84.89% of total governmental revenue. Real estate property is reappraised every six years. The increase in tax revenue was the result of a new levy passed by the District voters. The voters passed a 4.5 mill operating levy on November 2, 2010 with collections beginning in January 2011.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2011 and 2010.

Governmental Activities - Revenues and Expenses



The Statement of Activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements.

Governmental Activities

	Total Cost of Services 2011	Net Cost of Services 2011	Total Cost of Services 2010	Net Cost of Services 2010
Program expenses				
Instruction:				
Regular	\$ 18,955,494	\$ 18,201,151	\$ 20,131,134	\$ 19,516,714
Special	3,236,843	2,833,853	3,319,207	2,895,312
Vocational	1,907,298	1,670,127	1,691,545	1,364,342
Adult	41,510	4,376	52,442	14,194
Other	254,903	254,903	123,646	123,646
Support services:				
Pupil	2,507,694	1,807,302	2,775,728	1,979,695
Instructional staff	2,524,301	2,110,170	2,597,410	2,141,312
Board of education	24,279	24,279	24,595	24,595
Administration	3,417,875	2,207,333	3,415,563	2,845,253
Fiscal	1,024,762	1,024,762	992,897	992,897
Business	31,747	31,747	29,839	29,839
Operation and maintenance	4,113,678	3,055,676	3,905,920	3,027,312
Pupil transportation	2,692,320	2,614,374	2,756,169	2,672,055
Central	308,785	167,631	313,001	180,165
Operations of non-instructional services				
Other non-instructional services	277,182	1,996	257,378	5,645
Food service operations	1,643,569	29,249	1,585,609	18,585
Extracurricular activities	1,268,564	733,760	1,252,333	533,619
Interest and fiscal charges	845,651	845,651	603,210	603,210
Total expenses	<u>\$ 45,076,455</u>	<u>\$ 37,618,340</u>	<u>\$ 45,827,626</u>	<u>\$ 38,968,390</u>

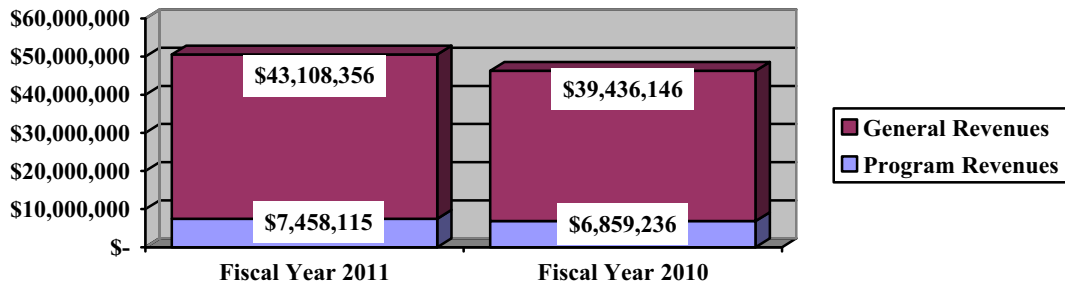
**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

The dependence upon tax and other general revenues for governmental activities is apparent, 94.13% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 83.45%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2011 and 2010.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 16) reported a combined fund balance of \$4,601,932, which is a higher balance than last year's total restated deficit balance of \$1,001,665 (as described in Note 3B). The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2011 and 2010.

	Fund Balance <u>June 30, 2011</u>	Restated Fund Balance (Deficit) <u>June 30, 2010</u>	Increase (Decrease) <u></u>
General	\$ 2,245,179	\$ (3,635,392)	\$ 5,880,571
Debt Service	2,074,621	2,122,078	(47,457)
Other Governmental	<u>282,132</u>	<u>511,649</u>	<u>(229,517)</u>
Total	<u>\$ 4,601,932</u>	<u>\$ (1,001,665)</u>	<u>\$ 5,603,597</u>

General Fund

The District's general fund balance increased \$5,880,571. The table that follows assists in illustrating the financial activities and fund balance of the general fund. The increase in property taxes is the result of the passage of a new operating levy. The decrease in tuition is due to the District receiving less for open enrollment. Earnings on investments decrease due to decreased interest rates earned on investments. The decreases in instructional and support expenditures were caused primarily by decreasing the costs of wages and benefits by reducing staff and the implementation of early retirement incentives.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

	2011 <u>Amount</u>	Restated 2010 <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 24,153,665	\$ 19,523,164	\$ 4,630,501	23.72 %
Tuition	351,743	395,819	(44,076)	(11.14) %
Earnings on investments	37,502	95,632	(58,130)	(60.79) %
Intergovernmental	17,660,129	18,099,584	(439,455)	(2.43) %
Other revenues	<u>780,446</u>	<u>768,765</u>	<u>11,681</u>	1.52 %
Total	<u>\$ 42,983,485</u>	<u>\$ 38,882,964</u>	<u>\$ 4,100,521</u>	10.55 %
<u>Expenditures</u>				
Instruction	\$ 22,972,639	\$ 23,816,535	\$ (843,896)	(3.54) %
Support services	13,004,135	14,113,225	(1,109,090)	(7.86) %
Operation of non-instructional services	16,079	10,396	5,683	54.67 %
Extracurricular activities	734,206	725,628	8,578	1.18 %
Facilities acquisition and construction	15,359	218,496	(203,137)	(92.97) %
Debt services	<u>204,269</u>	<u>204,269</u>	-	-
Total	<u>\$ 36,946,687</u>	<u>\$ 39,088,549</u>	<u>\$ (2,141,862)</u>	(5.48) %

Revenues of the general fund increased \$4,100,521 or 10.55%. The most significant increase was in the area of taxes which increased \$4,630,501 or 23.72%. This increase was the result of the passage and collection of the previous mentioned tax levy. Intergovernmental revenues decreased due to a decrease in State foundation revenues. Earnings on investments decreased due to lower interest rates earned on investments.

Expenditures of the general fund decreased \$2,141,862 or 5.48%. The most significant decreases were in the areas of instruction and support services which decreased \$843,896 and \$1,109,090, respectively. These decreases are the result of cost cutting measures that were established.

Debt Service Fund

The debt service fund had \$1,948,333 in revenues and other financing sources and \$1,995,790 in expenditures. During fiscal year 2011, the debt service fund's fund balance decreased \$47,457 from \$2,122,078 to \$2,074,621.

General Fund Budgeting Highlights

The District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the general fund.

During the course of fiscal year 2011, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources of \$38,120,631 were increased to \$40,120,631 in the final budget. Actual revenues and other financing sources for fiscal year 2011 was \$40,113,833. This represents a \$6,798 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$39,796,505 were increased to \$40,046,506 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2011 totaled \$38,596,842, which was \$1,449,664 less than the final budget appropriations.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2011, the District had \$21,741,901 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2011 balances compared to June 30, 2010:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2011</u>	<u>2010</u>
Land	\$ 1,785,562	\$ 1,785,562
Land improvements	1,018,680	701,375
Building and improvements	17,870,331	18,515,971
Furniture and equipment	678,989	941,771
Vehicles	388,339	281,502
Construction in progress	<u>-</u>	<u>295,571</u>
Total	<u>\$ 21,741,901</u>	<u>\$ 22,521,752</u>

Total additions to capital assets for 2011 were \$396,967. The District recorded \$1,174,068 in depreciation expense and \$2,750 in disposals (net of accumulated depreciation) for fiscal year 2011.

Refer to Note 8 in the basic financial statements for further detail on the District's capital assets.

