

Canton Local School District
Stark County, Ohio

Audited Financial Statements

June 30, 2009



Mary Taylor, CPA
Auditor of State

Board of Education
Canton Local School District
4526 Ridge Avenue SE
Canton, Ohio 44707

We have reviewed the *Independent Auditor's Report* of the Canton Local School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2008 through June 30, 2009. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Canton Local School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

March 9, 2010

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**CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY
JUNE 30, 2009**

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December 28, 2009

To the Board of Education
Canton Local School District
Canton, OH 44707

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Canton Local School District (the "School District"), as of and for the year ended June 30, 2009, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2009, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards* we have also issued our report dated December 28, 2009 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying schedule of 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Hea & Associates, Inc.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The management's discussion and analysis of the Canton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets of governmental activities decreased \$1,234,280 which represents a 116.43% decrease from 2008.
- General revenues accounted for \$19,208,291 in revenue or 71.41% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$7,689,718 or 28.59% of total revenues of \$26,898,009.
- The District had \$28,132,289 in expenses related to governmental activities; only \$7,689,718 of these expenses was offset by program specific charges for services and sales, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$19,208,291 were not adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$22,500,243 in revenues and \$22,279,027 in expenditures. During fiscal 2009, the general fund's fund deficit balance decreased \$221,216 from \$3,424,470 to \$3,203,254.

Using These Basic Financial Statements

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reporting the District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The government-wide financial statements include not only Canton Local School District itself (known as the primary government), but also one legally separate community school for which the District is financially accountable. Financial information for the component unit, Five R's Academy, is reported separately from the financial information presented for the primary government itself.

The District's statement of net assets and statement of activities can be found on pages 13-15 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

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

Governmental Funds

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Reporting the District's Fiduciary Responsibilities

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

Notes to the Basic Financial Statements

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

The District as a Whole

The statement of net assets provides the perspective of the District as a whole.

The table below provides a summary of the District's net assets for 2009 and 2008.

	Net Assets	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Assets</u>		
Current and other assets	\$ 10,018,641	\$ 12,967,620
Capital assets, net	<u>5,534,798</u>	<u>5,590,012</u>
Total assets	<u>15,553,439</u>	<u>18,557,632</u>
<u>Liabilities</u>		
Current liabilities	11,773,740	13,280,191
Long-term liabilities	<u>3,953,883</u>	<u>4,217,345</u>
Total liabilities	<u>15,727,623</u>	<u>17,497,536</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	4,837,998	4,606,273
Restricted	651,768	677,902
Unrestricted (deficit)	<u>(5,663,950)</u>	<u>(4,224,079)</u>
Total net assets (deficit)	<u>\$ (174,184)</u>	<u>\$ 1,060,096</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2009, the District's liabilities exceeded assets by \$174,184. Of this total, \$651,768 is restricted in use.

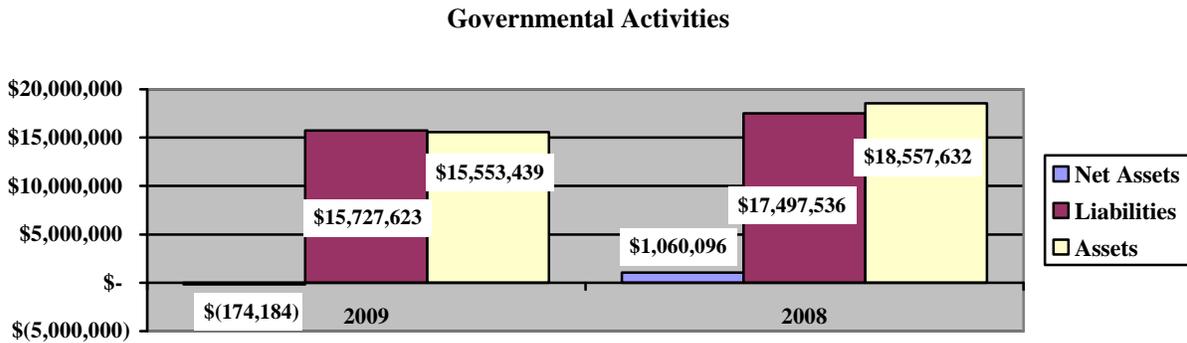
**CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The significant decrease in current assets and liabilities is primarily due to decreased taxes receivable and deferred revenue. In 2009, approximately \$1.2 million of delinquent personal property taxes were deemed uncollectible due to taxpayer bankruptcy. At year end, capital assets represented 35.59% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2009, were \$4,837,998. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$651,768, represents resources that are subject to external restriction on how they may be used. The remaining balance is a deficit of unrestricted net assets.

The graph below shows the District's assets, liabilities and net assets at June 30, 2009 and 2008.



The table below shows the change in net assets for fiscal years 2009 and 2008.

	Change in Net Assets	
	Governmental Activities <u>2009</u>	Governmental Activities <u>2008</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 3,475,979	\$ 2,718,370
Operating grants and contributions	4,193,139	3,337,202
Capital grants and contributions	20,600	102,983
General revenues:		
Property taxes	7,729,458	10,764,590
Grants and entitlements	11,101,716	10,253,236
Investment earnings	17,579	88,205
Miscellaneous	<u>359,538</u>	<u>218,750</u>
Total revenues	<u>\$ 26,898,009</u>	<u>\$ 27,483,336</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 10,855,094	\$ 10,229,724
Special	2,225,604	2,756,531
Vocational	1,914,821	1,981,690
Adult / continuing	250	-
Other	1,393,778	1,483,768
Support services:		
Pupil	1,733,533	1,645,356
Instructional staff	1,225,432	1,431,051
Board of education	25,268	23,650
Administration	1,977,557	2,010,468
Fiscal	304,439	291,464
Business	316,318	339,030
Operations and maintenance	2,593,039	3,093,151
Pupil transportation	1,089,768	1,383,269
Central	380,329	371,585
Operation of non-instructional services:		
Other non-instructional services	56,463	49,726
Food service operations	1,237,710	1,005,959
Extracurricular activities	719,548	702,139
Interest and fiscal charges	<u>83,338</u>	<u>72,353</u>
Total expenses	<u>28,132,289</u>	<u>28,870,914</u>
Change in net assets	(1,234,280)	(1,387,578)
Net assets at beginning of year	<u>1,060,096</u>	<u>2,447,674</u>
Net assets at end of year	<u><u>\$ (174,184)</u></u>	<u><u>\$ 1,060,096</u></u>

Governmental Activities

Net assets of the District's governmental activities decreased \$1,234,280. Total governmental expenses of \$28,132,289 were offset by program revenues of \$7,689,718 and general revenues of \$19,208,291. Program revenues supported 27.33% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, and unrestricted grants and entitlements. These revenue sources represent 70.00% of total governmental revenue.

