



**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2000



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Canton City School District
Stark County
617 McKinley Avenue, SW
Canton, Ohio 44707

To the Board of Education:

We have audited the accompanying general purpose financial statements of Canton City School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2000, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Canton City School District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

As more fully discussed in Note 8 in the general purpose financial statements, certain errors and omissions resulting in the understatement of fixed assets in the General Fixed Asset Account Group were discovered during the current year. The beginning balance for the General Fixed Asset Account Group was restated as of July 1, 1999.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2001, 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 grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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 general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

March 6, 2001

CANTON CITY SCHOOL DISTRICT
 STARK COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

| | Governmental Fund Types | | | Proprietary Fund Types | | Fiduciary Fund Types | Account Groups | | Total (Memorandum Only) |
|--|-------------------------|--------------------|--------------------|------------------------|--------------------|----------------------|---------------------|-----------------------|-------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | Trust and Agency | General | General | |
| | | | | | | | Fixed Assets | Long-Term Obligations | |
| ASSETS AND OTHER DEBITS | | | | | | | | | |
| ASSETS: | | | | | | | | | |
| Equity in pooled cash and investments | \$7,479,046 | \$3,727,252 | \$1,228,749 | \$50,996,989 | \$2,400,921 | \$486,323 | | | \$69,735,824 |
| Receivables (net of allowances of uncollectibles): | | | | | | | | | |
| Taxes - current & delinquent | 29,649,704 | | 3,503,156 | 1,756,205 | | | | | 34,909,065 |
| Accounts | 1,504 | | | | | | | | 1,504 |
| Accrued interest | 89,588 | | | | | | | | 89,588 |
| Interfund loan receivable | 1,830,349 | | | | | | | | 1,830,349 |
| Due from other governments | 16,319 | 407,515 | | | 563,081 | | | | 986,915 |
| Prepayments | 48,909 | | | | | | | | 48,909 |
| Materials and supplies inventory | 118,179 | | | | 41,027 | | | | 159,206 |
| Restricted assets: | | | | | | | | | |
| Equity in pooled cash and investments | 1,473,626 | | | | | | | | 1,473,626 |
| Property, plant and equipment (net of accumulated depreciation where applicable) | | | | | 1,110,880 | | \$74,358,347 | | 75,475,887 |
| OTHER DEBITS: | | | | | | | | | |
| Amount available in debt service fund | | | | | | | | \$1,394,139 | 1,394,139 |
| Amount to be provided for retirement of general long-term obligations | | | | | | | | 50,575,730 | 50,575,730 |
| Total assets and other debits | <u>\$40,707,224</u> | <u>\$4,134,767</u> | <u>\$4,731,905</u> | <u>\$52,753,194</u> | <u>\$4,115,909</u> | <u>\$486,323</u> | <u>\$74,358,347</u> | <u>\$51,969,869</u> | <u>\$236,680,742</u> |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

--Continued

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
JUNE 30, 2000

| | Governmental Fund Types | | | Proprietary Fund Types | | Fiduciary Fund Types | Account Groups | | Total (Memorandum Only) |
|--|-------------------------|-----------------|--------------|------------------------|-------------|----------------------|------------------|------------------|-------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Enterprise | | Internal Service | Trust and Agency | |
| | | | | | | Fixed Assets | | | |
| LIABILITIES, EQUITY AND OTHER CREDITS | | | | | | | | | |
| LIABILITIES: | | | | | | | | | |
| Accounts payable | \$612,598 | \$298,575 | | \$470,152 | \$42,278 | \$18,971 | \$3,900 | | \$1,446,474 |
| Accrued wages and benefits | 9,472,543 | 2,293,721 | | 15,755 | 267,596 | 2,529 | 4 | | 12,052,148 |
| Compensated absences payable | 160,118 | 6,934 | | | 113,840 | 351 | | \$4,323,515 | 4,604,758 |
| Pension obligation payable | 1,324,758 | 172,884 | | | 180,625 | 1,500 | | 940,565 | 2,620,332 |
| Interfund loan payable | | 1,153,629 | | 676,720 | | | | | 1,830,349 |
| Due to other governments | 61,809 | 19,251 | | 467,629 | 56 | | 10,032 | | 558,777 |
| Deferred revenue | 28,339,227 | 6,332 | \$3,337,766 | 1,674,325 | 30,318 | 1,483,483 | 229,695 | | 33,387,968 |
| Due to students | | | | | | | | | 229,695 |
| Claims payable | | | | | | | | 46,705,789 | 1,483,483 |
| Bond anticipation note payable | | | | | | | | | 46,705,789 |
| Total liabilities | 39,971,053 | 3,951,326 | 3,337,766 | 3,304,581 | 634,713 | 1,506,834 | 243,631 | 51,969,869 | 104,919,773 |
| EQUITY AND OTHER CREDITS: | | | | | | | | | |
| Investment in general fixed assets | | | | | | | | \$74,358,347 | 74,358,347 |
| Retained earnings: unreserved | | | | | 3,481,196 | 1,916,370 | | | 5,397,566 |
| Fund balances: | | | | | | | | | |
| Reserved for encumbrances | 1,355,740 | 293,834 | | 2,759,589 | | | 149 | | 4,409,312 |
| Reserved for supplies inventory | 118,179 | | | | | | | | 118,179 |
| Reserved for prepayments | 48,909 | | | | | | | | 48,909 |
| Reserved for debt service | | | 1,228,749 | | | | | | 1,228,749 |
| Reserved for tax revenue unavailable for appropriation | 1,333,310 | | 165,390 | 81,880 | | | | | 1,580,580 |
| Reserved for budget stabilization | 1,473,626 | | | | | | | | 1,473,626 |
| Unreserved-undesignated (deficit) | (3,593,593) | (110,393) | | 46,607,144 | | | 242,543 | | 43,145,701 |
| Total equity and other credits | 736,171 | 183,441 | 1,394,139 | 49,448,613 | 3,481,196 | 1,916,370 | 242,692 | 74,358,347 | 131,760,969 |
| Total liabilities, equity and other credits | \$40,707,224 | \$4,134,767 | \$4,731,905 | \$52,753,194 | \$4,115,909 | \$3,423,204 | \$486,323 | \$74,358,347 | \$236,680,742 |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

| | Governmental Fund Types | | | | Fiduciary Fund Type | Total (Memorandum Only) |
|---|-------------------------|--------------------|--------------------|---------------------|------------------------|-------------------------------|
| | General | Special Revenue | Debt Service | Capital Projects | Expendable Trust | |
| Revenues: | | | | | | |
| From local sources: | | | | | | |
| Taxes | \$26,296,469 | | \$1,239,671 | \$1,458,432 | | \$28,994,572 |
| Tuition | 522,824 | \$26,379 | | | \$5,200 | 554,403 |
| Earnings on investments | 902,772 | 8,264 | | 458,057 | 11,309 | 1,380,402 |
| Extracurricular | | 881,588 | | | | 881,588 |
| Other local revenues | 750,704 | 356,444 | | | 170,534 | 1,277,682 |
| Other revenue | 185,411 | 2,577,863 | | | | 2,763,274 |
| Intergovernmental - State | 51,950,284 | 7,312,789 | 153,931 | 10,445,331 | | 69,862,335 |
| Intergovernmental - Federal | 1,060,297 | 6,809,902 | | | | 7,870,199 |
| Total revenues | 81,668,761 | 17,973,229 | 1,393,602 | 12,361,820 | 187,043 | 113,584,455 |
| Expenditures: | | | | | | |
| Current: | | | | | | |
| Instruction: | | | | | | |
| Regular | 32,264,587 | 5,922,637 | | 220,261 | 6,253 | 38,413,738 |
| Special | 9,746,906 | 4,647,439 | | | | 14,394,345 |
| Vocational | 2,525,245 | 88,134 | | | | 2,613,379 |
| Other | 991,108 | 730,860 | | | | 1,721,968 |
| Support services: | | | | | | |
| Pupil | 5,268,319 | 2,162,918 | | | 14,799 | 7,446,036 |
| Instructional staff | 2,164,008 | 3,560,370 | | | 2,044 | 5,726,422 |
| Board of education | 20,374 | | | | | 20,374 |
| Administration | 7,323,630 | 678,421 | | | | 8,002,051 |
| Fiscal | 1,292,783 | 105,985 | | | | 1,398,768 |
| Business | 753,204 | | | | | 753,204 |
| Operations and maintenance | 8,373,735 | 49,714 | | 2,741,886 | | 11,165,335 |
| Pupil transportation | 2,130,622 | 94,536 | | | | 2,225,158 |
| Central | 2,426,561 | 191,458 | | 955,676 | 5,002 | 3,578,697 |
| Community services | 418,424 | 405,464 | | | 103,675 | 927,563 |
| Extracurricular activities | 1,020,969 | 498,061 | | | 28,617 | 1,547,647 |
| Facilities acquisition and construction | 1,449,128 | 33,656 | | 8,892,751 | | 10,375,535 |
| Intergovernmental pass-through | | 417,035 | | | | 417,035 |
| Debt service: | | | | | | |
| Interest and fiscal charges | 27,696 | | | | | 27,696 |
| Total expenditures | 78,197,299 | 19,586,688 | | 12,810,574 | 160,390 | 110,754,951 |
| Excess of revenues over (under) expenditures | 3,471,462 | (1,613,459) | 1,393,602 | (448,754) | 26,653 | 2,829,504 |
| Other financing sources (uses): | | | | | | |
| Accrued interest on notes sold | | | | 20,500 | | 20,500 |
| Proceeds from sale of notes | | | | 46,705,789 | | 46,705,789 |
| Proceeds from sale of fixed assets | 5,681 | | | | | 5,681 |
| Operating transfers in | | 1,200,714 | | 1,288,624 | | 2,489,338 |
| Operating transfers out | (1,562,347) | | | (1,000,000) | | (2,562,347) |
| Total other financing sources (uses) | (1,556,666) | 1,200,714 | | 47,014,913 | | 46,658,961 |
| Excess of revenues and other financing sources over (under) expenditures and other financing uses | 1,914,796 | (412,745) | 1,393,602 | 46,566,159 | 26,653 | 49,488,465 |
| Fund balances (deficit) at July 1 | (1,223,534) | 596,186 | 537 | 2,882,454 | 216,039 | 2,471,682 |
| Increase in reserve for inventory | 44,909 | | | | | 44,909 |
| Fund balances (deficits) at June 30 | \$736,171 | \$183,441 | \$1,394,139 | \$49,448,613 | \$242,692 | \$52,005,056 |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CANTON CITY SCHOOL DISTRICT
 STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