Debt Administration

At June 30, 2011, the District had \$14,494,315 in general obligation bonds, a capital lease and an energy conservation loan outstanding. Of this total, \$1,582,206 is due within one year and \$12,912,109 is due within more than one year. The following table summarizes the bonds, lease and loan outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 12,945,000	\$ 14,235,316
Capital lease	259,315	438,563
Energy conservation loan	<u>1,290,000</u>	<u>1,395,000</u>
Total	<u>\$ 14,494,315</u>	<u>\$ 16,068,879</u>

At June 30, 2011, the District's voted debt margin was \$49,089,363 with an unvoted debt margin of \$666,219.

See Note 10 to the basic financial statements for further detail on the District's debt administration.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Current Financial Related Activities

The District has continued to maintain the highest standards of service to our students, parents and community. The District is always presented with challenges and opportunities. National events economically continue to affect the District and the surrounding area. The District is still reviewing and analyzing the impact this has on its personal property tax base and collections.

The District's financial outlook is beginning to change. During this time, the Board of Education and administration will continue to closely monitor its revenues and expenditures to ensure they are in accordance with its financial forecast. Overall, the District continues to perform at the highest level determined by the State of Ohio, which is measured by a defined set of proficiency criteria. Our most recent State report card shows the District students achieving a 30 out of 30 and an "Excellent" rating. The District has been rated "Excellent" or higher for the 11th straight year.

The District has communicated to the community that they rely upon their support for the major part of its operations, and will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan. State law limits the growth of income generated by local levies rendering revenue relatively constant. This lack of revenue growth forces the District to come back to the voters from time to time and ask for additional financial support. The District successfully passed a 6.5 mill continuing operating levy in May 2006. Collection of this new levy began in January 2007. The District successfully passed a 4.5 mill continuing operation levy in November 2010, and collections began in January 2011. This levy will generate approximately \$2.9 million per year.

The State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State has directed additional revenue growth toward the support of school districts with little property tax wealth. In May of 2000, the Ohio Supreme Court again ruled that, while the State had made some progress, the current funding system for schools is far too dependent on property taxes, which are inherently not "equitable" or "adequate." The Court directed the Governor and the legislature to address the fundamental issues creating the inequities. In September 2001, the Ohio Supreme Court issued an opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional.

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order. The State of Ohio, in a motion filed September 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that change be made retroactive to July 1, 2001. In November 2001, the Court granted the request for reconsideration, but also ordered the parties to participate in a settlement conference with a court appointed mediator. On March 2002, the mediator issued his final report indicating that the conference was unable to produce a settlement. On December 11, 2002, the Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school funding plan is unconstitutional. At this time the District is unable to determine what effect, if any, this decision will have on its State funding and its financial operations.

The state funding formula was flat-lined for our District with regards to our basic education revenues for the years 2006-2009. The State funding formula for 2010-2011 began a pattern of reductions to basic education revenues. This was a loss of over \$550,000 from the flat-lined budgets we have received over the previous years. For 2012-2013, we will see even deeper reductions with an estimated total loss for the two years of over \$2.2 million. We have seen slight enrollment decreases since 2006. We do not anticipate any large enrollment increases in the near future. The State continues to share that the financial position of the state budget is dire.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011
UNAUDITED

Also, Ohio has been allocated \$845 million from the ARRA in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. Education SFSF for primary and secondary education is being distributed to school districts as part of the foundation settlement payments each month – total foundation support will include both state and federal SFSF funds. We are receiving 6% and 9% of our foundation payments for the 2010-11 biennium from the SFSF funds. These funds will run out at the end of the 2010-11 biennium. This reduction is included in the total \$2.2 million reduction noted previously.

We also had access to another round of stimulus dollars for Ohio from the federal government called the Education Jobs Fund (Ed Jobs). The program provides \$10 billion for states to save or create education jobs. Ohio is estimated to receive \$361 million from this program. The North Canton City Schools allocation is estimated at approximately \$726,000 and was used during the 2010-11 school year.

In addition to the uncertainty of State funding, the Amended Substitute House Bill 95 (HB95), effective June 26, 2003, authorized the phase-out of the \$10,000 exemption reimbursement of Personal Tangible values. This reduction, coupled with an Inventory Assessment Rate phase-out and the current down-turn in the economy, will cause our revenues in the area of Tangible Personal Property Taxes to begin to decrease on an annual basis as opposed to annual increases.

As a result, all of the District's financial abilities will be called upon to meet the challenges the future will bring. It is imperative the District's Board of Education and administration continue to carefully and prudently plan in order to provide the resources required to meet the student's desired needs over the next several years.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. Todd Tolson, Treasurer, North Canton Local School District, 525 7th Street NE, North Canton, Ohio 44720.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2011

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 6,948,557
Receivables:	
Property taxes	24,475,812
Accounts.	7,457
Accrued interest	11,536
Intergovernmental	68,123
Materials and supplies inventory.	127,610
Unamortized bond issuance costs	187,484
Capital assets:	
Land	1,785,562
Depreciable capital assets, net.	19,956,339
Capital assets, net	21,741,901
Total assets.	53,568,480
Liabilities:	
Accounts payable.	132,269
Accrued wages and benefits	4,380,212
Pension obligation payable.	1,091,615
Intergovernmental payable	179,684
Unearned revenue	20,698,086
Accrued interest payable	249,884
Long-term liabilities:	
Due within one year.	1,790,908
Due in more than one year.	15,749,318
Total liabilities	44,271,976
Net Assets:	
Invested in capital assets, net of related debt.	7,350,477
Restricted for:	
Capital projects	101,513
Debt service.	1,843,959
Locally funded programs	14,515
State funded programs.	25,625
Federally funded programs	121
Student activities	172,458
Other purposes	612,761
Unrestricted (deficit).	(824,925)
Total net assets	\$ 9,296,504

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	Expenses	Program Revenues		Net (Expense)
		Charges for Services and Sales	Operating Grants and Contributions	Revenue and Changes in Net Assets
				Governmental Activities
Governmental activities:				
Instruction:				
Regular	\$ 18,955,494	\$ 527,450	\$ 226,893	\$ (18,201,151)
Special	3,236,843	7,621	395,369	(2,833,853)
Vocational	1,907,298	19,046	218,125	(1,670,127)
Adult/continuing.	41,510	37,026	108	(4,376)
Other	254,903	-	-	(254,903)
Support services:				
Pupil.	2,507,694	-	700,392	(1,807,302)
Instructional staff	2,524,301	-	414,131	(2,110,170)
Board of education	24,279	-	-	(24,279)
Administration.	3,417,875	354,050	856,492	(2,207,333)
Fiscal.	1,024,762	-	-	(1,024,762)
Business.	31,747	-	-	(31,747)
Operations and maintenance	4,113,678	126,918	931,084	(3,055,676)
Pupil transportation.	2,692,320	-	77,946	(2,614,374)
Central	308,785	1,712	139,442	(167,631)
Operation of non-instructional services:				
Other non-instructional services	277,182	-	275,186	(1,996)
Food service operations	1,643,569	1,200,475	413,845	(29,249)
Extracurricular activities.	1,268,564	480,744	54,060	(733,760)
Interest and fiscal charges	845,651	-	-	(845,651)
Totals	\$ 45,076,455	\$ 2,755,042	\$ 4,703,073	(37,618,340)
General Revenues:				
Property taxes levied for:				
General purposes				23,831,268
Debt service.				1,547,396
Grants and entitlements not restricted				
to specific programs				17,545,464
Investment earnings				30,912
Miscellaneous				153,316
Total general revenues				43,108,356
Change in net assets				5,490,016
Net assets at beginning of year.				3,806,488
Net assets at end of year				\$ 9,296,504