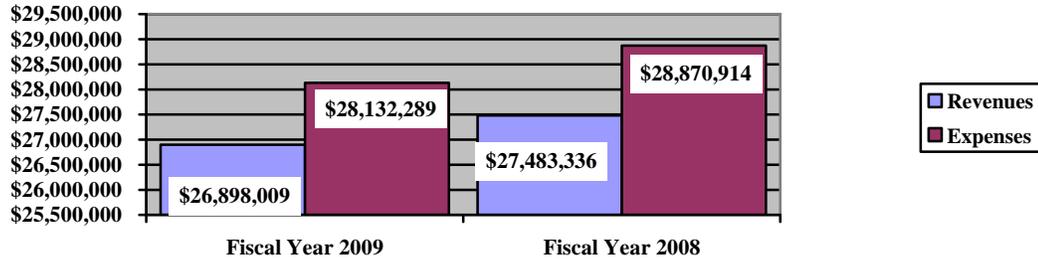
The largest expense of the District is for instructional programs. Instruction expenses totaled \$16,389,547 or 58.26% of total governmental expenses for fiscal year 2009.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2009 and 2008.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Program expenses				
Instruction:				
Regular	\$ 10,855,094	\$ 8,353,081	\$ 10,229,724	\$ 9,035,725
Special	2,225,604	775,455	2,756,531	1,086,727
Vocational	1,914,821	1,392,261	1,981,690	1,370,875
Adult / continuing	250	(37)	-	-
Other	1,393,778	1,226,161	1,483,768	1,309,195
Support services:				
Pupil	1,733,533	1,253,529	1,645,356	1,059,519
Instructional staff	1,225,432	960,508	1,431,051	1,246,277
Board of education	25,268	25,268	23,650	23,650
Administration	1,977,557	1,510,210	2,010,468	1,701,056
Fiscal	304,439	166,727	291,464	282,716
Business	316,318	316,318	339,030	337,942
Operations and maintenance	2,593,039	2,310,143	3,093,151	3,068,237
Pupil transportation	1,089,768	974,697	1,383,269	1,251,692
Central	380,329	348,913	371,585	347,983
Operation of non-instructional services:				
Other non-instructional services	56,463	(12,829)	49,726	5,668
Food service operations	1,237,710	142,500	1,005,959	(31,724)
Extracurricular activities	719,548	616,328	702,139	544,468
Interest and fiscal charges	83,338	83,338	72,353	72,353
Total expenses	<u>\$ 28,132,289</u>	<u>\$ 20,442,571</u>	<u>\$ 28,870,914</u>	<u>\$ 22,712,359</u>

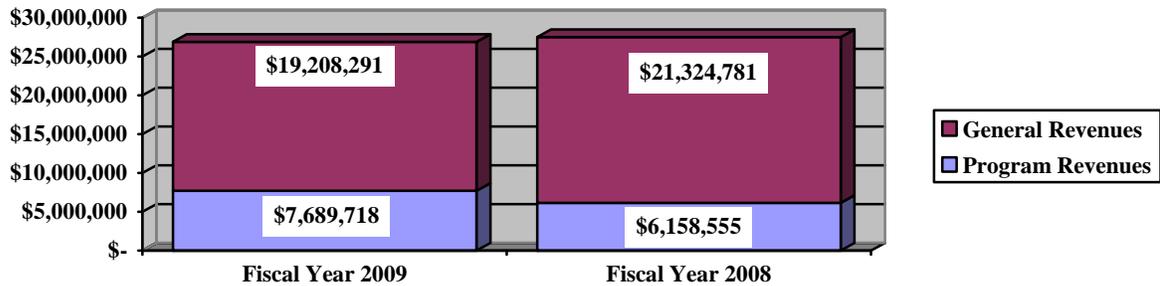
**CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The dependence upon tax and other general revenues for governmental activities is apparent, 71.67% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.67%. The District's taxpayers and grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund deficit balance of \$2,866,324, which is a decrease in fund balance from last year's deficit total of \$2,796,494. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008.

	Fund Balance (Deficit) <u>June 30, 2009</u>	Fund Balance (Deficit) <u>June 30, 2008</u>	Increase / (Decrease)
General	\$(3,203,254)	\$(3,424,470)	\$ 221,216
Other governmental	<u>336,930</u>	<u>627,976</u>	<u>(291,046)</u>
Total	<u><u>\$(2,866,324)</u></u>	<u><u>\$(2,796,494)</u></u>	<u><u>\$ (69,830)</u></u>

General Fund

The District's general fund deficit fund balance deficit decreased \$221,216 from a deficit balance of \$3,424,470 to a deficit balance of \$3,203,254. The table that follows assists in illustrating the financial activities and fund balance of the general fund. In fiscal year 2009, the District earned significantly less interest income because of lower rates of interest and fewer funds available for investing. Intergovernmental revenue increased in fiscal year 2009 due to increased reimbursements from the State to offset the phase out of tangible personal property taxes. Other revenues increased in fiscal year 2009 because of increased fees for services and staff contributions. Expenditures decreased slightly due to staff reductions and other cost-saving measures.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

	<u>2009</u> <u>Amount</u>	<u>2008</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 8,429,499	\$ 10,170,008	\$ (1,740,509)	(17.11) %
Tuition	932,139	416,214	515,925	123.96 %
Earnings on investments	17,579	88,205	(70,626)	(80.07) %
Intergovernmental	11,985,846	10,603,060	1,382,786	13.04 %
Other revenues	<u>1,135,180</u>	<u>474,316</u>	<u>660,864</u>	139.33 %
Total	<u>\$ 22,500,243</u>	<u>\$ 21,751,803</u>	<u>\$ 748,440</u>	3.44 %
<u>Expenditures</u>				
Instruction	\$ 13,949,429	\$ 13,892,912	\$ 56,517	0.41 %
Support services	7,702,934	8,193,592	(490,658)	(5.99) %
Operation of non-instructional	5,256	-	5,256	100.00 %
Extracurricular activities	588,915	553,456	35,459	6.41 %
Debt service	<u>32,493</u>	<u>25,107</u>	<u>7,386</u>	29.42 %
Total	<u>\$ 22,279,027</u>	<u>\$ 22,665,067</u>	<u>\$ (386,040)</u>	(1.70) %

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$22,634,035, which was lower than the original budgeted revenues and other financing sources estimate of \$22,832,245. Actual revenues and other financing sources for fiscal 2009 were \$22,635,467 which was \$1,432 higher than final budgeted revenues.