| | <u>Proprietary Fund Types</u> | | Total (Memorandum Only) |
|--|-------------------------------|-----------------------------|-------------------------------|
| | <u>Enterprise</u> | <u>Internal Service</u> | |
| Operating revenues: | | | |
| Tuition and fees | \$938,581 | \$91,237 | \$1,029,818 |
| Sales/charges for services | 848,413 | 7,945,871 | 8,794,284 |
| Other operating revenues | <u>95,589</u> | <u>816</u> | <u>96,405</u> |
| Total operating revenues | <u>1,882,583</u> | <u>8,037,924</u> | <u>9,920,507</u> |
| Operating expenses: | | | |
| Personal services | 2,754,122 | 47,343 | 2,801,465 |
| Contract services | 221,671 | 486,881 | 708,552 |
| Materials and supplies | 1,967,123 | 85,917 | 2,053,040 |
| Claims | | 8,114,476 | 8,114,476 |
| Depreciation | 107,567 | 688 | 108,255 |
| Other operating expenses | <u>41,026</u> | <u>15,092</u> | <u>56,118</u> |
| Total operating expenses | <u>5,091,509</u> | <u>8,750,397</u> | <u>13,841,906</u> |
| Operating loss | <u>(3,208,926)</u> | <u>(712,473)</u> | <u>(3,921,399)</u> |
| Nonoperating revenues: | | | |
| Operating grants | 3,332,596 | | 3,332,596 |
| Federal commodities | 221,636 | | 221,636 |
| Interest revenue | 56,703 | 195,206 | 251,909 |
| Other nonoperating revenues | <u>3,150</u> | | <u>3,150</u> |
| Total nonoperating revenues | <u>3,614,085</u> | <u>195,206</u> | <u>3,809,291</u> |
| Net income (loss) before operating transfers | 405,159 | (517,267) | (112,108) |
| Operating transfers in | <u>73,009</u> | | <u>73,009</u> |
| Net income (loss) | 478,168 | (517,267) | (39,099) |
| Retained earnings at July 1 | <u>3,003,028</u> | <u>2,433,637</u> | <u>5,436,665</u> |
| Retained earnings at June 30 | <u><u>\$3,481,196</u></u> | <u><u>\$1,916,370</u></u> | <u><u>\$5,397,566</u></u> |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

CANTON CITY SCHOOL DISTRICT
 STARK COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

| | Proprietary Fund Types | | Total (Memorandum Only) |
|--|------------------------|---------------------|-------------------------------|
| | Enterprise | Internal Service | |
| Cash flows from operating activities: | | | |
| Cash received from tuition and fees | \$938,581 | \$91,237 | \$1,029,818 |
| Cash received from sales/service charges | 848,413 | 7,945,871 | 8,794,284 |
| Cash received from other operating activities. | 95,589 | 816 | 96,405 |
| Cash payments for personal services | (2,725,305) | (47,931) | (2,773,236) |
| Cash payments for contract services. | (217,788) | (506,901) | (724,689) |
| Cash payments for materials and supplies | (1,756,910) | (75,366) | (1,832,276) |
| Cash payments for claims | | (8,081,063) | (8,081,063) |
| Cash payments for other expenses. | (41,026) | | (41,026) |
| Net cash used in operating activities | <u>(2,858,446)</u> | <u>(673,337)</u> | <u>(3,531,783)</u> |
| Cash flows from noncapital financing activities: | | | |
| Cash received from operating grants. | 3,114,656 | | 3,114,656 |
| Transfers in from other funds | 73,009 | | 73,009 |
| Net cash provided by noncapital financing activities | <u>3,187,665</u> | | <u>3,187,665</u> |
| Cash flows from capital and related financing activities: | | | |
| Acquisition of capital assets. | (87,110) | | (87,110) |
| Net cash used in capital and related financing activities. | <u>(87,110)</u> | | <u>(87,110)</u> |
| Cash flows from investing activities: | | | |
| Interest received | 56,703 | 195,206 | 251,909 |
| Net cash provided by investing activities. | <u>56,703</u> | <u>195,206</u> | <u>251,909</u> |
| Net increase (decrease) in cash and cash equivalents | 298,812 | (478,131) | (179,319) |
| Cash and cash equivalents at beginning of year. | 2,102,109 | 3,894,675 | 5,996,784 |
| Cash and cash equivalents at end of year | <u>2,400,921</u> | <u>3,416,544</u> | <u>5,817,465</u> |
| Reconciliation of operating loss to net cash used in operating activities: | | | |
| Operating loss | (3,208,926) | (712,473) | (3,921,399) |
| Adjustments to reconcile operating loss to net cash used in operating activities: | | | |
| Depreciation. | 107,567 | 688 | 108,255 |
| Federal donated commodities. | 221,636 | | 221,636 |
| Changes in assets and liabilities: | | | |
| Increase in materials and supplies inventory | (3,106) | | (3,106) |
| Increase (decrease) in accounts payable. | (9,565) | 5,623 | (3,942) |
| Increase in accrued wages and benefits. | 59,541 | 205 | 59,746 |
| Increase (decrease) in compensated absences payable | 26,919 | (589) | 26,330 |
| Decrease in pension obligation payable | (56,796) | (204) | (57,000) |
| Increase in due to other governments | 56 | | 56 |
| Increase in claims payable | | 33,413 | 33,413 |
| Decrease in deferred revenue | 4,228 | | 4,228 |
| Net cash used in operating activities | <u>(\$2,858,446)</u> | <u>(\$673,337)</u> | <u>(\$3,531,783)</u> |

THE NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS ARE AN INTEGRAL PART OF THIS STATEMENT

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Canton City School District (the "District") operates under a locally elected five-member board form of government and provides educational services as authorized by its charter or further mandated by state and/or federal agencies. The board oversees the operations of the District's twenty-four instructional/support facilities.

The District ranks as the 10th largest by enrollment among the 660 public and community school districts in the State. The District employs 1,044 non-certified and 767 certified employees to provide services to approximately 13,197 students and community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with generally accepted accounting principles (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) Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The District's reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity". When applying GASB Statement No. 14, management has considered all potential component units. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the Board's ability to exercise significant oversight responsibility. The most significant manifestation of this ability is financial interdependence. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of the governing authority, the designation of management, the ability to significantly influence operations, and the accountability for fiscal matters.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

A. Reporting Entity - (Continued)

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, the District has no component units.

B. Fund Accounting

The District uses funds and account groups to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use and balances of the District's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund - The general fund is the general operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

B. Fund Accounting - (Continued)

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

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

Capital Projects Funds - The capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

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 where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

Enterprise Funds - The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises--where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Internal Service Funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the district, or to other governments, on a cost-reimbursement basis.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

B. Fund Accounting - (Continued)

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund and agency funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are presented on a budget basis, with note disclosure, regarding items which, in other fund types, would be subject to accrual. See Note 3 for an analysis of agency fund accruals which, if in other fund types, would be recognized on the combined balance sheet.

ACCOUNT GROUPS

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of general nature, the following account groups are used:

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the District, other than those accounted for in the proprietary funds.

General Long-Term Obligations Account Group - This group of accounts is established to account for all long-term obligations of the District except those accounted for in the proprietary funds.

C. Measurement Focus/Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and the expendable trust fund are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

C. Measurement Focus/Basis of Accounting - (Continued)

All proprietary funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net total assets.

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year end. Revenues accrued at the end of the year include interest, grants, and accounts (student fees and rent). Current property taxes measurable as of June 30, 2000, and which are intended to finance fiscal 2001 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

The District reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Expenditures (decreases in net financial resources) are recognized in the period in which the fund liability is incurred with the following exceptions: general long-term obligation principal and interest are reported only when due; and the costs of accumulated unpaid vacation and sick leave are reported as expenditures in the period in which they will be liquidated with available financial resources rather than in the period earned by employees.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

C. Measurement Focus/Basis of Accounting - (Continued)

The proprietary funds are accounted for on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The fair value of donated commodities used during the year is reported in the operating statement as an expense and a like amount is reported as donated commodities revenue.