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 3,830,588	\$ 1,887,875	\$ 708,038	\$ 6,426,501
Receivables:				
Property taxes	22,990,903	1,484,909	-	24,475,812
Accounts	5,151	-	2,306	7,457
Accrued interest	10,911	-	625	11,536
Intergovernmental	-	-	68,123	68,123
Materials and supplies inventory	115,873	-	11,737	127,610
Restricted assets:				
Equity in pooled cash and cash equivalents	522,056	-	-	522,056
Total assets	<u>\$ 27,475,482</u>	<u>\$ 3,372,784</u>	<u>\$ 790,829</u>	<u>\$ 31,639,095</u>
Liabilities:				
Accounts payable	\$ 126,895	\$ -	\$ 5,374	\$ 132,269
Accrued wages and benefits	3,990,386	-	389,826	4,380,212
Compensated absences payable	105,399	-	3,590	108,989
Early retirement incentive payable	25,000	-	-	25,000
Intergovernmental payable	161,869	-	17,815	179,684
Unearned revenue	19,419,145	1,278,941	-	20,698,086
Deferred revenue	401,461	19,222	625	421,308
Pension obligation payable	1,000,148	-	91,467	1,091,615
Total liabilities	<u>25,230,303</u>	<u>1,298,163</u>	<u>508,697</u>	<u>27,037,163</u>
Fund Balances:				
Nonspendable:				
Materials and supplies inventory	115,873	-	11,737	127,610
Restricted:				
Debt service	-	2,074,621	-	2,074,621
Capital improvements	-	-	101,426	101,426
Extracurricular	-	-	172,458	172,458
Food service operations	-	-	32,153	32,153
Non-public schools	-	-	33,278	33,278
Other purposes	-	-	15,613	15,613
Textbooks	519,514	-	-	519,514
School bus purchases	2,542	-	-	2,542
Committed:				
Capital improvements	-	-	87	87
Student and staff support	147,660	-	-	147,660
Uniform school supplies	-	-	90,705	90,705
Assigned:				
Student instruction	15,410	-	-	15,410
Student and staff support	604,978	-	-	604,978
Extracurricular activities	280	-	-	280
Community education	47,265	-	-	47,265
Other purposes	25,716	-	-	25,716
Unassigned (deficit)	765,941	-	(175,325)	590,616
Total fund balances	<u>2,245,179</u>	<u>2,074,621</u>	<u>282,132</u>	<u>4,601,932</u>
Total liabilities and fund balances	<u>\$ 27,475,482</u>	<u>\$ 3,372,784</u>	<u>\$ 790,829</u>	<u>\$ 31,639,095</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2011

Total governmental fund balances		\$	4,601,932
<i>Amounts reported for governmental activities on the Statement of Net Assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			21,741,901
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Property taxes receivable	\$	410,125	
Accrued interest receivable		11,183	
Total		<u>421,308</u>	421,308
Unamortized bond issuance costs are not recognized in the funds.			187,484
Unamortized premiums on bond issuance costs are not recognized in the funds.			(258,155)
Unamortized amounts on refundings are not recognized in the funds.			361,046
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(249,884)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(12,945,000)	
Capital lease obligations		(259,315)	
Compensated absences		(3,014,813)	
Energy conservation loan		(1,290,000)	
Total		<u>(17,509,128)</u>	(17,509,128)
Net assets of governmental activities		<u>\$</u>	<u>9,296,504</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Property taxes	\$ 24,153,665	\$ 1,583,154	\$ -	\$ 25,736,819
Tuition	351,743	-	-	351,743
Earnings on investments	37,502	-	265	37,767
Charges for services	16,388	-	1,184,087	1,200,475
Extracurricular	110,797	-	373,951	484,748
Classroom materials and fees	296,974	-	242,366	539,340
Rental income	126,918	-	-	126,918
Contributions and donations	26,117	-	54,038	80,155
Contract services	51,818	-	-	51,818
Other local revenues	151,434	1,882	9,619	162,935
Intergovernmental - intermediate	-	-	87,997	87,997
Intergovernmental - state	17,655,949	205,157	266,698	18,127,804
Intergovernmental - federal	4,180	-	4,048,844	4,053,024
Total revenues	<u>42,983,485</u>	<u>1,790,193</u>	<u>6,267,865</u>	<u>51,041,543</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,158,976	-	255,579	18,414,555
Special	2,772,445	-	415,525	3,187,970
Vocational	1,785,204	-	56,781	1,841,985
Adult/continuing	4,831	-	36,047	40,878
Other	251,183	-	-	251,183
Support services:				
Pupil	1,667,826	-	759,689	2,427,515
Instructional staff	1,929,679	-	540,614	2,470,293
Board of education	23,928	-	-	23,928
Administration	2,516,137	-	869,632	3,385,769
Fiscal	984,642	24,375	-	1,009,017
Business	5,806	-	-	5,806
Operations and maintenance	2,992,051	-	931,084	3,923,135
Pupil transportation	2,713,856	-	-	2,713,856
Central	170,210	-	130,637	300,847
Operation of non-instructional services:				
Operation of non-instructional	16,079	-	265,254	281,333
Food service operations	-	-	1,603,568	1,603,568
Extracurricular activities	734,206	-	628,546	1,362,752
Facilities acquisition and construction	15,359	-	-	15,359
Debt service:				
Principal retirement	179,248	1,495,000	-	1,674,248
Interest and fiscal charges	25,021	476,415	-	501,436
Total expenditures	<u>36,946,687</u>	<u>1,995,790</u>	<u>6,492,956</u>	<u>45,435,433</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,036,798</u>	<u>(205,597)</u>	<u>(225,091)</u>	<u>5,606,110</u>
Other financing sources (uses):				
Transfers in	-	158,140	-	158,140
Transfers (out)	(158,140)	-	-	(158,140)
Total other financing sources (uses)	<u>(158,140)</u>	<u>158,140</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,878,658	(47,457)	(225,091)	5,606,110
Fund balances (deficit)				
at beginning of year (restated)	(3,635,392)	2,122,078	511,649	(1,001,665)
Increase (decrease) in reserve for inventory	1,913	-	(4,426)	(2,513)
Fund balances at end of year	<u>\$ 2,245,179</u>	<u>\$ 2,074,621</u>	<u>\$ 282,132</u>	<u>\$ 4,601,932</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Net change in fund balances - total governmental funds \$ 5,606,110

*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 cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$ 396,967	
Current year depreciation	(1,174,068)	
Total	(777,101)	(777,101)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net assets.

(2,750)

Governmental funds report expenditures for inventory when purchased. However, in the Statement of Activities, they are reported as an expense when consumed.