General fund original appropriations of \$22,018,230 were increased to \$22,764,680 in the final budget. The actual budget basis expenditures for fiscal year 2009 totaled \$22,997,456, which was \$232,776 more than the final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$5,534,798 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

The following table shows fiscal 2009 balances compared to 2008:

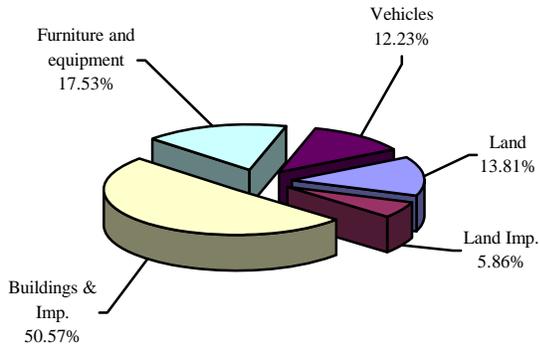
**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 764,570	\$ 668,470
Land improvements	324,082	348,643
Building and improvements	2,799,031	2,769,742
Furniture and equipment	970,210	1,044,894
Vehicles	676,905	758,263
Total	<u>\$ 5,534,798</u>	<u>\$ 5,590,012</u>

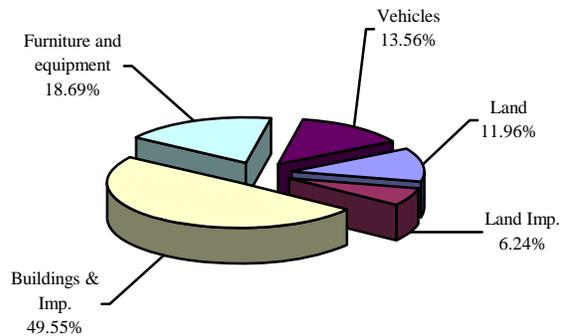
The overall decrease in capital assets of \$55,214 is due to depreciation expense of \$477,306 exceeding capital outlays of \$422,092.

The graphs below present the District's capital assets for fiscal years 2009 and 2008.

Capital Assets - Governmental Activities 2009



Capital Assets - Governmental Activities 2008



See Note 9 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2009, the District had \$598,140 in capital lease obligations outstanding, \$801,677 in energy conservation notes outstanding, and \$60,000 in tax anticipation notes outstanding. Of this total, \$335,214 is due within one year and \$1,124,603 is due in greater than one year. The following table summarizes the outstanding obligations for fiscal year 2009 compared to 2008.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Outstanding Debt, at Year End

	<u>Governmental Activities 2009</u>	<u>Governmental Activities 2008</u>
Energy conservation notes	\$ 801,677	\$ 850,000
Tax anticipation notes	60,000	90,000
Capital lease obligations	<u>598,140</u>	<u>855,079</u>
 Total	 <u>\$ 1,459,817</u>	 <u>\$ 1,795,079</u>

At June 30, 2009, the District's overall legal debt margin was \$26,153,416 with an unvoted debt margin of \$290,594.

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

Current Financial Related Activities

The voters of the Canton Local School District approved a temporary levy renewal with an increase on May 2, 2006. Increased tax collections started in January, 2007. The term of the levy is for five years. Funds are to be used for operational costs, building maintenance and repairs, and equipment replacement. Nine tenths of a mill (approximately \$260,000 annually) is dedicated to the purchase of new classroom technology and related equipment.

Even with the increased property tax revenue, the District continues to struggle to meet the needs of its students and still reach mandated targets for test results and achievement. In early 2008, the District implemented a freeze on discretionary spending as well as delaying certain obligations until fiscal year 2009. For the 2008-2009 school year, staff agreed to donate back to the District their three percent pay increase as part of numerous cost reductions implemented to balance the general operating fund.

Beginning with the 2008-2009 school year, the District began accepting open enrollment students on a limited basis. This will help offset the loss of funds from resident students that choose to open enroll out to other districts.

Because of the condition of the District's five year forecast, the Auditor of State chose to conduct a performance audit of the District with an emphasis on four areas: financial systems, human resources, facilities, and transportation. They have completed their work and released their report in October of 2009. The District has implemented some of their recommendations while others will take more work and study before they can be implemented.

The District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information contact Mr. A. Michael Bichsel, Treasurer, Canton Local School District, 4526 Ridge Avenue SE, Canton, OH 44707.

**BASIC
FINANCIAL STATEMENTS**

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

STATEMENT OF NET ASSETS
JUNE 30, 2009

	Primary Government	Component Unit
	Governmental Activities	Five R's Academy
Assets:		
Equity in pooled cash and cash equivalents. . .	\$ -	\$ 81
Receivables:		
Taxes	8,407,844	-
Accounts	714,362	-
Intergovernmental	766,430	-
Loans.	93,616	-
Prepayments	17,239	210
Inventory held for resale	19,150	-
Capital assets:		
Land.	764,570	-
Depreciable capital assets, net	4,770,228	160,229
Capital assets, net.	5,534,798	160,229
 Total assets.	 15,553,439	 160,520
 Liabilities:		
Accounts payable.	76,300	-
Contracts payable.	30,326	-
Accrued wages and benefits	2,945,388	-
Pension obligation payable.	811,481	-
Intergovernmental payable	220,409	-
Unearned revenue	7,605,034	-
Accrued interest payable	2,029	-
Loans payable.	82,773	-
Long-term liabilities:		
Due within one year.	719,983	-
Due in more than one year	3,233,900	-
 Total liabilities	 15,727,623	 -
 Net assets:		
Invested in capital assets, net of related debt.	4,837,998	160,229
Restricted for:		
Capital projects	8,864	-
State funded programs.	112,104	-
Federally funded programs.	397,473	-
Student activities.	10,217	-
Public school support.	48,925	-
Other purposes	74,185	-
Unrestricted (deficit)	(5,663,950)	291
 Total net assets (deficit)	 \$ (174,184)	 \$ 160,520