D. Budgets

The District is required by state statute to adopt an annual appropriated cash basis budget for all funds. The specific timetable is as follows.

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Stark County Budget Commission for tax rate determination.
3. Prior to 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 a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. 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 set forth in the final Amended Certificate issued for fiscal year 2000.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

D. Budgets - (Continued)

4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board of Education prior to June 30, 2000.
8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

D. Budgets - (Continued)

Encumbrance accounting is utilized with District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year end, not recognized as accounts payable, appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. Note 16 provides a reconciliation of the budgetary and GAAP basis of accounting. Encumbrances for enterprise funds are disclosed in Note 13 to the GPFS.

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary 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 Investments" on the combined balance sheet.

During fiscal year 2000, investments were limited to federal agency securities, repurchase agreements, commercial paper, and investments in the 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 repurchase agreements are reported at cost.

The District has invested funds in STAR Ohio during fiscal year 2000. 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 share price which is the price the investment could be sold for on June 30, 2000.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

E. Cash and Investments - (Continued)

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. The following funds were credited with more interest revenue than would have been received based upon their share of the District's investments during fiscal 2000:

| | <u>Interest Actually Received</u> | <u>Interest Based upon Share of Investments</u> | <u>Interest Assigned by Other Funds</u> |
|-----------------------------|---|---|---|
| General Fund | \$902,772 | \$250,238 | \$652,534 |
| <u>Special Revenue Fund</u> | | | |
| Auxillary Services | 7,723 | 3,603 | 4,120 |
| <u>Enterprise Fund</u> | | | |
| Food Service | 53,571 | 36,182 | 17,389 |
| <u>Agency Fund</u> | | | |
| Student Managed Activities | 12,392 | 6,814 | 5,578 |

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 Treasurer's investments at year end is provided in Note 4.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

F. Inventory

Inventories for all governmental funds are valued at cost (first-in/first-out method). The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories at period end are reported as assets of the respective fund, which are equally offset by a fund balance reserve which indicates they are unavailable for appropriation even though they are a component of reported assets. Inventory in governmental funds consists of expendable supplies held for consumption.

Inventories of proprietary funds are valued at the lower of cost (first-in/first-out method) or market and expensed when used rather than when purchased. Inventory of proprietary funds consist of donated food, purchased food, and school supplies held for resale.

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

General fixed assets are capitalized at cost (or estimated historical cost) and updated for the cost of additions and retirements during the year in the general fixed assets account group. Donated fixed assets are recorded at their fair market value as of the date donated. The District has a policy of not capitalizing assets with a cost of less than \$500. No depreciation is recognized for assets in the general fixed assets account group. The District has not included infrastructure in the general fixed assets account group. Interest on debt issued to construct general fixed assets is not capitalized in the account group.

2. Proprietary Funds

Equipment reflected in these funds are stated at historical cost (or estimated historical cost) and updated for the cost of additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date donated. Depreciation has been provided, where appropriate, on a straight-line basis over an estimated useful life of 5 - 20 years.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

H. Intergovernmental Revenues

In governmental funds, entitlements and non-reimbursable grants (to the extent such grants and entitlements relate to the current fiscal year) are recorded as receivables and revenue when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Grants for proprietary fund operations are recognized as revenue when measurable and earned. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development Block Grant
JOBS/ABLE
JOBS Assessment
Even Start
Homeless Children
Goals 2000
Career Development
Community Education
Health Department
Perkins Grant
Parent/Child Trust Grant
E.M.I.S. Grant
Public Preschool Grant
Early Childhood Education Grant
EHA Preschool Grant
Adult Basic Education Grant
Disadvantaged Pupil Impact Aid
Auxiliary Services

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

H. Intergovernmental Revenues - (Continued)

- School Improvement (Venture Capital)
- Job Training Partnership Act (JTPA) Grant
- Eisenhower Grant
- Title VI-B Special Education Grant
- Vocational Education
- Title I
- Title VI
- Post-Secondary Vocational Education
- Industrial Training Program
- Entry Program
- Network Connectivity
- Ohio Reads

Non-Reimbursable Grants - (cont'd)

Special Revenue Funds

- Alternative Schools
- Reducing Class Size
- Drug Free Schools

Capital Projects Funds

- Permanent Improvement
- Building
- Classroom Facilities
- Vocational Education Equipment
- Technology Equity
- Urban Eight
- Emergency Repair

Reimbursable Grants

General Fund

- Driver Education

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

H. Intergovernmental Revenues - (Continued)

Enterprise
National School Lunch Program
National School Breakfast Program
Federal Donated Commodities

Grants and entitlements amounted to approximately 64% of the District's operating revenue during the 2000 fiscal year.

I. Interfund Transactions

During the course of normal operations, the District has numerous transactions between funds. The most significant include:

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2000.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2000.

An analysis of interfund transactions is presented in Note 5.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

J. Compensated Absences

Compensated absences of the District consist of vacation leave and severance liability to the extent that payments to the employee for these absences are attributable to services already rendered and are not contingent on a specific event that is outside the control of the District and the employee.

In accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences", a liability for vacation leave is accrued if a) the employees' rights to payment are attributable to services already rendered; and b) it is probable that the employer will compensate the employees for the benefits through paid time off or other means, such as cash payment at termination or retirement. A liability for severance is accrued using the vesting method; i.e., the liability 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 severance on employees expected to become eligible to retire in the future, all employees age fifty or greater with at least ten years of service were considered expected to become eligible to retire in accordance with GASB Statement No. 16.

The total liability for vacation and severance payments has been calculated using pay rates in effect at the balance sheet date, and reduced to the maximum payment allowed by labor contract and/or statute, plus any applicable additional salary related payments.

Accumulated vacation and severance liability of governmental fund type employees meeting the above requirements have been recorded in the appropriate governmental fund as a current liability to the extent that the amounts are expected to be payable within the current available period. The balance of the liability is recorded in the general long-term obligation account group. Vacation and severance liability for employees meeting the above requirements who are paid from proprietary funds is recorded as an expense when earned.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

K. Prepayments

Prepayments for governmental funds represent cash disbursements which have occurred and are therefore not current expendable resources. These items are reported as fund assets on the balance sheet using the allocation method, which amortizes their cost over the periods benefitting from the advance payment. At period end, since prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved by an amount equal to the carrying value of the asset.

L. Long-Term Obligations

Long-term debt is recognized as a liability of a government fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligation account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

M. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation and budget stabilization. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

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

N. Parochial Schools

Within the District boundaries are various parochial schools operated through the Catholic Diocese. Current state legislation provides funding to these parochial schools. These monies are received and disbursed on behalf of the parochial schools by the Treasurer of the District, as directed by the parochial school. The fiduciary responsibility of the District for these monies is reflected in a special revenue fund for financial reporting purposes.

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 18 for detail of statutory reserves.

P. Estimates

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

Q. Memorandum Only - Total Columns

Total columns on the GPFS are captioned "Total (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with GAAP. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balances at June 30, 2000 included the following individual fund deficits:

| | <u>Deficit Fund Balance</u> |
|-------------------------------------|-----------------------------|
| <u>Special Revenue Funds</u> | |
| Title I | \$372,913 |
| Vocational Education | 52,838 |
| EHA Preschool Grant | 10,686 |
| Title VI-B | 35,219 |
| Other Grant | 52,764 |
| Career Development | 7,576 |
| Community Education | 30 |
| Industrial Training Program | 28,364 |
| Disadvantaged Pupil Impact Aid | 893,699 |
| Children's Trust | 281 |
| Post-Secondary Vocational Education | 1,757 |
| Drug-Free Grant | 4,145 |
| Adult Basic Education | 3,758 |
| Ohio Reads | 36,826 |
| Education for Economic Security Act | 23,512 |
| Vocational Education | 52,838 |
| <u>Capital Projects Funds</u> | |
| Permanent Improvement | 430,671 |
| Emergency School Repairs | 1,720 |
| Urban Eight | 129,964 |

These funds complied with Ohio State law which does permit a cash basis deficit at fiscal year end.

The deficit fund balance in the general fund is caused by the reporting of accruing wage and retirement benefits in accordance with GAAP. This deficit will be eliminated by intergovernmental revenues and other sources not recognized at June 30.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

A. Deficit Fund Balances (Continued)

The deficit fund balances in the Title VI-B, Disadvantaged Pupil Impact Aid, Drug-Free Grant and EHA Preschool Grant special revenue funds are caused by accruing a liability for wage, benefit and pension obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit fund balances in the Other Grant, Career Development, Community Education, Post-Secondary Vocational Education, Children's Trust, Industrial Training Program, Ohio Reads, Miscellaneous State Grants, Adult Basic Education, Eisenhower Grant and Title II special revenue funds are due to the reporting of an "advances in" from another fund as an interfund loan payable rather than as an "other financing source" and by the reporting of accruing wage and retirement benefits in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit balances in the Permanent Improvement, Emergency School Repairs and Urban Eight capital projects are due to the reporting of an "advance in" from another fund as an interfund loan payable rather than as an "other financing source". These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

B. Agency Funds

The following are accruals for the agency funds, which, if in another fund type, would be recognized on the combined balance sheet:

LIABILITIES

| | |
|------------------|----------|
| Accounts payable | \$11,555 |
|------------------|----------|

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

Active deposits are public deposits necessary to meet certain 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 the Board of Education has identified as not required for use within the current two 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 certificates of deposit maturing not more than one year from the date of deposit or by savings accounts, including passbook accounts.