(2,513)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(358,155)	
Earnings on investments	(6,590)	
Intergovernmental	(110,327)	
Total	(475,072)	(475,072)

Repayment of bonds, loans and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. Principal payments during the year were:

Bonds	1,390,000	
Loans	105,000	
Capital leases	179,248	
Total	1,674,248	1,674,248

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in additional interest being reported in the Statement of Activities:

Increase in accrued interest payable	(210,031)	
Accreted interest on capital appreciation bonds	(99,684)	
Amortization of bond issuance costs	(22,275)	
Amortization of bond premiums	30,672	
Amortization of deferred charges	(42,897)	
Total	(344,215)	(344,215)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Compensated absences payable	(163,691)	
Retirement incentive payable	(25,000)	
Total	(188,691)	(188,691)

Change in net assets of governmental activities \$ 5,490,016

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
Revenues:				
From local sources:				
Property taxes	\$ 20,505,581	\$ 21,700,000	\$ 21,577,750	\$ (122,250)
Tuition	283,416	341,750	298,235	(43,515)
Earnings on investments	35,207	50,000	37,048	(12,952)
Extracurricular	12,169	12,000	12,805	805
Rental income	120,612	135,000	126,918	(8,082)
Contract services	25,272	32,000	26,593	(5,407)
Other local revenues	127,220	164,250	133,872	(30,378)
Intergovernmental - state	16,778,649	17,685,631	17,655,949	(29,682)
Intergovernmental - federal	3,972	-	4,180	4,180
Total revenues	<u>37,892,098</u>	<u>40,120,631</u>	<u>39,873,350</u>	<u>(247,281)</u>
Expenditures:				
Current:				
Instruction:				
Regular	19,281,380	19,141,783	19,076,166	65,617
Special	2,414,192	3,093,023	2,798,746	294,277
Vocational	1,786,948	1,652,631	1,757,316	(104,685)
Adult/continuing	-	-	5,691	(5,691)
Other	65,326	59,782	238,907	(179,125)
Support services:				
Pupil	1,950,241	2,028,782	1,818,829	209,953
Instructional staff	2,238,058	2,421,528	2,204,855	216,673
Board of education	15,559	20,246	23,297	(3,051)
Administration	2,761,089	2,898,757	2,142,699	756,058
Fiscal	1,298,816	1,068,800	990,980	77,820
Business	34,529	35,094	34,547	547
Operations and maintenance	3,435,833	3,346,670	3,385,730	(39,060)
Pupil transportation	3,252,329	3,120,545	2,964,688	155,857
Central	237,902	214,975	205,191	9,784
Operation of non-instructional services:				
Other non-instructional services	10,153	13,060	16,079	(3,019)
Extracurricular activities	716,362	705,244	743,581	(38,337)
Facilities acquisition and construction	142,843	50,923	15,359	35,564
Total expenditures	<u>39,641,560</u>	<u>39,871,843</u>	<u>38,422,661</u>	<u>1,449,182</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,749,462)</u>	<u>248,788</u>	<u>1,450,689</u>	<u>1,201,901</u>
Other financing sources (uses):				
Refund of prior year's expenditures	26,308	-	27,684	27,684
Refund of prior year's receipts	(55)	-	(41)	(41)
Transfers (out)	(154,890)	(158,163)	(158,140)	23
Advances in	202,225	-	212,799	212,799
Advances (out)	-	(16,500)	(16,000)	500
Total other financing sources (uses)	<u>73,588</u>	<u>(174,663)</u>	<u>66,302</u>	<u>240,965</u>
Net change in fund balance	(1,675,874)	74,125	1,516,991	1,442,866
Fund balance at beginning of year (restated).	1,313,681	1,313,681	1,313,681	-
Prior year encumbrances appropriated	514,891	514,891	514,891	-
Fund balance at end of year	<u>\$ 152,698</u>	<u>\$ 1,902,697</u>	<u>\$ 3,345,563</u>	<u>\$ 1,442,866</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2011

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 429,015	\$ 153,465
Receivables:		
Accrued interest.	1,067	-
	430,082	\$ 153,465
Total assets.	430,082	\$ 153,465
Liabilities:		
Intergovernmental payable	-	\$ 3,064
Due to students.	-	150,401
	-	\$ 153,465
Total liabilities	-	\$ 153,465
Net assets:		
Held in trust for scholarships	430,082	
Total net assets	\$ 430,082	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

		<u>Private-Purpose Trust</u>
		<u>Scholarship</u>
Additions:		
Interest	\$	1,728
Gifts and contributions		12,386
Total additions		<u>14,114</u>
Deductions:		
Scholarships awarded		<u>25,952</u>
Change in net assets		(11,838)
Net assets at beginning of year		<u>441,920</u>
Net assets at end of year	\$	<u>430,082</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The North Canton City School District (the “District”) is organized under Article VI, Sections 2 and 3 of the Constitution of the State of Ohio. The District operates under a locally elected Board form of government consisting of five members elected at-large for staggered four-year terms. The District provides educational services as authorized by State statute and/or federal guidelines.

The District is the 76th largest in the State of Ohio (among 934 public and community school districts) in terms of enrollment. It is staffed by 241 non-certified employees and 339 certified teaching personnel, who provide services to 4,567 students and other community members. The Board controls the District’s eight school buildings, a bus garage, a warehouse and an administration building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic 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 also applies Financial Accounting Standards Board (FASB) guidance issued on or before November 30, 1989, to its governmental activities provided it does not conflict with or contradict GASB pronouncements. The District’s significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, “The Financial Reporting Entity” as amended by GASB Statement No. 39, “Determining Whether Certain Organizations Are Component Units”. The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization’s Governing Board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization’s resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has no component units. The basic financial statements of the reporting entity include only those of the District (the primary government).

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The following organizations are described due to their relationship to the District:

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium (SPARCC)

The District is a member of SPARCC, a jointly governed organization which provides computer services to the school districts within the boundaries of Stark and Portage Counties. Each District's superintendent serves as a representative on the Board, which consists of 31 member districts; however, SPARCC is primarily governed by a five-member executive board, which is made up of two representatives from Stark County, two from Portage County, and a Treasurer. The Board meets monthly to address any current issues.

Stark County Tax Incentive Review Council (SCTIRC)

SCTIRC is a jointly governed organization, created as a regional council of governments pursuant to State statutes. SCTIRC has 24 members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, ten members appointed by township trustees, one member from the County Auditor's office and six members appointed by Boards of Education located within the enterprise zones of Stark County. The SCTIRC reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the Council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this Council. The continued existence of the SCTIRC is not dependent upon the District's continued participation and no measurable equity interest exists.

PUBLIC ENTITY RISK POOLS

Shared Risk Pool

Stark County School Council of Governments Health Benefit Plan

The Stark County School Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The Council is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance with the terms of the contract.

Insurance Purchasing Pool

Stark County Schools Council of Governments Workers' Compensation Group Rating Plan

The Stark County Schools Council of Governments Workers' Compensation Group Rating Plan has created a group insurance pool for the purpose of creating a group rating plan for workers' compensation. The governing body is comprised of the superintendents and the members who have been appointed by the respective governing body of each member.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The intent of the pool is to achieve a reduced rate for the District and the other group members. The injury claim history of all participating members is used to calculate a common rate for the group. An annual fee is paid to Comp Management, Inc. to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on its payroll percent of the group.

B. Fund Accounting

The District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. There are three categories of funds: governmental, proprietary and fiduciary.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Debt service fund - The debt service fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition of construction of capital facilities and other capital assets and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector. The District has no proprietary funds.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. The District's only trust fund is a private-purpose trust which accounts for a scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund primarily accounts for student activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The government-wide Statement of Activities presents a comparison between direct expenses and program revenues for each function or program of the governmental activities of the District. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include amounts paid by the recipient of goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues are presented as general revenues of the District.

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column, and all nonmajor funds are aggregated into one column. Fiduciary funds are reported by fund type.

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust fund is reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting.

Revenues - Exchange and Nonexchange Transactions - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value are recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, available means expected to be received within sixty days of fiscal year end.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes available as an advance, interest, tuition, grants, student fees and rentals.

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2011 are recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have been reported as deferred revenue.

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the Certificate of Estimated Resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established at the first digit of the object level within each function for the general fund and at the fund level for all other funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Alternate Tax Budget:

On October 25, 2005, the Stark County Budget Commission voted to waive the requirement that school districts adopt a tax budget as required by Section 5705.28 of the Ohio Revised Code, by January 15 and the filing by January 20. The Budget Commission now requires an alternate tax budget be submitted by January 20 which no longer requires specific Board approval.