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 10,855,094	\$ 1,557,474	\$ 944,539	\$ -
Special	2,225,604	123,445	1,326,704	-
Vocational	1,914,821	196,925	325,635	-
Adult / continuing.	250	-	287	-
Other	1,393,778	-	167,617	-
Support services:				
Pupil.	1,733,533	249,668	230,336	-
Instructional staff	1,225,432	128,334	136,590	-
Board of education	25,268	-	-	-
Administration.	1,977,557	184,205	283,142	-
Fiscal.	304,439	136,171	1,541	-
Business.	316,318	-	-	-
Operations and maintenance	2,593,039	250,429	32,467	-
Pupil transportation.	1,089,768	43,357	51,114	20,600
Central	380,329	4,940	26,476	-
Operation of non-instructional services:				
Other non-instructional services	56,463	1,762	67,530	-
Food service operations.	1,237,710	496,618	598,592	-
Extracurricular activities.	719,548	102,651	569	-
Interest and fiscal charges	83,338	-	-	-
Total governmental activities	<u>\$ 28,132,289</u>	<u>\$ 3,475,979</u>	<u>\$ 4,193,139</u>	<u>\$ 20,600</u>
Component unit:				
Five R's Academy.	<u>\$ 229,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total component units	<u>\$ 229,526</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes levied for:
General purposes
Debt service.
Capital outlay.
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
Change in net assets
Net assets at beginning of year
Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

Net (Expense) Revenue and Changes in Net Assets

Primary Government		Component Unit
Governmental Activities		Five R's Academy
\$	(8,353,081)	\$ -
	(775,455)	-
	(1,392,261)	-
	37	-
	(1,226,161)	-
	(1,253,529)	-
	(960,508)	-
	(25,268)	-
	(1,510,210)	-
	(166,727)	-
	(316,318)	-
	(2,310,143)	-
	(974,697)	-
	(348,913)	-
	12,829	-
	(142,500)	-
	(616,328)	-
	(83,338)	-
	(20,442,571)	-
	-	(229,526)
	-	(229,526)
	7,213,969	-
	85,238	-
	430,251	-
	11,101,716	178,552
	17,579	-
	359,538	-
	19,208,291	178,552
	(1,234,280)	(50,974)
	1,060,096	211,494
\$	(174,184)	\$ 160,520

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Receivables:			
Taxes	\$ 7,942,353	\$ 465,491	\$ 8,407,844
Accounts	78,911	635,451	714,362
Intergovernmental	417,863	348,567	766,430
Loans	-	93,616	93,616
Due from other funds	41,354	683,479	724,833
Prepayments	17,239	-	17,239
Inventory held for resale	-	19,150	19,150
Total assets	<u>\$ 8,497,720</u>	<u>\$ 2,245,754</u>	<u>\$ 10,743,474</u>
Liabilities:			
Accounts payable	\$ 14,496	\$ 61,804	\$ 76,300
Contracts payable	-	30,326	30,326
Accrued wages and benefits	2,648,625	296,763	2,945,388
Compensated absences payable	127,332	1,043	128,375
Pension obligation payable	683,681	127,800	811,481
Intergovernmental payable	133,718	86,691	220,409
Due to other funds	237,380	487,453	724,833
Unearned revenue	7,188,323	416,711	7,605,034
Deferred revenue	667,419	216,654	884,073
Loans payable	-	82,773	82,773
Pollution remediation obligation	-	100,806	100,806
Total liabilities	<u>11,700,974</u>	<u>1,908,824</u>	<u>13,609,798</u>
Fund balances:			
Reserved for encumbrances	23,679	144,019	167,698
Reserved for prepayments	17,239	-	17,239
Reserved for inventory	-	19,150	19,150
Reserved for property tax unavailable for appropriation	325,390	21,540	346,930
Unreserved, undesignated (deficit), reported in:			
General fund	(3,569,562)	-	(3,569,562)
Special revenue funds	-	241,567	241,567
Capital projects funds	-	(89,346)	(89,346)
Total fund balances (deficit)	<u>(3,203,254)</u>	<u>336,930</u>	<u>(2,866,324)</u>
Total liabilities and fund balances	<u>\$ 8,497,720</u>	<u>\$ 2,245,754</u>	<u>\$ 10,743,474</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009

Total governmental fund balances (deficit)		\$ (2,866,324)
<i>Amounts reported for governmental activities on the statement of net assets are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		5,534,798
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes receivable	\$ 457,010	
Accounts receivable	71,823	
Intergovernmental receivable	355,240	
Total		884,073
Accrued interest payable is not due and payable within the current period and therefore is not reported in the funds.		(2,029)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences	(2,264,885)	
Capital lease obligations	(598,140)	
Energy conservation notes payable	(801,677)	
Tax anticipation notes payable	(60,000)	
Total		(3,724,702)
Net assets of governmental activities		\$ (174,184)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES/(DEFICIT)
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 8,429,499	\$ 560,429	\$ 8,989,928
Tuition.	932,139	649,302	1,581,441
Earnings on investments.	17,579	2,914	20,493
Charges for services	476,555	1,055,333	1,531,888
Extracurricular.	-	156,478	156,478
Classroom materials and fees	45	72,205	72,250
Rental income	56,738	-	56,738
Contributions and donations.	360,243	18,900	379,143
Other local revenues.	241,599	141,400	382,999
Intergovernmental - state	11,905,680	1,203,991	13,109,671
Intergovernmental - federal.	80,166	1,880,139	1,960,305
Total revenue	<u>22,500,243</u>	<u>5,741,091</u>	<u>28,241,334</u>
Expenditures:			
Current:			
Instruction:			
Regular	9,149,377	1,372,270	10,521,647
Special.	1,653,249	575,065	2,228,314
Vocational.	1,822,835	60,528	1,883,363
Adult / continuing.	-	250	250
Other	1,323,968	124,450	1,448,418
Support services:			
Pupil.	1,268,534	472,848	1,741,382
Instructional staff	933,326	278,099	1,211,425
Board of education	25,268	-	25,268
Administration.	1,481,331	440,326	1,921,657
Fiscal	294,376	5,889	300,265
Business	316,318	-	316,318
Operations and maintenance.	2,125,358	92,634	2,217,992
Pupil transportation	917,092	66,969	984,061
Central.	341,331	38,186	379,517
Operation of non-instructional services:			
Other non-instructional services	5,256	45,000	50,256
Food service operations	-	1,291,882	1,291,882
Extracurricular activities.	588,915	122,292	711,207
Facilities acquisition and construction	-	657,838	657,838
Debt service:			
Principal retirement	28,782	306,480	335,262
Interest and fiscal charges	3,711	81,131	84,842
Total expenditures	<u>22,279,027</u>	<u>6,032,137</u>	<u>28,311,164</u>
Net change in fund balances	221,216	(291,046)	(69,830)
Fund balances (deficit) at beginning of year	<u>(3,424,470)</u>	<u>627,976</u>	<u>(2,796,494)</u>
Fund balances (deficit) at end of year	<u>\$ (3,203,254)</u>	<u>\$ 336,930</u>	<u>\$ (2,866,324)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

Net change in fund balances - total governmental funds \$ (69,830)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, on the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the current period.