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 money deposited with the institution.

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 or interest by the United States;

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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;
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 division (1) or (2) of this section 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 Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days 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 instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Cash on Hand: At year end, the District had \$9,500 in undeposited cash on hand which is included on the balance sheet of the District as part of "Equity in Pooled Cash and Investments".

The following information classifies deposits and investments by categories of risk as defined in GASB Statement No. 3, "Deposits With Financial Institutions, Investments (including Reverse Repurchase Agreements), and Reverse Repurchase Agreements".

Deposits: At year end, the carrying amount of the District's deposits was \$5,105,478 and the bank balance was \$6,328,815. These balances included \$6,000,000 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$370,566 was covered by federal depository insurance; and
2. \$5,958,249 was uninsured and unregistered because it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

Collateral is required for demand deposits and certificates of deposit in excess of all deposits not covered by federal depository insurance. Obligations that may be pledged as collateral are obligations of the United States and its agencies, obligations of the State of Ohio and its municipalities, and obligations of the other states. Obligations pledged to secure deposits must be delivered to a bank other than the institution in which the deposit is made. Written custodial agreements are required.

Investments: Investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or securities held by the District. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department, but not in the District's name. STAR Ohio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

| | Category 3 | Carrying Amount | Fair Value |
|-----------------------------|---------------|--------------------|---------------|
| Repurchase Agreements | \$ 2,041,451 | \$ 2,041,451 | \$ 2,041,451 |
| Federal Agency Securities | 8,865,480 | 8,865,480 | 8,865,480 |
| Commercial Paper | 5,917,220 | 5,917,220 | 5,917,220 |
| Total | \$16,824,151 | | |
| Investment in State | | | |
| Treasurer's Investment Pool | | 49,270,321 | 49,270,321 |
| Total Investments | | \$66,094,472 | \$66,094,472 |

The classification of cash and cash equivalents, and investments on the combined balance sheet is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

A reconciliation between the classifications of cash and cash equivalents and investments on the combined balance sheet and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

| | <u>Cash and Cash Equivalents/Deposits</u> | <u>Investments</u> |
|---|---|---------------------|
| Per GASB Statement No. 9 | \$ 71,209,450 | \$ 0 |
| Investments of the Cash Management Pool: | | |
| Repurchase Agreements | (2,041,451) | 2,041,451 |
| Federal Agency Securities | (8,865,480) | 8,865,480 |
| Commercial Paper | (5,917,220) | 5,917,220 |
| State Treasurer's Investment Pool | (49,270,321) | 49,270,321 |
| Cash on hand | <u>(9,500)</u> | <u>---</u> |
| GASB Statement No. 3 | <u>\$ 5,105,478</u> | <u>\$66,094,472</u> |

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2000, consist of the following individual interfund loans receivable and payable:

| | <u>Interfund Receivable</u> | <u>Interfund Payable</u> |
|-------------------------------------|---------------------------------|------------------------------|
| General Fund | \$1,830,349 | \$ - - - |
| <u>Special Revenue Funds</u> | | |
| Other Grant | --- | 803,645 |
| Career Development | --- | 9,500 |
| Community Education | --- | 1,050 |
| Post Secondary Vocational Education | --- | 3,000 |
| Children's Trust | --- | 2,529 |
| JTPA | --- | 10,000 |
| Miscellaneous State Grants | --- | 74,000 |
| Title I | --- | 36,632 |
| Vocational Education | --- | 62,310 |
| Adult Basic Literacy | --- | 40,000 |
| Industrial Training Program | --- | 26,000 |
| Eisenhower Grant | --- | 30,000 |
| Ohio Reads | --- | 54,963 |
| <u>Capital Projects Funds</u> | | |
| Permanent Improvement | --- | 475,000 |
| Emergency Room Repair | --- | 1,720 |
| Cab HB 810 | --- | <u>200,000</u> |
| Total | <u>\$1,830,349</u> | <u>\$1,830,349</u> |

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2000:

| | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------------------|---------------------|----------------------|
| General Fund | \$ --- | \$1,562,347 |
| <u>Special Revenue Funds</u> | | |
| Vocational Education | 2,566 | --- |
| Disadvantaged Pupil Impact Aid | 1,102,408 | --- |
| District Managed Student Activity | 49,979 | --- |
| Career Development | 6,565 | --- |
| Post Secondary Vocational Education | 25,000 | --- |
| Library Service Grant | 14,196 | --- |
| <u>Capital Projects Funds</u> | | |
| Permanent Improvement | --- | 1,000,000 |
| OSFC - Urban Eight | 1,288,624 | --- |
| <u>Enterprise Fund</u> | | |
| Recreation | <u>73,009</u> | <u>---</u> |
| Total | <u>\$2,562,347</u> | <u>\$2,562,347</u> |

NOTE 6 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis. Distributions from the second half of the calendar year occur in a new fiscal year and are intended to finance the operations of that year. Property taxes include amounts levied against all real, public utility and tangible (used in business) property located in the District.

Real property taxes and public utility taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Assessed values are established by State law at 35% of appraised market value.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

Public utility property taxes are assessed on tangible personal property, as well as land and improvements. Real property is assessed at 35% of market value and personal property is assessed at 100% of market value except for the personal property of rural electric companies which is assessed 50% of market and railroads which are assessed at 29%.

Tangible personal property taxes attach as a lien and are levied on January 1 of the current year. Tangible personal property assessments are 25% of true value.

The assessed value upon which the 1999 taxes were collected was \$763,704,607. Agricultural/residential and public utility real estate represented \$337,523,410 or 44.19% of this total; Commercial & industrial real estate represented \$175,738,050 or 23.01% of this total; public utility tangible represented \$52,419,340 or 6.86% of this total and general tangible property \$198,023,807 or 25.94% of this total. The voted general tax rate for operations at the fiscal year ended June 30, 2000 was \$54.80 per \$1,000.00 of assessed valuation and \$4.40 per \$1,000.00 of assessed valuation for permanent improvement.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20.

The Stark County Treasurer collects property tax on behalf of the District. The County Auditor periodically remits to the District its portion of the taxes collected. These tax "advances" are based on statutory cash flow collection rates. Final "settlements" are made each February and August.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$1,580,580 was available to the District as an advance at June 30 and is recognized as revenue.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 6 - PROPERTY TAXES - (Continued)

Taxes available for advance and recognized as revenue but not received by the district prior to June 30, 2000, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

NOTE 7 - RECEIVABLES

Receivables at June 30, 2000, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants and entitlements (to the extent such grants and entitlements relate to the current fiscal year). Intergovernmental receivables have been reported as “due from other governments” on the combined balance sheet. 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 fiscal year guarantee of Federal funds.

| | Amounts |
|----------------------------------|--------------|
| <u>General Fund</u> | |
| Taxes - current and delinquent | \$29,649,704 |
| Due from other governments | 16,319 |
| Accrued interest | 89,588 |
| Interfund loans | 1,830,349 |
| <u>Special Revenue Funds</u> | |
| Due from other governments | 407,515 |
| <u>Debt Service Fund</u> | |
| Taxes - current and delinquent | 3,503,156 |
| <u>Capital Project Funds</u> | |
| Taxes - current and delinquent | 1,756,205 |
| <u>Enterprise Funds</u> | |
| Due from other governments | 563,081 |

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 8 - FIXED ASSETS

A. General Fixed Assets

The general fixed assets account group has been restated as of July 1, 1999 due to previously unrecorded land values.

| <u>Asset Category</u> | <u>Balance July 1, 1999</u> | <u>Correction</u> | <u>Restated Balance July 1, 1999</u> |
|--------------------------|---------------------------------|--------------------|--|
| Land/Improvements | \$ 4,552,022 | \$5,589,000 | \$10,141,022 |
| Buildings | 27,849,159 | --- | 27,849,159 |
| Furniture/Equipment | 13,997,066 | --- | 13,997,066 |
| Vehicles | 2,650,060 | --- | 2,650,060 |
| Construction in Progress | <u>1,719,883</u> | <u>---</u> | <u>1,719,883</u> |
| Total | <u>\$50,768,190</u> | <u>\$5,589,000</u> | <u>\$56,357,190</u> |

A summary of the changes in the general fixed asset account group during the fiscal year follows:

| | <u>Restated Balance July 1, 1999</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance June 30, 2000</u> |
|--------------------------|--|---------------------|----------------------|----------------------------------|
| Land/Improvements | \$10,141,022 | \$8,911,273 | \$ --- | \$19,052,295 |
| Buildings | 27,849,159 | 4,601,097 | --- | 32,450,256 |
| Furniture/Equipment | 13,997,066 | 4,533,144 | (139,941) | 18,390,269 |
| Vehicles | 2,650,060 | 1,204,915 | --- | 3,854,975 |
| Construction In Progress | <u>1,719,883</u> | <u>610,552</u> | <u>(1,719,883)</u> | <u>610,552</u> |
| Total | <u>\$56,357,190</u> | <u>\$19,860,981</u> | <u>\$(1,859,824)</u> | <u>\$74,358,347</u> |