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources, which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts from the Certificate of Estimated Resources that was in effect at the time the original and final appropriations were passed by the Board of Education.

Appropriations:

Upon receipt from the County Auditor of an Amended Certificate of Estimated Resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution is enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, at the first digit of the object level within each function for the general fund and at the fund level for all other funds, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures may not exceed the appropriation totals at any level of control. Any revisions that alter the level of budgetary control must be approved by the Board of Education.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent Certificate of Estimated Resources. During the year, all supplemental appropriations were legally enacted.

The appropriation resolution is subject to amendment by the Board throughout the year with the restriction that appropriations may not exceed estimated revenues. The amounts reported as the original budget amounts reflect the first appropriation for that fund which covered the entire fiscal year, including amounts automatically carried over from prior year. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by the Board during the year.

Lapsing of Appropriations:

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

F. Cash and Investments

To improve cash management, cash received by the District is pooled in a central bank account. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the basic financial statements.

During fiscal year 2011, investments were limited to nonnegotiable certificates of deposit and State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2011.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2011 amounted to \$37,502, which includes \$19,191 assigned from other District funds.

For presentation on the basic financial statements, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the District's investment account at fiscal year end is provided in Note 4.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

G. Inventory

On government-wide and fund financial statements, purchased inventories are presented at the lower of cost or market and donated commodities are presented at their entitlement value. Inventories are recorded on a first-in, first-out basis and are expensed when used. Inventories are accounted for using the consumption method which means that the costs of inventory items are recorded as an expenditure in the governmental funds when consumed.

On the fund financial statements, reported material and supplies inventory is equally offset by nonspendable fund balance in the governmental funds which indicates that it does not constitute available spendable resources even though it is a component of net current assets.

Inventory consists of expendable supplies held for consumption, donated food, purchased food and non-food supplies.

H. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide Statement of Net Assets, but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The District's capitalization threshold is \$5,000 for general capital assets. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets except land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

Description	Governmental Activities <u>Estimated Lives</u>
Land improvements	20 years
Buildings and improvements	20 - 50 years
Furniture and equipment	5 - 30 years
Vehicles	8 years

I. Unamortized Bond Issuance Cost/Bond Premium and Discount/Accounting Gain or Loss

On government-wide financial statements, issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond issuance costs are recorded as a separate line item on the Statement of Net Assets.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Bond premiums are deferred and amortized over the term of the bonds using the straight-line method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of the bonds.

For bond refundings resulting in the defeasance of debt reported in the government-wide financial statements, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense. This accounting gain or loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter and is presented as an addition to or reduction of the face amount of the new debt.

On the governmental fund financial statements, bond issuance costs and bond premiums are recognized in the current period. A reconciliation between the bonds face value and the amount reported on the Statement of Net Assets is presented in Note 10.A.

J. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivables/payables”. These amounts are eliminated in the governmental activities column on the Statement of Net Assets. There were no interfund balances at June 30, 2011.

K. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the “vesting method”. A liability for sick leave is based on the sick leave accumulated at the Balance Sheet date by those employees who are currently eligible to receive termination (severance) payments, as well as those employees expected to become eligible in the future. For purposes of establishing a liability for this future severance eligibility, all employees with fifteen (15) years of service at any age were included.

The entire compensated absence liability is reported on the government-wide financial statements.

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements.

L. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments and compensated absences that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds and loans are recognized on the fund financial statements when due.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Fund Balance

The District reports classifications of fund balance based on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The following categories are used:

Nonspendable - amounts that cannot be spent because they are either (a) not in spendable form or (b) legally required to be maintained intact.

Restricted - amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed - amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's highest level of decision-making authority, the Board of Education.

Assigned - amounts that are constrained by the District's intent to be used for specific purpose, but are neither restricted nor committed. Assigned amounts include those approved through the District's formal purchasing procedure by the Treasurer. Through the District's purchasing policy, the Board of Education has given the Treasurer the authority to constrain monies for intended purposes.

Unassigned - residual fund balance within the general fund that is in spendable form that is not restricted, committed, or assigned. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purpose for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when an expense is incurred for purposes for which restricted and unrestricted fund balance is available. The District considers committed, assigned, and unassigned fund balances, respectively, to be spent when expenditures are incurred for purposes for which any of the unrestricted fund balance classifications could be used.

N. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The restriction for other purposes consist of monies restricted by State statute for school bus purchases and textbooks (See Note 17).

The District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

P. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets include the amount required to be set-aside for school bus purchases and textbooks. See Note 17 for additional information regarding set-asides.

Q. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the basic financial statements.

Interfund activity between governmental funds is eliminated in the Statement of Activities.

R. Nonpublic Schools

Within the District boundaries, St. Paul School is operated through the Youngstown Catholic Diocese. Current State legislation provides funding to this parochial school. The monies are received and disbursed on behalf of the parochial school by the Treasurer of the District, as directed by the parochial school. The activity of these State monies by the District is reflected in a nonmajor governmental fund for financial reporting purposes.

S. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2011, the District has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions", and GASB Statement No. 59, "Financial Instruments Omnibus".

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 54 establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB Statement No. 54 also clarifies the definitions of governmental fund types.

GASB Statement No. 59 updates and improves guidance for financial reporting and disclosure requirements of certain financial instruments and external investment pools. The implementation of GASB Statement No. 59 did not have an effect on the financial statements of the District.

B. Fund Reclassifications

Fund reclassifications are required in order to report funds in accordance with GASB Statement No 54. These fund reclassifications had the following effect on the District's governmental fund balances as previously reported:

	General	Debt Service	Nonmajor Governmental	Total Governmental
Fund balance (deficit) as previously reported	\$ (3,847,832)	\$ 2,122,078	\$ 724,089	\$ (1,001,665)
Fund reclassifications:				
Public school support fund	204,355	-	(204,355)	-
Special trust fund	8,085	-	(8,085)	-
Total fund reclassifications	212,440	-	(212,440)	-
Restated fund balance (deficit) at July 1, 2010	\$ (3,635,392)	\$ 2,122,078	\$ 511,649	\$ (1,001,665)

The fund reclassifications did not have an effect on net assets as previously reported.

C. Budgetary Prior Period Adjustment

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. Pursuant to GASB Statement No. 54, only the legally budgeted general fund should be reported in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary-basis fund balance at June 30, 2010 is as follows:

	Budgetary Basis General
Fund balance at June 30, 2010	\$ 1,396,025
Funds budgeted elsewhere	(82,344)
Restated fund balance at July 1, 2010	\$ 1,313,681

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Deficit Fund Balances

Fund balances at June 30, 2011 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Adult education	\$ 1,964
Education jobs	3,179
IDEA Part B	127,332
Title I	26,710
IDEA Part B - Preschool Stimulus	3,121
Improving Teacher Quality	13,019

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities.

NOTE 4 - DEPOSITS AND INVESTMENTS

State statutes classify monies held by the District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the District treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use, but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Protection of the District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

A. Deposits with Financial Institutions

At June 30, 2011, the carrying amount of all District deposits was \$7,519,820, based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2011, \$2,185,967 of the District's bank balance of \$7,845,305 was exposed to custodial risk as discussed below, while \$5,659,338 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2011, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	<u>\$ 11,217</u>	<u>\$ 11,217</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to State law, the District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2011:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	<u>\$ 11,217</u>	<u>100.00</u>

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments to the Financial Statements

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the financial statements as of June 30, 2011:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 7,519,820
Investments	11,217
Total	\$ 7,531,037
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 6,948,557
Private-purpose trust funds	429,015
Agency funds	153,465
Total	\$ 7,531,037

NOTE 5 - INTERFUND TRANSACTIONS

Interfund transfers for the year ended June 30, 2011, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Debt service fund	\$ 158,140

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. The transfer to the debt service fund is to provide resources for the repayment of long-term debt principal and interest.