Capital asset additions	\$	422,092	
Current year depreciation		(477,306)	
Total			(55,214)

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

Taxes		(1,260,470)	
Accounts		71,823	
Intergovernmental		(154,678)	
Total			(1,343,325)

Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 335,262

In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due. 1,504

Some expenses reported in the statement of activities, such as compensated absences and early retirement incentives, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (102,677)

Change in net assets of governmental activities \$ (1,234,280)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 8,495,601	\$ 8,421,849	\$ 8,421,849	\$ -
Tuition.	940,302	932,139	932,139	-
Earnings on investments.	17,542	17,390	17,579	189
Charges for services	479,924	475,758	476,555	797
Classroom materials and fees	45	45	45	-
Rental income.	57,086	56,590	56,738	148
Contributions and donations.	363,398	360,243	360,243	-
Other local revenues.	178,249	176,702	176,862	160
Intergovernmental - state	12,086,435	11,981,511	11,981,511	-
Intergovernmental - federal.	80,868	80,166	80,166	-
Total revenue	<u>22,699,450</u>	<u>22,502,393</u>	<u>22,503,687</u>	<u>1,294</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,763,883	9,060,991	9,293,863	(232,872)
Special.	1,734,871	1,793,686	1,697,303	96,383
Vocational.	1,892,389	1,956,544	1,903,103	53,441
Other	1,263,220	1,306,045	1,343,010	(36,965)
Support services:				
Pupil.	1,141,450	1,180,147	1,255,474	(75,327)
Instructional staff	1,063,573	1,099,630	1,051,966	47,664
Board of education	22,219	22,972	26,353	(3,381)
Administration.	1,516,329	1,567,735	1,607,964	(40,229)
Fiscal	277,562	286,972	300,967	(13,995)
Business	328,404	339,537	316,742	22,795
Operations and maintenance.	2,169,780	2,243,339	2,314,527	(71,188)
Pupil transportation	945,140	977,181	965,976	11,205
Central.	342,436	354,045	344,187	9,858
Operation of non-instructional services	5,084	5,256	5,256	-
Extracurricular activities.	551,890	570,600	570,765	(165)
Total expenditures	<u>22,018,230</u>	<u>22,764,680</u>	<u>22,997,456</u>	<u>(232,776)</u>
Excess of revenues over (under) expenditures.	<u>681,220</u>	<u>(262,287)</u>	<u>(493,769)</u>	<u>(231,482)</u>
Other financing sources:				
Refund of prior year expenditure	107,295	106,363	106,501	138
Sale of assets	25,500	25,279	25,279	-
Total other financing sources	<u>132,795</u>	<u>131,642</u>	<u>131,780</u>	<u>138</u>
Net change in fund balance	814,015	(130,645)	(361,989)	(231,344)
Fund balance at beginning of year	67,576	67,576	67,576	-
Prior year encumbrances appropriated	63,069	63,069	63,069	-
Fund balance at end of year.	<u>\$ 944,660</u>	<u>\$ -</u>	<u>\$ (231,344)</u>	<u>\$ (231,344)</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2009

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 29,540	\$ 42,421
Receivables:		
Accounts	-	53,248
Loans	82,773	-
Total assets	112,313	\$ 95,669
Liabilities:		
Accounts payable	-	\$ 1,862
Due to other governments	-	191
Loans	-	93,616
Total liabilities	-	\$ 95,669
Net assets:		
Held in trust for scholarships	112,313	
Total net assets	\$ 112,313	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	<u>Private-Purpose Trust</u>	
	<u>Scholarship</u>	
Additions:		
Interest	\$ 1,486	
Gifts and contributions.	20,179	
	<hr/>	
Total additions.	21,665	
	<hr/>	
Deductions:		
Scholarships awarded	15,830	
	<hr/>	
Change in net assets	5,835	
Net assets at beginning of year	<hr/> 106,478	
Net assets at end of year.	<hr/> \$ 112,313	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Canton Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District is governed by a five-member Board of Education (the Board) elected by its citizens, which is responsible for the provision of public education to residents of the District.

The District ranks as the 201st largest by total enrollment among the 922 public school districts and community schools in the State. The District employs 114 non-certified and 188 certified employees to provide services to approximately 2,407 students in grades K through 12 and various community groups. The District is located in Canton Township, Stark County, Ohio and serves an area of approximately 25 square miles. The District operates three elementary schools, one middle school and a high school.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39 "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods service, vocational programs and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; or (3) the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. Certain organizations are also included as component units if the nature and significance of the relationship between the primary government and the organization is such that exclusion by the primary government would render the primary governments financial statements incomplete or misleading. Based upon the application of these criteria, the District has three component units.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

DISCRETELY PRESENTED COMPONENT UNITS

The Five R's Academy

The Five R's Academy (the "Academy") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapter 3314. The Academy is a conversion school that is designed for high school students that will use a rigorous and relevant curriculum that incorporates at the high infusion of technology to reach a diverse student population. The Academy is governed by a five member Board of Directors. The District appoints three of the five Board of Directors. The Academy Board of Directors may adopt budgets, hire and fire employees and receive funding from the Ohio Department of Education. The District is able to impose its will upon the operations for the Academy, therefore, the financial activity of the Academy is presented as a discretely presented component unit of the District. Separately issued financial statements can be obtained from the Treasurer of the Academy at 4526 Ridge Avenue SE, Canton, Ohio 44707.

Information in the following notes to the basic financial statements is applicable to the primary government. Information relative to the component unit can be found in Note 19 to these basic financial statements.

The Canton Local Digital Academy

The Canton Local Digital Academy (the "Digital Academy") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapter 3314. The Digital Academy is a conversion school that addresses the needs of students who desire a program of online instruction in an independent environment that does not include the most ancillary components of a more traditional education. The Digital Academy is governed by a five member Board of Directors. The District appoints three of the five Board of Directors. The Digital Academy Board of Directors may adopt budgets, hire and fire employees and receive funding from the Ohio Department of Education. The District is able to impose its will upon the operations for the Digital Academy, therefore, the Digital Academy is a component unit of the District.

The District suspended operations of the Digital Academy effective July 1, 2008.