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 8 - FIXED ASSETS - (Continued)

B. Proprietary Fixed Assets

A summary of enterprise fund fixed assets at June 30, 2000 follows:

| | |
|--------------------------------|--------------------|
| Building | \$ 1,750,862 |
| Furniture and equipment | 1,661,978 |
| Less: accumulated depreciation | <u>(2,301,960)</u> |
| Net fixed assets | <u>\$1,110,880</u> |

A summary of the internal service fixed assets at June 30, 2000 follows:

| | |
|--------------------------------|-----------------|
| Furniture and equipment | \$ 65,926 |
| Less: accumulated depreciation | <u>(59,266)</u> |
| Net fixed assets | <u>\$ 6,660</u> |

NOTE 9 - LONG -TERM OBLIGATIONS

- A. During the fiscal year, the District began construction and renovation of various school buildings in accordance with the terms of a Facilities grant from the Ohio Schools Facilities Commission (OSFC). The total project (hereafter "Construction Project") encompasses the construction of nine new elementary schools, one new middle school, and a high school campus and the remodeling of five elementary schools, three middle schools and two high schools. The total estimated cost of the Construction Project is \$175,887,147, of which OSFC will pay \$129,181,358. OSFC will make quarterly disbursements to the District as the Construction Project is completed. The Construction Project is expected to take approximately six years to complete.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 9 - LONG -TERM OBLIGATIONS - (Continued)

The voters of the District passed a 4.5 mill bonded debt tax levy to provide for the Districts share of the construction costs. Of the 4.5 mill total, 3.7 mill is earmarked for construction and 0.8 mill is earmarked for land acquisition. The general obligation bonds will not be issued until fiscal year 2001 (See Note 20), however, the District issued a bond anticipation note during fiscal year 2000 (See B. below) to begin the Construction Project. Proceeds from the bond anticipation note are reported in the capital projects funds.

- B.** On April 13, 2000, the District issued \$46,705,789 in bond anticipation notes to begin the Construction Project under the terms outlined by the OSFC. These notes bear an annual interest rate of 4.2848% and mature on December 15, 2000. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced," the bond anticipation notes are considered long-term obligations because they have been replaced with long-term bonds before the financial statements have been issued. A summary of bond anticipation note transactions for the year ended June 30, 2000 follows:

| | <u>Principal Outstanding June 30, 1999</u> | <u>Additions</u> | <u>Reductions</u> | <u>Principal Outstanding June 30, 2000</u> |
|-------------------------------|--|----------------------|-------------------|--|
| <u>Capital Projects Funds</u> | | | | |
| Bond Anticipation | | | | |
| Notes - 4.2848% | \$ <u>0</u> | \$ <u>46,705,789</u> | \$ <u>---</u> | \$ <u>46,705,789</u> |

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 9 - LONG -TERM OBLIGATIONS - (Continued)

C. During the year ended June 30, 2000, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are reported net of actual increases and decreases due to the practicality of determining these values. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid.

| | <u>Balance</u> <u>July 1, 1999</u> | <u>Increase</u> | <u>Decrease</u> | <u>Balance</u> <u>June 30, 2000</u> |
|---------------------------------|---------------------------------------|---------------------|--------------------|--|
| Compensated absences | \$3,722,437 | \$ 601,078 | \$ --- | \$ 4,323,515 |
| Pension obligation payable | 845,849 | 940,565 | (845,849) | 940,565 |
| Bonds anticipation note payable | <u>0</u> | <u>46,705,789</u> | <u>---</u> | <u>46,705,789</u> |
| Total | <u>\$4,568,286</u> | <u>\$48,247,432</u> | <u>\$(845,849)</u> | <u>\$51,969,869</u> |

D. 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 effects of these debt limitations at June 30, 2000 are a voted debt margin of \$70,127,554 (including available funds of \$1,394,139) and an unvoted debt margin of \$763,705.

NOTE 10 - NOTES PAYABLE

The tax anticipation note and all related transactions are reported in the general fund, the fund which received the proceeds. The following are the District's note payable transactions for the year ended June 30, 2000:

| | <u>Interest</u> <u>Rate</u> | <u>Issue</u> <u>Date</u> | <u>Maturity</u> <u>Date</u> | <u>Balance</u> <u>June 30, 1999</u> | <u>Retired</u> <u>in 2000</u> | <u>Balance</u> <u>June 30, 2000</u> |
|------------------|--------------------------------|-----------------------------|--------------------------------|--|----------------------------------|--|
| Tax anticipation | 5.75% | 01/03/95 | 12/01/99 | <u>\$480,000</u> | <u>\$(480,000)</u> | <u>\$ 0</u> |

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 11 - COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Clerical, Technical, and Maintenance and Operations employees with one or more years of service are entitled to vacation ranging from 5 to 25 days. Employees with less than one year of service earn one vacation day per month worked, not to exceed five days. Unused vacation is not cumulative to the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees). This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave to a maximum payout of 55 days for certified employees and 50 days for classified employees.

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The following is a description of the District's insurance coverage:

| <u>Coverage</u> | <u>Insurer</u> | <u>Limits of Coverage</u> | <u>Deductible</u> |
|-----------------------|--------------------------|-------------------------------|-------------------|
| General liability: | Nationwide Insurance | | |
| Each occurrence | | \$ 2,000,000 | \$ 0 |
| Aggregate | | \$ 5,000,000 | \$ 0 |
| Building and contents | Coregis Insurance Co. | \$190,838,244 | \$5,000 |
| Fleet: | Nationwide Insurance | | |
| Comprehensive | | \$ 2,000,000 | \$ 250 |
| Collision | | \$ 2,000,000 | \$ 250 |
| Umbrella liability | Cincinnati Insurance Co. | \$ 1,000,000 | \$ 0 |

Settled claims have not exceeded this commercial coverage in any of the past three years.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Health Care Self-Insurance Program

The self-insurance program for health care is administered by NABN and Aultcare. Payments are made to NABN and Aultcare for the actual amount of claims processed, monthly stop-loss premiums, and administrative charges. Operating revenues of the internal service fund consist of charges to other funds for an amount expected to be needed to cover claims and to provide for future catastrophe losses, policy stop-loss premiums, and other operating expenses. The portion of the charge relating to the cost needed to cover claims is calculated annually based on historical information and trend information.

The claims liability is \$951,129 reported in the internal service fund at June 30, 2000, is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Beginning Balance</u> | <u>Current Year Claims</u> | <u>Claims Payments</u> | <u>Ending Balance</u> |
|------------------------|------------------------------|--------------------------------|----------------------------|---------------------------|
| 2000 | \$ 921,541 | \$7,742,004 | \$(7,712,416) | \$951,129 |
| 1999 | \$1,012,715 | \$6,397,627 | \$(6,488,801) | \$921,541 |

The District also participates in a self-insurance program for dental care and vision care.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation Program

The District has participated in the Ohio Bureau of Worker's Compensation (Bureau) Retrospective Rating Plan since 1989, except for 1993 and 1997. The alternative rating program requires the District to pay only administrative charges to the Bureau, and in turn the district assumes the responsibility of paying all claims incurred during the policy period for up to ten years. After the tenth year, the Bureau will assume any existing claim for its duration. The District will be charged an actuarial amount for the claims transferred to the Bureau. The District's stop-loss coverage through the plan is limited to \$300,000 per claim stop-loss coverage with an annual aggregate.

The District's Workers' Compensation Trust internal service fund pays for all claims, claim reserves and administrative costs of the program. The Workers Compensation Trust internal service fund generates revenues by charging each fund a percentage rate determined by the Bureau for the payroll during the reporting period. The claims liability is recorded based on an actuarial determination of future claims, review of five years of claim liabilities and claim payment trends including the settlement to the Bureau after the tenth year. Changes in claims activity for the past two fiscal years are as follows:

| <u>Fiscal Year</u> | <u>Beginning Balance</u> | <u>Current Year Claims</u> | <u>Claims Payments</u> | <u>Ending Balance</u> |
|--------------------|--------------------------|----------------------------|------------------------|-----------------------|
| 2000 | \$528,529 | \$376,297 | \$(372,472) | \$532,354 |
| 1999 | \$567,911 | \$163,400 | \$(202,782) | \$528,529 |

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains four enterprise funds to account for the operations of food service, rotary special services, adult education programs and recreation operations. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2000.