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the District fiscal year runs from July through June. First half tax collections are received by the District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 6 - PROPERTY TAXES - (Continued)

Property taxes include amounts levied against all real property, public utility property, and certain tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed values as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2011 represent the collection of calendar year 2010 taxes. Public utility real and tangible personal property taxes received in calendar year 2011 became a lien on December 31, 2009, were levied after April 1, 2010, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in the District's fiscal year ended June 30, 2011 (other than public utility property) generally represent the collection of calendar year 2010 taxes levied against local and inter-exchange telephone companies. Tangible personal property taxes received from telephone companies in calendar year 2010 were levied after October 1, 2009 on the value as of December 31, 2009. Amounts paid by multi-county taxpayers were due September 20, 2010. Single county taxpayers could pay annually or semiannually. If paid semiannually, the first payment was due April 30, 2010, with the remainder payable by September 20, 2010.

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available as an advance at June 30, 2011 was \$3,180,855 in the general fund and \$186,746 in the debt service fund. This amount is recorded as revenue. The amount available for advance at June 30, 2010 was \$604,940 in the general fund and \$50,730 in the debt service fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

On the accrual basis of accounting, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis of accounting the revenue has been deferred.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 651,304,990	98.28	\$ 655,964,940	98.34
Public utility personal	9,770,770	1.47	10,254,420	1.54
Tangible personal property	<u>1,635,540</u>	<u>0.25</u>	<u>794,480</u>	<u>0.12</u>
Total	<u>\$ 662,711,300</u>	<u>100.00</u>	<u>\$ 667,013,840</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation				
Operations	\$69.30		\$69.30	
Debt service	3.00		3.00	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Assets follows:

Governmental activities:

Taxes	\$ 24,475,812
Accounts	7,457
Intergovernmental	68,123
Accrued interest	<u>11,536</u>
Total	<u>\$ 24,562,928</u>

Receivables have been disaggregated on the face of the basic financial statements. All receivables are expected to be collected within the subsequent year.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011 was as follows:

	<u>Balance</u> <u>06/30/10</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/11</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,785,562	\$ -	\$ -	\$ 1,785,562
Construction in progress	295,571	122,212	(417,783)	-
Total capital assets, not being depreciated	<u>2,081,133</u>	<u>122,212</u>	<u>(417,783)</u>	<u>1,785,562</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,579,858	417,783	(125,200)	2,872,441
Buildings and improvements	37,214,284	56,155	-	37,270,439
Furniture and equipment	3,423,148	-	-	3,423,148
Vehicles	2,761,833	218,600	(285,627)	2,694,806
Total capital assets, being depreciated	<u>45,979,123</u>	<u>692,538</u>	<u>(410,827)</u>	<u>46,260,834</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,878,483)	(100,478)	125,200	(1,853,761)
Buildings and improvements	(18,698,313)	(701,795)	-	(19,400,108)
Furniture and equipment	(2,481,377)	(262,782)	-	(2,744,159)
Vehicles	(2,480,331)	(109,013)	282,877	(2,306,467)
Total accumulated depreciation	<u>(25,538,504)</u>	<u>(1,174,068)</u>	<u>408,077</u>	<u>(26,304,495)</u>
Governmental activities capital assets, net	<u>\$ 22,521,752</u>	<u>\$ (359,318)</u>	<u>\$ (420,533)</u>	<u>\$ 21,741,901</u>

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 432,782
Special	49,827
Vocational	30,431
Adult/continuing	632
Other	3,720
<u>Support services:</u>	
Pupil	39,722
Instructional staff	49,463
Board of Education	351
Administration	55,692
Fiscal	15,861
Business	25,941
Operations and maintenance	237,094
Pupil transportation	144,387
Central	6,470
<u>Operation of noninstructional services:</u>	
Other non-instructional services	5,532
Food service operations	30,730
Extracurricular	45,433
Total depreciation expense	<u>\$ 1,174,068</u>

NOTE 9 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During a prior fiscal year, the District entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital leases consisting of equipment have been capitalized in the amount of \$889,741. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2011 for copiers was \$622,818 leaving a current book value of \$266,923. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2011 totaled \$179,248 paid by the general fund.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 9 - CAPITALIZED LEASE - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2011:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2012	\$ 204,269
2013	<u>68,090</u>
Total minimum lease payments	272,359
Less: amount representing interest	<u>(13,044)</u>
Total	<u>\$ 259,315</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. During the fiscal year 2011, the following changes occurred in governmental activities long-term obligations:

	<u>Issued</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Balance 06/30/10</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/11</u>	<u>Amount Due in One Year</u>
General obligation								
refunding bonds	2009	2019	2.0-4.0%	\$ 13,125,000	-	\$ (180,000)	12,945,000	\$ 1,280,000
High school								
improvements	1998	2019	5.00%	1,110,316	99,684	(1,210,000)	-	-
Energy conservation loan	2006	2021	3.96%	1,395,000	-	(105,000)	1,290,000	110,000
Capital lease obligations				438,563	-	(179,248)	259,315	192,206
Compensated absences				2,968,470	408,051	(252,719)	3,123,802	183,702
Retirement incentive payable				<u>758,431</u>	<u>-</u>	<u>(733,431)</u>	<u>25,000</u>	<u>25,000</u>
Total				<u>\$ 19,795,780</u>	<u>\$ 507,735</u>	<u>\$ (2,660,398)</u>	17,643,117	<u>\$ 1,790,908</u>
Add: Unamortized premium							258,155	
Less: Deferred charges on refundings							<u>(361,046)</u>	
Total on Statement of Net Assets							<u>\$ 17,540,226</u>	

Compensated absences and the retirement incentive will be paid from the fund from which the employee is paid, primarily the general fund and food service fund (a nonmajor governmental fund).

Capital lease obligations will be paid from the general fund. See Note 9 for details.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- B.** On October 1, 1994, the District issued general obligation bonds in the principal amount of \$22,953,000 for the purpose of improving Hoover High School (North Campus) to provide a one-site high school for the District, as well as converting the existing Hoover High School (South Campus) to a middle school and improving the Clearmount, Greentown, Northwood, and Orchard Hill Elementary Schools. It also included the Portage Building and Mary L. Evans Kindergarten Center. The District levied a tax outside of the 10-mill limitation imposed by State statutes to pay the debt charges on the bonds and any anticipatory securities.

On March 1, 1998, the District issued general obligation bonds to refund a portion of the 1994 Series issue. This issue is comprised of both current interest bonds, par value \$15,960,000, and capital appreciation bonds, par value \$714,795. The interest rates on the current interest bonds range from 4.25% to 5.00%. During fiscal year 2010, the District refunded the \$13,440,000 of the current interest bonds. In fiscal year 2008, capital appreciation bonds of \$227,891 matured with a total accreted interest of \$982,109. In fiscal year 2009, capital appreciation bonds of \$191,024 matured with a total accreted interest of \$1,013,976. In fiscal year 2010, capital appreciation bonds of \$160,783 matured with a total accreted interest of \$1,044,217. The remaining accreted interest on capital appreciation bonds matured December 1, 2010 (effective interest 18.05%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. Capital appreciation bonds of \$135,097 matured with a total accreted interest of \$1,074,903.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. There were no further debt obligations outstanding at fiscal year end.