Aspire Academy

The Aspire Academy ("Aspire") is a legally separate, non-profit corporation established pursuant to Ohio Revised Code Chapter 3314. Aspire is a conversion school that is designed for middle school students who have a desire for, and whose education can be optimized by, a program that includes a focus on rigor, relevance, relationships, respect, and responsibility built into an interdisciplinary hands-on collaborative approach to education. Academy is governed by a five member Board of Directors. The District appoints three of the five Board of Directors. Aspire's Board of Directors may adopt budgets, hire and fire employees and receive funding from the Ohio Department of Education. The District is able to impose its will upon the operations for Aspire, therefore, Aspire is a component unit of the District.

The District suspended operations of Aspire effective July 1, 2008.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

JOINTLY GOVERNED ORGANIZATIONS

Stark/Portage Area Computer Consortium (SPARCC)

SPARCC is a jointly governed organization created as a regional council of governments pursuant to State Statutes made up of public school districts and County Boards of Education from Stark, Portage and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC.

SPARCC is governed by a Board of Directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the Consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the Board of Directors. The continued existence of SPARCC is not dependent on the District's continued participation and no equity interest exists. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38th Street NW, Canton, Ohio 44709.

Stark County Tax Incentive Review Council (SCTIRC)

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

PUBLIC ENTITY RISK POOLS

Risk Sharing Pool

The Stark County Schools Council of Governments Health Benefit Plan is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Insurance Purchasing Pool

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

The following is the District's major governmental fund:

General fund - The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by trust funds; (b) for food service operations; (c) for grants and other resources whose use is restricted to a particular purpose; and (d) the accumulation of resources for the repayment of general obligation debt.

PROPRIETARY FUNDS

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

FIDUCIARY FUNDS

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

C. Basis of Presentation and Measurement Focus

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

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

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

D. Basis of Accounting

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

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue in the governmental funds..

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

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

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

E. Budgets

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

Tax Budget:

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

Estimated Resources:

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

Appropriations:

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

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, one supplemental appropriation was legally enacted.

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

Lapsing of Appropriations:

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

F. Cash and Investments

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

During fiscal year 2009, investments were limited to overnight repurchase agreements 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 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$17,579, which includes \$10,757 assigned from other District funds.

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

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

G. Inventory

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

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

H. Capital Assets

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

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	50 years
Buildings and improvements	50 years
Furniture and equipment	5 - 20 years
Vehicles	15 - 20 years

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental activities column on the statement of net assets.

On fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund and other governmental funds to cover negative cash balances in other governmental funds are classified as “due to/from other funds.” These amounts are eliminated in the governmental type activities columns on the statement of net assets.

J. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employee’s rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the “termination payment method”. The termination payment method accrues a liability that is based entirely on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit. The estimate is based on past experience. This estimate (ratio) is then applied to employee’s sick leave balances and current wages at fiscal year end.

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

The total liability for vacation and sick leave 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.

For governmental fund financial statements, the current portion of unpaid compensated absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated unpaid leave are paid. The noncurrent portion of the liability is not reported.

K. Accrued Liabilities and Long-Term Obligations

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, prepayments, supplies inventory and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP, but not available for appropriation under State statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include amounts restricted for student managed activities.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is reserved on the fund financial statements by an amount equal to the carrying value of the asset.

O. Estimates

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

P. Vocational Education

The District has entered into a career technical education agreement with the Sandy Valley Local School District, Perry Local School District and the Osnaburg Local School District to provide career technical education programs for students of the three participating districts. The District is the principal agency for the programs and is responsible for the physical facilities of the programs. For fiscal year 2009, in accordance with the agreement, the District was to receive a service charge equal to \$237,000 from the Sandy Valley Local School District, \$237,000 for the Perry Local School District and \$95,000 from the Osnaburg Local School District related to providing these programs. Actual service charges are reduced by all State aid received by the District for Sandy Valley Local School District, Perry Local School District and Osnaburg Local School District students attending the District for these programs.

Q. Interfund Activity

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

Interfund activity between governmental funds is eliminated in the statement of activities.

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2009.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 had an effect on the financial statements of the District, see Note 10.E.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

B. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits:

<u>Major fund</u>	<u>Deficit</u>
General	\$ 3,203,254
<u>Nonmajor governmental funds</u>	
Stark multi-county juvenile attention center	156,630
Public school preschool	32,060
Entry year grant	12
Title VI	1
Permanent improvement	19,342

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

C. Compliance

1. Contrary to Ohio Revised Code Section 5705.10, the District has negative cash balances at year end and throughout the year.
2. Contrary to Ohio Revised Code 5705.41(B), the District had expenditures exceeding appropriations throughout the year.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
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 items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

A. Cash on Hand

At year end, the District had \$1,049 in undeposited cash on hand which is included on the financial statements of the District as part of "equity in pooled cash and cash equivalents".

B. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$(289,042), exclusive of the \$30,000 repurchase agreement included in investments below. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is primarily due to the sweeping of money into overnight repurchase agreements, which are reported as "investments". Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2009, the District had a bank balance of \$7,908.

C. Investments

As of June 30, 2009, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
Repurchase agreement	\$ 30,000	\$ 30,000
STAR Ohio	<u>329,954</u>	<u>329,954</u>
Total	<u>\$ 359,954</u>	<u>\$ 359,954</u>

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

Credit Risk: Standard & Poor's has assigned STAR Ohio an AAAM money market rating.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$30,000 investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2009:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 30,000	8.33
STAR Ohio	<u>329,954</u>	<u>91.67</u>
Total	<u>\$ 359,954</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ (289,042)
Investments	359,954
Cash on hand	<u>1,049</u>
Total	<u>\$ 71,961</u>
 <u>Cash and investments per statement of net assets</u>	
Private-purpose trust funds	\$ 29,540
Agency funds	<u>42,421</u>
Total	<u>\$ 71,961</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2009, as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
Nonmajor governmental funds	Nonmajor governmental funds	\$ 446,099
General	Nonmajor governmental funds	41,354
Nonmajor governmental funds	General	237,380

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

The primary purpose of the interfund balances is to cover negative cash balances in specific funds where revenues were requested but were not received by June 30. These interfund balances will be repaid once the anticipated revenues are received.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B.** Loans between governmental funds and agency funds to cover negative cash balances are reported as “loans receivable/payable” on the financial statements. The District had the following loans outstanding at fiscal year end:

<u>Loan to</u>	<u>Loan from</u>	<u>Amount</u>
Agency	Nonmajor governmental funds	\$ 93,616
Nonmajor governmental funds	Private-purpose trust fund	82,773