| | <u>Food Service</u> | <u>Rotary Special Service</u> | <u>Adult Education</u> | <u>Recreation</u> | <u>Total</u> |
|---|-------------------------|---------------------------------------|----------------------------|-------------------|--------------|
| Operating revenue | \$ 833,505 | \$45,211 | \$ 922,844 | \$ 81,023 | \$ 1,882,583 |
| Operating expenses before depreciation | 3,634,706 | 35,809 | 1,146,349 | 167,078 | 4,983,942 |
| Depreciation | 18,145 | --- | 47,181 | 42,241 | 107,567 |
| Operating income (loss) | (2,819,346) | 9,402 | (270,686) | (128,296) | (3,208,926) |
| Operating grants | 2,882,541 | --- | 450,055 | --- | 3,332,596 |
| Federal donated commodities | 221,636 | --- | --- | --- | 221,636 |
| Operating transfers in | --- | --- | --- | 73,009 | 73,009 |
| Net income (loss) | 338,402 | 9,402 | 182,501 | (52,137) | 478,168 |
| Net working capital | 1,400,349 | 68,987 | 1,040,197 | (34,219) | 2,475,314 |
| Total assets | 1,937,578 | 69,360 | 1,270,774 | 838,197 | 4,115,909 |
| Total liabilities | 481,018 | 373 | 108,360 | 44,962 | 634,713 |
| Total equity | 1,456,560 | 68,987 | 1,162,414 | 793,235 | 3,481,196 |
| Encumbrances 06/30/00 | 47,835 | --- | 20,584 | 383 | 68,802 |

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability 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. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent for 2000; 5.55 percent was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$1,927,049, \$1,719,758, and \$1,625,377, respectively; 38 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$1,198,716, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing, multiple-employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771, or by calling (614) 227-4090.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 6 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$7,248,619, \$6,719,503, and \$6,322,826, respectively; 83 percent has been contributed for fiscal year 2000 and 100 percent for the fiscal years 1999 and 1998. \$1,215,952, representing the unpaid contribution for fiscal year 2000, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS or the STRS have an option to choose Social Security or the SERS/STRS. As of June 30, 2000, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

The District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System (STRS), and to retired non-certified employees and their dependents through the School Employees Retirement System (SERS). Benefits include hospitalization, physicians' fees, prescription drugs, and reimbursement of monthly Medicare premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are funded on a pay-as-you-go basis.

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$4,142,068 during fiscal 2000.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$2.783 billion at June 30, 1999 (the latest information available). For the year ended June 30, 1999 (the latest information available), net health care costs paid by STRS were \$249.929 million and STRS had 95,796 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium.

For this fiscal year, employer contributions to fund health care benefits were 8.45 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 1999 (the latest information available), were \$126.4 million and the target level was \$189.6 million. At June 30, 1999 (the latest information available), SERS had net assets available for payment of health care benefits of \$188.0 million and SERS had approximately 51,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$1,502,105 during the 2000 fiscal year.

NOTE 16 - 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances -Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types 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 are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures 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).

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 16 - 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 governmental funds are as follows:

**Excess of Revenues and Other Financing
Sources Over (Under) Expenditures and Other
Financing Uses**

| | Governmental Fund Types | | | |
|--|-------------------------|----------------------------|-------------------------|-----------------------------|
| | <u>General</u> | <u>Special Revenue</u> | <u>Debt Service</u> | <u>Capital Projects</u> |
| Budget basis | \$ (66,691) | \$(1,341,382) | \$1,228,212 | \$43,669,095 |
| Net adjustment for revenue accruals | 1,841,337 | (147,719) | (342,308) | 5,241 |
| Net adjustment for expenditure accruals | 146,713 | (139,040) | 507,698 | (459,910) |
| Net adjustment for other sources/uses | (1,793,168) | 683,981 | --- | (189,692) |
| Adjustment for encumbrances | <u>1,786,605</u> | <u>531,415</u> | <u>---</u> | <u>3,541,425</u> |
| GAAP basis | <u>\$ 1,914,796</u> | <u>\$ (412,745)</u> | <u>\$1,393,602</u> | <u>\$46,566,159</u> |

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 17 - 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 is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2000.

B. Litigation

The District is party to various legal proceedings. The District's management is of the opinion that the ultimate outcome of such litigation will not result in a material adverse effect on the District's financial position.

C. State School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received total support of \$47,880,796 for its general fund.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000**

(Continued)

NOTE 17 - CONTINGENCIES - (Continued)

Since the Supreme Court ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The State appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The court concluded, "...the mandate of the (Ohio) Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven "...major areas warrant further attention, study, and development by the General Assembly....," including the State's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001.

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

NOTE 18 - 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, 2000, the reserve activity was as follows:

| | <u>Textbooks</u> | <u>Capital Acquisition</u> | <u>Budget Stabilization</u> |
|--|--------------------|--------------------------------|---------------------------------|
| Set-aside cash balance as of June 30, 1999 | \$ 0 | \$ 0 | \$ 823,408 |
| Current year set-aside requirement | 1,950,654 | 1,950,654 | 650,218 |
| Current year offsets | (177,114) | (1,705,841) | --- |
| Qualifying disbursements | <u>(1,867,239)</u> | <u>(1,991,718)</u> | <u>---</u> |
| Total | <u>(93,699)</u> | <u>(1,746,905)</u> | <u>1,473,626</u> |
| Cash balance carried forward to FY 2001 | <u>\$ 0</u> | <u>\$ 0</u> | <u>\$1,473,626</u> |

As of June 30, 2000, the School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirements of future fiscal years. Although the School District had qualifying disbursements during fiscal year 2000 that reduced the set-aside amount below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

A schedule of the restricted assets at June 30, 2000 follows:

| | |
|--|--------------------|
| Amount restricted for budget stabilization | <u>\$1,473,626</u> |
| Total restricted assets | <u>\$1,473,626</u> |

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)**

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2000, the District has entered into contractual commitments for architect/design services and construction management services as part of the Construction Project described in Note 9.A. As of June 30, 2000, no expenditures related to these commitments have occurred, however, the cost of the architect/design services and the construction management services are estimated to be \$7,267,756 and \$6,149,640 respectively, over the term of the Construction Project. Motter & Meadows has been contracted as the lead architect on the Construction Project and Ruhlin, Inc. has been contracted as the construction manager.

NOTE 20 - SIGNIFICANT SUBSEQUENT EVENTS

In accordance with the terms of the OSFC grant described in Note 9.A., the District issued bonds to provide for the District's share of construction costs. Proceeds from the bond issue were used to retire the bond anticipation note described in Note 9.B., therefore, providing long-term financing of the Construction Project. The following is a description of the bond activity subsequent to June 30, 2000:

| <u>Type of Bond</u> | <u>Issue Date</u> | <u>Amount</u> |
|--|-----------------------|---------------|
| General Obligation Bonds (both current interest and capital appreciation bonds) | 10/01/2000 | \$30,605,413 |
| Qualified Zone Academy Bonds (QZAB's) | 11/30/2000 | \$14,000,000 |

In addition, the District will issue \$2,100,000 in QZAB's in January 2001.

NOTE 21 - COMPLIANCE

Contrary to Ohio Revised Code Section 5705.10, the District had certain Special Revenue Funds, a Capital Projects Fund, an Enterprise Fund and an Agency Fund which had fund cash deficits throughout fiscal year 2000. Those negative fund balances were eliminated as of June 30, 2000.

CANTON CITY SCHOOL DISTRICT
 STARK COUNTY
 SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
 FOR THE YEAR ENDED JUNE 30, 2000

| <u>Federal Grantor/ Sub Grantor/ Program Title</u> | <u>Federal CFDA Number</u> | <u>Pass-Through Grantor's Number</u> | <u>Receipts</u> | <u>Non-Cash Receipts</u> | <u>Expenditures</u> | <u>Non-Cash Expenditures</u> |
|--|------------------------------------|--|-----------------|------------------------------|---------------------|----------------------------------|
| U.S. Department of Education | | | | | | |
| (Direct) | | | | | | |
| Impact Aid | 84.041 | | \$ 13,634 | \$ 0 | \$ 13,634 | \$ 0 |
| Federal Pell Grant Program | 84.063 | | 159,476 | 0 | 159,476 | 0 |
| (Passed Through the State Department of Education) | | | | | | |
| Adult Education State Grant Program | 84.002 | 043711ABS199C | 3,862 | 0 | 3,862 | 0 |
| | | 043711ABS199 | 47,924 | 0 | 47,924 | 0 |
| | | 043711ABS198C | 0 | 0 | 7,561 | 0 |
| | | 043711ABSD98C | 0 | 0 | 313 | 0 |
| | | 043711ABSD99C | 0 | 0 | 6,132 | 0 |
| | | 043711ABSD99 | 0 | 0 | 17,844 | 0 |
| | | 043711ABS100 | <u>274,749</u> | <u>0</u> | <u>274,749</u> | <u>0</u> |
| Total Adult Education State Grant Program | | | 326,535 | 0 | 358,385 | 0 |
| Title I Grants to Local Educational Agencies | 84.010 | 043711C1S100 | 2,980,701 | 0 | 2,593,201 | 0 |
| | | 043711C1S199C | 439,051 | 0 | 429,902 | 0 |
| | | 043711C1S199 | 9,945 | 0 | 1,333,363 | 0 |
| | | 043711C1S198C | 400,475 | 0 | 11,295 | 0 |
| | | 043711C1SS99P | 10,500 | 0 | 10,203 | 0 |
| | | 043711C1SD99P | 0 | 0 | 4,343 | 0 |
| | | 043711C1SD99 | 0 | 0 | 15,516 | 0 |
| | | 043711C1SD00 | 54,776 | 0 | 44,131 | 0 |
| | | 043711C1SD99C | <u>9,038</u> | <u>0</u> | <u>5,342</u> | <u>0</u> |
| Total Title I Grants to Local Educational Agencies | | | 3,904,486 | 0 | 4,447,296 | 0 |
| Title VI-R | 84.340 | 043711CRS100 | 170,224 | 0 | 0 | 0 |
| Special Education Cluster: | | | | | | |
| Special Education Grants to States | 84.027 | 0437116BSF99P | 224,956 | 0 | 258,092 | 0 |
| | | 0437116BSF00P | 753,934 | 0 | 692,294 | 0 |
| | | 0437116BSX00P | <u>5,674</u> | <u>0</u> | <u>3,443</u> | <u>0</u> |
| Total Special Education Grants to States | | | 984,564 | 0 | 953,829 | 0 |
| Special Education Preschool Grants | 84.173 | 043711PGS199P | 4,150 | 0 | 8,175 | 0 |
| | | 043711PGSC99P | 61,590 | 0 | 61,590 | 0 |
| | | 043711PGS100P | <u>100,385</u> | <u>0</u> | <u>91,938</u> | <u>0</u> |
| Total Special Education Preschool Grants | | | 166,125 | 0 | 161,703 | 0 |
| Total Special Education Cluster | | | 1,150,689 | 0 | 1,115,532 | 0 |
| Vocational Education Basic Grants to States | 84.048 | 04371120C299 | 3,063 | 0 | 2,107 | 0 |
| | | 04371120C200 | 37,029 | 0 | 42,228 | 0 |
| | | 04371120A500 | 31,467 | 0 | 36,631 | 0 |
| | | 04371120A599 | 7,500 | 0 | 19,718 | 0 |
| | | 04371120C199 | 51,424 | 0 | 117,788 | 0 |
| | | 04371120C100 | <u>327,548</u> | <u>0</u> | <u>282,368</u> | <u>0</u> |
| Total Vocational Education Basic Grants to States | | | 458,031 | 0 | 500,840 | 0 |
| Education for Homeless Children and Youth | 84.196 | 043711HCS100 | 53,563 | 0 | 38,192 | 0 |
| | | 043711HCS199 | 1,061 | 0 | 14,308 | 0 |
| | | 043711HCS199P | 0 | 0 | 3,132 | 0 |
| | | 043711HCS199C | <u>6,919</u> | <u>0</u> | <u>6,919</u> | <u>0</u> |
| Total Education for Homeless Children and Youth | | | 61,543 | 0 | 62,551 | 0 |