The following is a schedule of activity for the general obligation bonds:

	<u>Balance</u> <u>6/30/10</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/11</u>
Capital appreciation bonds - 1998 Series	\$ 135,097		\$ (135,097)	\$ -
Capital appreciation bonds - accreted interest 1998 Series	<u>975,219</u>	<u>99,684</u>	<u>(1,074,903)</u>	<u>-</u>
Total	<u>\$ 1,110,316</u>	<u>\$ 99,684</u>	<u>\$ (1,210,000)</u>	<u>\$ -</u>

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- C. On November 12, 2009, the District issued general obligation bonds (Series 2009 refunding bonds) to refund \$13,440,000 of the Series 1998 current interest general obligation bonds.

The refunding issue is comprised of current interest bonds, par value \$13,435,000. The interest rates on the current interest bonds range from 2.0% to 4.0%.

These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for on the statement of net assets. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund.

Interest payments on the current interest bonds are due on December 1 of each year. The final maturity stated on this issue is December 1, 2019.

The following is a schedule of activity for fiscal year 2011 on the Series 2009 refunding bonds:

	Balance 6/30/10	Additions	Reductions	Balance 06/30/11
Current interest bonds	\$ 13,125,000	\$ -	\$ (180,000)	\$ 12,945,000

The reacquisition price exceeded the net carrying amount of the old debt by \$428,966. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

The following is a summary of the future debt service requirements to maturity for the Series 2009 refunding bonds:

Fiscal Year Ending June 30.	Series 2009 refunding bonds		
	Principal	Interest	Total
2012	\$ 1,280,000	\$ 421,475	\$ 1,701,475
2013	1,315,000	395,875	1,710,875
2014	1,320,000	369,575	1,689,575
2015	1,345,000	336,575	1,681,575
2016	1,430,000	299,575	1,729,575
2017 - 2020	6,255,000	616,175	6,871,175
Total	\$ 12,945,000	\$ 2,439,250	\$15,384,250

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- D.** On September 21, 2005, the District issued an energy conservation loan for the purpose of upgrading buildings owned by the District to reduce energy consumption. The loan was issued at 3.96% for 15 years with semi-annual payments due in June and December. The loan will be retired from the debt service fund.

The following is a summary of the future annual debt service requirements to maturity for the energy conservation loan:

Fiscal Year Ending June 30,	Energy Conservation Loan		
	Principal	Interest	Total
2012	\$ 110,000	\$ 48,906	\$ 158,906
2013	115,000	44,451	159,451
2014	115,000	39,897	154,897
2015	120,000	35,244	155,244
2016	125,000	30,393	155,393
2017 - 2021	705,000	72,171	777,171
Total	\$ 1,290,000	\$ 271,062	\$ 1,561,062

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2011, are a voted debt margin of \$49,089,363 (including available funds of \$2,074,621), an unvoted debt margin of \$666,219, and an energy conservation debt margin of \$4,705,974.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per fiscal year, depending upon the length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 324 days for classified personnel and 320 for certificated personnel. Upon completion of ten or more years of service with the district and retirement from the profession, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 67 days for classified and 68 days for certificated personnel. In addition, upon retirement, \$12 for both classified and certificated personnel is paid for each day of sick leave accumulated above 200 days. Upon completion of ten or more years of service with the State, or other political subdivision, but less than ten years of service with the district and retirement from the profession, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 57 days for classified personnel, and up to a maximum of 62 days for certificated personnel. In addition, upon retirement, \$10 for classified personnel and \$12 for certificated personnel, is paid for each day of sick leave accumulated above 200 days.

B. Retirement Incentive

The District provides a retirement incentive plan for State Teachers Retirement System of Ohio (STRS Ohio) employees who become first time eligible for retirement or reach 30 years of service under STRS Ohio guidelines and retire effective at the end of the school year in which they qualify. Employees who enroll in the retirement incentive plan must submit written notification to the Superintendent on or before April 15 of the year of retirement. Employees who retired at the end of the 2009-2010 school year could elect a onetime cash payment of \$25,000, payable in January of the second calendar year following retirement; or have the district purchase two (2) years of service credit from STRS on their behalf. One employee took advantage of the \$25,000 cash payment, and twelve employees took advantage of the STRS service credit purchase. All service credit payments were made during fiscal year 2011. A liability for the retirement incentive payments has been recorded on the fund financial statements for the amount due in January 2012 for the cash payment. The entire liability is recorded on the Statement of Net Assets.

The District also provides a retirement incentive plan for the School Employees Retirement System of Ohio (SERS) employees who become first time eligible for retirement or reach 30 years of service under SERS guidelines and retire effective at the end of the school year in which they qualify. Employees who enroll in the retirement incentive plan must submit written notification to the Superintendent three months prior to the date of retirement. Employees who retired at the end of the 2009-2010 school year could elect a onetime cash payment of \$10,000, payable in January of the year following retirement; or have the district purchase two (2) years of service credit from SERS on their behalf. No employees took advantage of the \$10,000 cash payment, and three employees took advantage of the SERS service credit purchase. All service credit payments were made during fiscal year 2011.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 11 - OTHER EMPLOYEE BENEFITS

C. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through National Term Life Insurance Company.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During fiscal year 2011, the District has contracted with private companies for various types of insurance as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
Buildings and Contents		
Replacement Cost	\$127,847,809	\$ 5,000
Inland Marine Coverage	various	500
Automobile Liability	1,000,000	0
Automobile Comprehensive	1,000,000	250
Automobile Collision	1,000,000	500
Uninsured Motorists	50,000	0
Employee Stop Gap Liability	1,000,000	0
School Leaders	1,000,000	2,500
Law Enforcement Professional Liability	1,000,000	2,500
Sexual Misconduct	1,000,000	0
Employee Benefits Liability	1,000,000	1,000
Umbrella Policy	10,000,000	10,000
General Liability:		
Per occurrence	1,000,000	0
Aggregate	2,000,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from the prior year.

B. Group Health and Dental Insurance

The District participates in the Stark County School Council of Governments Health Benefit Plan, a shared risk pool (Note 2.A.) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The certified staff pays 10 percent of medical, dental and vision premiums and the classified staff pays \$25 per month for medical dental and vision monthly premiums.

Claims are paid for all participants regardless of claims flow. Upon termination, all District claims would be paid without regard to the District's account balance or the Directors have the right to hold monies for an exiting school district subsequent to the settlement of all expenses and claims.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation

The District participates in the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan (GRP), an insurance purchasing pool (Note 2.A.). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its workers' compensation premium to the state based on the rate for the GRP rather than its individual rate. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement, disability, survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2011, 11.77 percent and 0.04 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2011, 2010 and 2009 were \$702,743, \$719,441 and \$515,380, respectively; 53.92 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. State Teachers Retirement System of Ohio

Plan Description - The District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 13 - PENSION PLANS - (Continued)

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on a member's lifetime contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The DB portion of the Combined Plan payment is payable to a member on or after age 60; the DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy - For fiscal year 2011, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$2,662,045, \$2,720,434 and \$2,717,913, respectively; 81.57 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2011, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Chapter 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 was \$96.40 and SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Employers/Audit Resources*.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2011, 1.43 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2011, the actuarially determined amount was \$35,800.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2011, 2010, and 2009 were \$172,222, \$113,706 and \$348,494, respectively; 53.92 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2011, this actuarially required allocation was 0.76 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010, and 2009 were \$45,223, \$42,784 and \$42,523, respectively; 53.92 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

Plan Description - The District contributes to the cost sharing, multiple employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2011, 2010 and 2009 were \$204,773, \$209,264 and \$209,070, respectively; 81.57 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

While reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts and disbursements.