These loans are expected to be repaid in the subsequent year as resources become available.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$325,390 in the general fund and \$21,540 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2008 was \$317,740 in the general fund and \$21,010 in the in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2009 taxes were collected are:

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 252,132,670	79.16	\$ 251,249,670	78.88
Public utility personal	36,040,460	11.31	39,383,310	12.36
Tangible personal property	<u>30,348,838</u>	<u>9.53</u>	<u>27,887,271</u>	<u>8.76</u>
Total	<u>\$ 318,521,968</u>	<u>100.00</u>	<u>\$ 318,520,251</u>	<u>100.00</u>

Tax rate per \$1,000 of
assessed valuation for:

Operations	\$48.20	\$48.20
Permanent improvements	1.90	1.90

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees) loans, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities:

Property taxes	\$ 8,407,844
Accounts	714,362
Intergovernmental	766,430
Loans	<u>93,616</u>
Total	<u>\$ 9,982,252</u>

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

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a prior fiscal year, the District entered into capitalized lease agreements for the acquisition of computer equipment, fitness equipment and a steam boiler.

These leases meet the criteria of capital leases as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. At inception, the leases were accounted for as a capital outlay expenditure and other financing source in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements and as a reduction of the lease liability in the government-wide financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized in the statement of net assets in the amount of \$1,625,926 which is equal to the present value of the future minimum lease payments as of the date of inception. Accumulated depreciation as of June 30, 2009 was \$965,278, leaving a current book value of \$660,648. A corresponding liability was recorded in the statement of net assets. Principal payments in the 2009 fiscal year totaled \$256,939. This amount is reflected as debt service principal retirement in the general fund and the permanent improvement fund (a nonmajor governmental fund).

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2009:

<u>Year Ending June 30,</u>	<u>Equipment</u>
2010	\$ 287,459
2011	285,190
2012	39,573
2013	<u>39,574</u>
Total minimum lease payment	651,796
Less: amount representing interest	<u>(53,656)</u>
Present value of minimum lease payments	<u>\$ 598,140</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2009, was as follows:

	<u>Balance</u> <u>07/01/08</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/09</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 668,470	\$ 96,100	\$ -	\$ 764,570
Total capital assets, not being depreciated	<u>668,470</u>	<u>96,100</u>	<u>-</u>	<u>764,570</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,223,527	-	-	1,223,527
Buildings and improvements	12,013,973	219,900	-	12,233,873
Furniture and equipment	2,620,949	106,092	-	2,727,041
Vehicles	<u>1,786,227</u>	<u>-</u>	<u>-</u>	<u>1,786,227</u>
Total capital assets, being depreciated	<u>17,644,676</u>	<u>325,992</u>	<u>-</u>	<u>17,970,668</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(874,884)	(24,561)	-	(899,445)
Buildings and improvements	(9,244,231)	(190,611)	-	(9,434,842)
Furniture and equipment	(1,576,055)	(180,776)	-	(1,756,831)
Vehicles	<u>(1,027,964)</u>	<u>(81,358)</u>	<u>-</u>	<u>(1,109,322)</u>
Total accumulated depreciation	<u>(12,723,134)</u>	<u>(477,306)</u>	<u>-</u>	<u>(13,200,440)</u>
Governmental activities capital assets, net	<u>\$ 5,590,012</u>	<u>\$ (55,214)</u>	<u>\$ -</u>	<u>\$ 5,534,798</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 228,216
Special	2,809
Vocational	50,157
<u>Support services:</u>	
Pupil	2,470
Instructional staff	3,404
Administration	3,693
Operations and maintenance	36,685
Pupil transportation	99,990
Central	1,038
Operation of non-instructional services	6,207
Extracurricular activities	28,287
Food service operations	<u>14,350</u>
Total depreciation expense	<u>\$ 477,306</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2009, the following changes occurred in governmental activities long-term obligations:

	Balance <u>07/01/08</u>	<u>Increase</u>	<u>Decrease</u>	Balance <u>06/30/09</u>	Due in <u>One Year</u>
Compensated absences	\$ 2,409,010	\$ 373,466	\$ (389,216)	\$ 2,393,260	\$ 283,963
Early retirement incentive	13,256	-	(13,256)	-	-
Energy conservation notes	850,000	-	(48,323)	801,677	49,403
Tax anticipation notes	90,000	-	(30,000)	60,000	30,000
Pollution remediation obligation	-	145,029	(44,223)	100,806	100,806
Capital lease obligations	<u>855,079</u>	<u>-</u>	<u>(256,939)</u>	<u>598,140</u>	<u>255,811</u>
Total	<u>\$ 4,217,345</u>	<u>\$ 518,495</u>	<u>\$ (781,957)</u>	<u>\$ 3,953,883</u>	<u>\$ 719,983</u>

The capital lease obligation will be paid from the general fund and the permanent improvement fund (a nonmajor governmental fund). Compensated absences and the early retirement incentive will be paid from the fund from which the employee is paid, primarily the general fund and food service fund (a nonmajor governmental fund).

- B. During fiscal year 2008, the District issued energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements.

Payments of principal and interest relating to the energy conservation notes are recorded as expenditures in the debt service fund (a nonmajor governmental fund). The unmatured obligations at year end are accounted for in the statement of net assets. The energy conservation project was primarily for various building maintenance and repairs, which have not been capitalized by the District. The District has capitalized \$38,660 in furniture and equipment spent from the note proceeds during fiscal year 2008.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2009:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/08</u>	<u>Issued in 2009</u>	<u>Retired in 2009</u>	<u>Balance 06/30/09</u>
Energy conservation notes	4.47%	12/14/07	12/1/22	<u>\$ 850,000</u>	<u>\$ -</u>	<u>\$(48,323)</u>	<u>\$ 801,677</u>

- C. During fiscal year 2008, the District issued tax anticipation notes for \$90,000. These notes are a general obligation of the District, for which the full faith and credit is pledged for repayment. These notes are considered a long-term obligation since the proceeds are used for capital acquisition and construction.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a description of the notes payable outstanding at June 30, 2009:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/08</u>	<u>Issued in 2009</u>	<u>Retired in 2009</u>	<u>Balance 06/30/09</u>
Tax anticipation notes	3.11%	4/24/08	12/1/10	\$ 90,000	\$ -	\$ (30,000)	\$ 60,000