The accompanying notes are an integral part of this statement

CANTON CITY SCHOOL DISTRICT
STARK COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000

| Federal Grantor/ Sub Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|------------------------------------|--|------------------|------------------------------|---------------------|----------------------------------|
| Even Start State Educational Agencies | 84.213 | 043711EVS320 | 109,808 | 0 | 100,204 | 0 |
| | | 043711EVS299C | 0 | 0 | 16,633 | 0 |
| | | 043711EVS499 | 16,940 | 0 | 44,943 | 0 |
| Total Even Start State Educational Agencies | | | 126,748 | 0 | 161,780 | 0 |
| Innovative Education Program Strategies | 84.298 | 043711C2S199 | 5,006 | 0 | 4,801 | 0 |
| | | 043711C2S100 | 100,856 | 0 | 95,704 | 0 |
| | | 043711C2S199C | 18,162 | 0 | 15,678 | 0 |
| Total Innovative Education Program Strategies | | | 124,024 | 0 | 116,183 | 0 |
| Eisenhower Professional Development Grants | 84.281 | 043711MSS199C | 26,492 | 0 | 23,564 | 0 |
| | | 043711MSS199 | 19,239 | 0 | 36,333 | 0 |
| | | 043711MSS98C | 0 | 0 | 17,895 | 0 |
| | | 043711MSS100 | 56,833 | 0 | 72,016 | 0 |
| Total Eisenhower Professional Development Grants | | | 102,564 | 0 | 149,808 | 0 |
| Safe and Drug Free Schools and Communities State Grant | 84.186 | 043711DRS100 | 118,308 | 0 | 102,873 | 0 |
| | | 043711DRS199 | 0 | 0 | 51,947 | 0 |
| Total Safe and Drug Free Schools and Communities State Grant | | | 118,308 | 0 | 154,820 | 0 |
| Goals 2000 State and Local Educational Systemic Improvement | 84.276 | 043711G2S100 | 78,975 | 0 | 60,324 | 0 |
| | | 043711G2S198P | 21,310 | 0 | 61,235 | 0 |
| Total Goals 2000 State and Local Educational Systemic Improvement | | | 100,285 | 0 | 121,559 | 0 |
| Technology Literacy Challenge Fund Grants | 84.318 | 043711TF1499P | 37,500 | 0 | 37,500 | 0 |
| | | 043711TF1498 | 0 | 0 | 61,660 | 0 |
| | | 043711TF1599P | 25,000 | 0 | 0 | 0 |
| | | 043711TFVM99P | 27,000 | 0 | 27,000 | 0 |
| Total Technology Literacy Challenge Fund Grants | | | 89,500 | 0 | 126,160 | 0 |
| Reading Excellence Act | 84.338 | 047311RNS100 | 85,656 | 0 | 0 | 0 |
| Fund for the Improvement of Education | 84.215 | 043711PIS199 | 0 | 0 | 2,538 | 0 |
| | | 043711PIS100 | 10,938 | 0 | 9,620 | 0 |
| Total Fund for the Improvement of Education | | | 10,938 | 0 | 12,158 | 0 |
| Total U.S. Department of Education | | | 7,002,641 | 0 | 7,500,182 | 0 |
| U.S. Department of Agriculture | | | | | | |
| (Passed Through the State Department of Education) | | | | | | |
| Child Nutrition Cluster: | | | | | | |
| Food Distribution | 10.550 | N/A | 0 | 226,201 | 0 | 221,023 |
| School Breakfast Program | 10.553 | N/A | 386,288 | 0 | 386,288 | 0 |
| National School Lunch Program | 10.555 | N/A | 2,072,622 | 0 | 2,072,622 | 0 |
| Child and Adult Care Food Program | 10.558 | | 30,723 | 0 | 26,324 | 0 |
| Total Child Nutrition Cluster | | | 2,489,633 | 226,201 | 2,485,234 | 221,023 |
| Total U.S. Department of Agriculture | | | 2,489,633 | 226,201 | 2,485,234 | 221,023 |

The accompanying notes are an integral part of this statement

CANTON CITY SCHOOL DISTRICT
STARK COUNTY
SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2000

| Federal Grantor/ Sub Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Receipts | Non-Cash Receipts | Expenditures | Non-Cash Expenditures |
|--|------------------------------------|--|---------------------|------------------------------|----------------------|----------------------------------|
| U.S. National Science Foundation | | | | | | |
| (Direct) | | | | | | |
| Education and Human Resources | 47.076 | | 1,229 | 0 | (660) | 0 |
| U.S. Department of Labor | | | | | | |
| (Passed Through SDA No. 23) | | | | | | |
| Job Training Partnership Act | 17.250 | N/A | 93,540 | 0 | 152,584 | 0 |
| Work Investment Act | 17.255 | N/A | <u>18,267</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total U.S. Department of Labor | | | <u>111,807</u> | <u>0</u> | <u>152,584</u> | <u>0</u> |
| U.S. Department of Health and Human Services | | | | | | |
| (Passed Through the Ohio Hunger Task Force) | | | | | | |
| Child Care and Development Block Grants | 93.575 | N/A | 200,316 | 0 | 241,638 | 0 |
| | | N/A | 0 | 0 | 24,847 | 0 |
| | | N/A | <u>21,917</u> | <u>0</u> | <u>21,917</u> | <u>0</u> |
| Total U.S. Department of Health and Human Services | | | <u>222,233</u> | <u>0</u> | <u>288,402</u> | <u>0</u> |
| U.S. National Foundation on the Arts and the Humanities | | | | | | |
| (Passed Through the Institute of Museum and Library Services) | | | | | | |
| State Library Program | 45.310 | II-39-E-2-99 | <u>40,489</u> | <u>226,201</u> | <u>22,182</u> | <u>221,023</u> |
| Total Federal Assistance | | | <u>\$ 9,868,032</u> | <u>\$226,201</u> | <u>\$ 10,447,924</u> | <u>\$221,023</u> |

The accompanying notes are an integral part of this statement

**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (Schedule) is a summary of the activity of the District's federal award programs. Except for the Job Training Partnership Grant CFDA No. 17.250, which is accounted for on the accrual basis, the Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2000, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Canton City School District
Stark County
617 McKinley Avenue, SW
Canton, Ohio 44707

To the Board of Education:

We have audited the general purpose financial statements of Canton City School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2000, and have issued our report thereon dated March 6, 2001 in which we noted the District restated the General Fixed Asset Account Group balance as of July 1, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings as items 2000-11276-001 and 2000-11276-002.

We also noted other immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated March 6, 2001.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted matters involving the internal, control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 2000-11276-003 through 2000-11276-005.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider item 2000-11276-005 to be a material weakness.

We also noted other matters involving the internal control over the financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 6, 2001.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 6, 2001



STATE OF OHIO
OFFICE OF THE AUDITOR
JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Canton City School District
Stark County
617 McKinley Avenue, SW
Canton, Ohio 44707

To the Board of Education:

Compliance

We have audited the compliance of 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 are applicable to its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs are the responsibility of the District's management. 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 generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over federal compliance that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated March 6, 2001.