The Statement of Revenue, Expenditures and Changes in Fund Balance - Budget and Actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis); and,
- (e) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows:

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 1,516,991
Net adjustment for revenue accruals	2,576,844
Net adjustment for expenditure accruals	1,322,331
Net adjustment for other sources/uses	(224,442)
Funds budgeted elsewhere **	5,690
Adjustment for encumbrances	681,244
GAAP basis	<u>\$ 5,878,658</u>

** As part of Governmental Accounting Standards Board Statement No. 54, "Fund Balance Reporting", certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special rotary fund and the public school support fund.

NOTE 16 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, State and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the District. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the District.

B. Litigation

The District is not a party to legal proceedings that would have a material effect on the financial condition of the District.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 17 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2011, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-aside reserve balance June 30, 2010	\$ 363,309	\$ -
Current year set-aside requirement	744,895	744,895
Contributions in excess of the current fiscal year set-aside requirement	-	-
Current year qualifying expenditures	(588,690)	(744,895)
Excess qualified expenditures from prior years	-	-
Current year offsets	-	-
Waiver granted by ODE	-	-
Prior year offset from bond proceeds	-	-
Total	<u>\$ 519,514</u>	<u>\$ -</u>
Balance carried forward to fiscal year 2012	<u>\$ -</u>	<u>\$ -</u>
Set-aside reserve balance June 30, 2011	<u>\$ 519,514</u>	<u>\$ -</u>

For the textbooks reserve, qualifying expenditures exceeding the set-aside requirement may be carried forward to the next fiscal year. Effective July 1, the textbook set aside is no longer required and has been removed from existing law. The positive fund balance is therefore not presented as being carried forward to future fiscal year. For the capital improvements reserve, qualifying expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

In addition to the above statutory reserves, the District also has monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2011 follows:

Amount restricted for textbooks	\$ 519,514
Amount restricted for school bus purchases	<u>2,542</u>
Total restricted cash	<u>\$ 522,056</u>

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

NOTE 18 - OTHER COMMITMENTS

The District utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year-end are reservations of fund balance for subsequent-year expenditures and may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the District's commitments for encumbrances in the governmental funds were as follows:

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 696,384
Other governmental	<u>61,150</u>
Total	<u>\$ 757,534</u>

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
National School Breakfast Program	10.553	\$12,342		\$12,342	
National School Lunch Program	10.555	293,135		293,135	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$46,389		\$46,389
Total Child Nutrition Cluster		<u>305,477</u>	<u>46,389</u>	<u>305,477</u>	<u>46,389</u>
Total U.S. Department of Agriculture		<u>305,477</u>	<u>46,389</u>	<u>305,477</u>	<u>46,389</u>
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	938,811		855,369	
ARRA Special Education Grants to States	84.391	611,986		559,577	
Special Education Preschool Grants	84.173	26,694		26,694	
ARRA Special Education Preschool Grants	84.392	<u>18,733</u>		<u>17,664</u>	
Total Special Education Cluster		<u>1,596,224</u>		<u>1,459,304</u>	
Title I, Grants to Local Educational Agencies	84.010	386,119		316,768	
ARRA Title I, Grants to Local Educational Agencies	84.389	<u>72,724</u>		<u>44,798</u>	
Total Title I Grants		<u>458,843</u>		<u>361,566</u>	
Education Jobs Fund	84.410	726,454		726,454	
Improving Teacher Quality State Grants	84.367	136,384		133,982	
Safe and Drug-Free Schools and Communities National Programs	84.186	3,515		3,379	
Education Technology State Grants	84.318	1,380		1,380	
ARRA State Fiscal Stabilization Fund (SFSF)	84.394	1,065,249		1,065,249	
<i>Passed Through Plain Local School District - Fiscal Agent of Compact:</i>					
Career and Technical Education Basic Grants to States	84.048	<u>31,500</u>		<u>31,500</u>	
Total U.S. Department of Education		<u>4,019,549</u>		<u>3,782,814</u>	
Totals		<u><u>\$4,325,026</u></u>	<u><u>\$46,389</u></u>	<u><u>\$4,088,291</u></u>	<u><u>\$46,389</u></u>

The accompanying notes to this schedule are an integral part of this schedule.

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2011**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Federal Awards Receipts and Expenditures Schedule (the Schedule) reports the District's federal award programs' receipts and expenditures. The Schedule has been prepared on the cash basis of accounting.

NOTE B – CHILD NUTRITION CLUSTER

The District commingles cash receipts from the U.S. Department of Agriculture with similar State grants. When reporting expenditures on this Schedule, the District assumes it expends federal monies first.

NOTE C – FOOD DONATION PROGRAM

The District reports commodities consumed on the Schedule at the fair value. The District allocated donated food commodities to the respective program that benefitted from the use of those donated food commodities.

This page intentionally left blank.



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

North Canton City School District
Stark County
525 Seventh Street NE
North Canton, Ohio 44720

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Canton City School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated September 22, 2011. We noted the District adopted Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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 the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of opining on the effectiveness of the District's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the District's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note a certain matter not requiring inclusion in this report that we reported to the District's management in a separate letter dated September 22, 2011.

We intend this report solely for the information and use of management, the audit committee, the Board of Education, and federal awarding agencies and pass-through entities and others within the District. We intend it for no one other than these specified parties.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

September 22, 2011



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

North Canton City School District
Stark County
525 Seventh Street NE
North Canton, Ohio 44720

To the Board of Education:

Compliance

We have audited the compliance of the North Canton City School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the District's major federal programs for the year ended June 30, 2011. The Summary of Auditor's Results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the North Canton City School District complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could directly and materially affect a major federal program, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined 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, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. 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 federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We intend this report solely for the information and use of the audit committee, management, the Board of Education, and federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.



Dave Yost
Auditor of State

September 22, 2011

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2011**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA #84.027, #84.391, #84.173, #84.392; ARRA State Fiscal Stabilization Funds CFDA #84.394, and Education Jobs Fund CDFA #84.410
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

**2. FINDINGS RELATED TO THE FINANCIAL STATEMENTS
REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS**

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

This page intentionally left blank.



Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

North Canton City School District
Stark County
525 7th Street, NE
North Canton, Ohio 44720

To the Board of Education:

Ohio Rev. Code Section 117.53 states "the auditor of state shall identify whether the school district or community school has adopted an anti-harassment policy in accordance with Section 3313.666 of the Revised Code. This determination shall be recorded in the audit report. The auditor of state shall not prescribe the content or operation of any anti-harassment policy adopted by a school district or community school."

Accordingly, we have performed the procedure enumerated below, which was agreed to by the Board, solely to assist the Board in evaluating whether North Canton City School District (the District) has updated its anti-harassment policy in accordance with Ohio Rev. Code Section 3313.666. Management is responsible for complying with this requirement. This agreed-upon procedure engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of this procedure is solely the responsibility of the Board. Consequently; we make no representation regarding the sufficiency of the procedure described below either for the purpose for which this report has been requested or for any other purpose.

1. We noted the Board amended its anti-harassment policy on August 10, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

Ohio Rev. Code Section 3313.666 required the Board to amend its definition by September 28, 2010.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the anti-harassment policy. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Dave Yost".

Dave Yost
Auditor of State

September 22, 2011



Dave Yost • Auditor of State

NORTH CANTON CITY SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 13, 2011**