This report is intended for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Jim Petro
Auditor of State

March 6, 2001

**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

JUNE 30, 2000

| |
|--|
| 1. SUMMARY OF AUDITOR'S RESULTS |
|--|

| | | |
|---------------------|---|--|
| (d)(1)(i) | Type of Financial Statement Opinion | Unqualified |
| (d)(1)(ii) | Were there any material control weakness conditions reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(ii) | Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iii) | Was there any reported material non-compliance at the financial statement level (GAGAS)? | Yes |
| (d)(1)(iv) | Were there any material internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(iv) | Were there any other reportable internal control weakness conditions reported for major federal programs? | No |
| (d)(1)(v) | Type of Major Programs' Compliance Opinion | Unqualified |
| (d)(1)(vi) | Are there any reportable findings under § .510? | No |
| (d)(1)(vii) | Major Programs (list): | Child Nutrition Cluster (CFDA Nos. 10.550, 10.553, 10.555 and 10.558) Vocational Education Basic Grants to States (CFDA No. 84.048) |
| (d)(1)(viii) | Dollar Threshold: Type A/B Programs | Type A: > \$320,068 Type B: all others |
| (d)(1)(ix) | Low Risk Auditee? | Yes |

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

FINDING NUMBER 2000-11276-001

Finding for Recovery Repaid Under Audit

During fiscal year 2000, the District contracted with Main Street Tours, Inc. to coordinate a District-sponsored 7th grade Washington, D.C. trip between November 22, 1999 and November 24, 1999. The trip was scheduled during the normal school week. Barbara Tatka, Crenshaw Middle School Language Arts Teacher, helped chaperone the field trip and was paid by the District while she attended this field trip.

We noted the District's Executive Director for Safety and Security distributed two separate internal memoranda dated March 17, 2000 and September 27, 2000, respectively to certain District personnel, including Principals. The memoranda briefly discussed potential field trip issues. We also noted the Crenshaw Middle School Principal held two separate meetings with the Faculty and Team Leaders and Curriculum Assistants on March 30, 2000 and October 11, 2000, respectively. Potential field trip issues were discussed at both of those meetings. None of the District personnel acknowledged receiving monetary payments from field trip vendors either before or immediately after either meeting. However, unknown to the District, we noted Barbara Tatka, Crenshaw Middle School Language Arts Teacher, accepted and deposited into her personal account a \$3,740 payment from Main Street Tours, Inc. The payment was payable on November 10, 1999 (Check No. 17809). The \$3,740 was never provided to the District Treasurer for processing and subsequent recording within the District's accounting records.

Pursuant to Ohio Revised Code Section 117.01, any money received, collected by, or due a public official under color of office, as well as any money collected by any individual on behalf of a public office or as a purported representative or agent of the public office constitutes public money that should be deposited with the District.

In accordance with the foregoing facts, and pursuant to Ohio Revised Code Section 117.28, a Finding for Recovery for public monies collected but not accounted for is hereby issued against Barbara Tatka, Crenshaw Middle School Language Arts Teacher, in the amount of \$3,740 and in favor of the Canton City School District Special Revenue Middle School Principal's Account Fund into (Fund No. 018-3000-260).

On December 6, 2000, Barbara Tatka paid the finding for recovery to Canton City School District (personal check No. 3217) and it was subsequently deposited and recorded by the District on December 7, 2000 and December 14, 2000, respectively.

FINDING NUMBER 2000-11276-002

Noncompliance Citation

Ohio Revised Code Section 5705.10 states that money that is paid into a fund must be used only for the purposes for which such fund has been established. As a result, a negative fund balance indicates that money from one fund was used to cover the expenses of another fund.

Throughout fiscal year 2000, the District had certain Special Revenue Funds, a Capital Projects Fund, an Enterprise Fund and an Agency Fund which had fund cash deficits ranging roughly \$31,000 to \$2,600,000.

The above negative fund balances were eliminated by June 30, 2000.

The Treasurer should monitor receipts and disbursements on a regular basis to ensure sufficient funds exists before authorizing the expenditure of funds.

FINDING NUMBER 2000-11276-003

Reportable Condition - Human Resources and Payroll Departments Procedures

While testing payroll disbursements, we noted the following internal control deficiencies within the Human Resources, Payroll and various operating Departments as follows:

- The Human Resources Department does not maintain a complete set of employee files, particularly with respect to employees working in Community Education, temporary, and substitute positions.

In order to help ensure only valid District employees are paid and paid at the correct rates, the Human Resources department should maintain employee files for each District employee. These files should include the employee's personal information - name, tax/retirement system identification number, date hired, specific position held, salary or wage schedule to be used by the Payroll department in processing the employee's payroll, and documentation of all Board action taken with respect to the employee.

- Individual departments utilize different time sheets which are not filed similarly. For example, the Community Education Department utilizes a timesheet for each employee's hours worked while the Food Service Department, at each respective building, utilizes one spreadsheet documenting all employee's hours worked. In addition, the Community Education Department's employee timesheets are maintained within the respective employee's human resource and/or payroll file while the Food Service Department's spreadsheets are maintained separately from the employee's human resource and/or payroll file. These differences increase complexity in the payroll cycle, and increases the possibility that needed information will not be available or that documents will be misfiled.

The District should design and utilize uniform time sheets for all hourly employees. The time sheet should include the employee's name, dates within the pay period, and hours worked. The time sheet should also be signed by the employee's supervisor. Timesheets lacking such signature should not be entered for processing. In addition, the time sheets should be reviewed by the Payroll Department and, after being entered into the payroll system, should be maintained in the respective employee files.

FINDING NUMBER 2000-11276-003
(Continued)

- For 20 out of 60 (33%) employees tested, at least 1 employee payroll deduction form (i.e., Form IT-4, Annuities, etc.) could not be located for each respective employee tested. This could result in employee deductions being inaccurate.

The Payroll Department should ensure employee payroll deduction forms are maintained in each employee human resource and/or payroll file. This will help ensure accurate payroll deductions are applied to each employee's payroll.

FINDING NUMBER 2000-11276-004

Reportable Condition - Fixed Assets

During testing of fixed assets, the following internal control deficiencies were noted:

- The District's Business Department did not maintain a complete and accurate Land and Land Improvements Report within the Fixed Assets Master Listing. For example, certain parcels of District land were recorded in the Land and Land Improvements Report; however, a corresponding land value was not recorded in the historical value column. As a result, Land and Land Improvements were initially understated by \$5,589,000.
- The Fixed Assets Master Listing does not identify the acquisition year or fixed asset tag number for each respective fixed asset. As a result, identification of a specific asset is hindered.
- The fiscal year 2000 Fixed Asset Additions Listing did not reconcile to the Fixed Assets Master Report by \$7,804,815. As a result, the fiscal year 2000 Fixed Assets Master Report did not disclose an accurate reflection of the District's fiscal year 2000 fixed asset additions.
- While the District has established a Fixed Asset Policy (the Policy), the Policy does not specify how the District will identify fixed asset additions, deletions, or the transfers of fixed assets and report those changes to the District's Business Department. As a result, there is a lack of accountability and effective monitoring by the District's Business Department over the purchase, sale, and movement of fixed assets within the District.

To help improve overall accountability of District owned fixed assets, the District should perform the following:

- The District's Business Department should periodically review the Fixed Assets Master Listing by asset category to help ensure the purchase price has been applied to the historical value column.
- The District's Business Department should ensure the Fixed Asset Master Listing identifies the fixed asset acquisition year as well as the fixed asset tag number or other viable means of identification (e.g., serial number).

**FINDING NUMBER 2000-11276-004
(Continued)**

- The District's Business Department should review and identify the unreconciled difference between the Fixed Asset Additions Listing and the Fixed Asset Master Listing. Once identified, individuals knowledgeable of the interrelationships of the various applications within the fixed asset program should decipher and resolve the issue.
- The District should review the Policy and develop a comprehensive system for recording and tracking fixed assets.
- The District should consider performing a complete physical inventory of all District Departmental fixed assets in order to determine that the Fixed Asset Master Listing is accurate.
- The fixed assets recorded within the general purpose financial statements should be reconciled to the Fixed Assets Master Listing annually.

This will help ensure that all District departmental fixed assets are properly accounted for and monitored by the District's Business Department.

FINDING NUMBER 2000-11276-005

Material Weakness - Timeliness of Payroll Bank Reconciliations

The Payroll bank account reconciliations (the reconciliations) are not completed timely by the District's Payroll Department. For example, the February 2000 through June 2000 reconciliations were not completed by the District as of September 7, 2000. Also, the June 30, 2000 reconciliation was not completed or submitted for audit until January 16, 2001. Since the reconciliations are not completed timely the likelihood of errors or irregularities existing and not being detected timely is increased.

The Payroll Department should ensure the monthly bank reconciliations are prepared timely (i.e., soon after the monthly bank statement is received). In addition, the Payroll Supervisor should submit a summary of the significant payroll bank account reconciling items (i.e., stale dated checks, unusual reconciling items, etc.) to the Treasurer for review. This will help ensure the Payroll Department detects errors or irregularities timely.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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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
APRIL 3, 2001**