- D. The following is a summary of the District's future annual debt service requirements to maturity for the tax anticipation notes and energy conservation notes:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 79,403	\$ 36,130	\$ 115,533
2011	80,507	32,964	113,471
2012	51,636	30,215	81,851
2013	52,790	27,881	80,671
2014	53,970	25,495	79,465
2015 - 2019	288,490	89,775	378,265
2020 - 2023	<u>254,881</u>	<u>23,102</u>	<u>277,983</u>
Total	<u>\$ 861,677</u>	<u>\$ 265,562</u>	<u>\$ 1,127,239</u>

- E. The pollution remediation obligation includes a liability for one project: the Walker Elementary well project. The District's Walker Elementary School requires pollution remediation related to the Ohio Voluntary Action Program (ORC 3746). The original well at Walker Elementary is approximately 49 years old, and has been repaired and re-cased by the District numerous times. During fiscal year 2009, the District discovered that the well casing was allowing contamination into the water. A new well was drilled, but it was later discovered that the new well did not provide a sufficient volume of water. The District decided to deepen and retest the well. The test results showed a positive result for coli form. All tests were sent to the EPA for review and the EPA began considering what measures should be taken to correct the problem. The EPA required that a drawing by an engineer be done that included a chlorination system with holding tanks.

The District estimates the cost of the project to be approximately \$145,029. The District has completed \$44,223 of the \$145,029 remediation work required at this site. The District has reported \$100,806 as a current liability in the permanent improvement fund (a nonmajor governmental fund). This liability is based on a construction and engineering fees expected to be spent during fiscal year 2010. The District has applied and been approved to receive a \$27,500 American Recovery and Reinvestment Act award plus a loan of \$117,529 from the drinking water assistance fund of the Ohio EPA. As of June 30, 2009 the District had not received any grant or loan monies.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

F. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530, which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the in the District's legal margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are an overall debt margin of \$26,153,416 and an unvoted debt margin of \$290,594.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made to certified and classified employees for one-fourth of accrued, but unused sick leave credit up to a maximum 73 days.

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through Stark County Council of Governments Health Benefits Program. Coverage in the amount of \$50,000 is provided for all certified and classified employees.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and natural disasters. During fiscal year 2009, the District contracted with Netherlands Insurance Company for education liability, commercial auto coverage, property, general and excess liability insurance. The Netherlands Insurance Company also covers boiler and machinery, inland marine, audio/visual equipment and musical instruments. Coverages under these policies are as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Netherlands Insurance	Commercial Property	\$77,742,200
	Computers and Equipment	2,056,956
	Musical Instruments	310,413
	Commercial Auto - Garage Operations	2,000,000
	Non Auto - Garage Operations	1,000,000
	Uninsured Motorists Bodily Injury	60,000
	Uninsured Motorist Property Damage	7,500
	General Liability, in aggregate	5,000,000
	General Liability, per occurrence	5,000,000
	Fire Damage	100,000
	Medical Expense	5,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

B. Employee Health Benefits

The District has contracted with Stark County Schools Council of Governments (a shared risk pool) (Note 2) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The District's Board of Education pays the entire cost of a monthly premium. For fiscal year 2009, the District cost for paid premium for medical and dental was \$1,167 for family coverage and \$480 for single coverage, per month.

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

C. Workers' Compensation

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 12 - RISK MANAGEMENT - (Continued)

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, www.ohsers.org, under *Forms and Publications*.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$297,338, \$314,509 and \$337,596, respectively; 42.13 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 13 - PENSION PLANS - (Continued)

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

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$1,587,590, \$1,605,409 and \$1,506,486, respectively; 79.75 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$12,481 made by the District and \$28,306 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$206,441, \$212,843 and \$174,004, respectively; 42.13 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$24,533, \$22,661 and \$22,956, respectively; 42.13 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$122,122, \$123,493 and \$115,884, respectively; 79.75 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenues, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

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

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

Net Change in Fund Balance	<u>General fund</u>
Budget basis	\$ (361,989)
Net adjustment for revenue accruals	(3,444)
Net adjustment for expenditure accruals	683,111
Net adjustment for other sources/uses	(131,780)
Adjustment for encumbrances	<u>35,318</u>
GAAP basis	<u>\$ 221,216</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - STATUTORY RESERVES

The District is required by State statute to annually set-aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year end. These amounts must be carried forward to be used for the same purposes in future years.

The following cash basis information describes the change in the year end set-aside amounts for textbooks and capital acquisitions. Disclosure of this information is required by State statute.

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside balance as of June 30, 2008	\$ (515,702)	\$ (922,212)
Current year set-aside requirement	390,773	390,773
Current year offsets	-	(474,661)
Qualifying disbursements	<u>(209,476)</u>	<u>(1,190,869)</u>
Total	<u>\$ (334,405)</u>	<u>\$ (2,196,969)</u>
Balance carried forward to FY 2010	<u>\$ (334,405)</u>	<u>\$ (922,212)</u>

The amount of qualifying disbursements exceeding the set-aside requirement in the textbooks reserve may be carried forward to reduce the set-aside requirement for future years. In addition, the District had offsets and qualifying disbursements that reduced the capital acquisition set-aside amount below zero. The current year offset in the capital acquisition set-aside may not be carried forward to offset future year's requirements and the excess qualifying disbursements may not be carried forward to future years.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 18 - CONTRACTUAL COMMITMENTS

As of June 30, 2009, the District had the following contractual commitments outstanding. A summary of the primary contractual commitments follows:

<u>Contractor</u>	<u>Contract Amount</u>	<u>Amount Paid Through June 30, 2009</u>	<u>Remaining Contract Amount</u>
Stanley Miller Construction	\$ 135,600	\$ -	\$ 135,600
Abbott Electric	13,499	-	13,499
On-line Engineering Corp.	18,870	-	18,870
Pelton Environmental	7,864	-	7,864
Rocvest, Inc.	40,745	-	40,745
Universal Blower Pac, Inc.	13,200	-	13,200
George Felder & Assoc.	31,000	-	31,000
Total	<u>\$ 260,778</u>	<u>\$ -</u>	<u>\$ 260,778</u>

NOTE 19 - FIVE R'S ACADEMY

The Five R's Academy (the "Academy") is a discretely presented component unit of the Canton Local School District (the "District"). The District is the Sponsor of the Academy. The Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to Five R's Academy, 4526 Ridge Avenue, Canton, Ohio 44707.

A. Significant Accounting Policies

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB Statements and Interpretations issued after November 30, 1989. The Academy's significant accounting policies are described below.

Basis of Presentation - Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 19 - FIVE R'S ACADEMY - (Continued)

Measurement Focus and Basis of Accounting - Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Budgetary Process - Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Chapter 5705, unless specifically provided in the Academy's contract with its Sponsor. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Chapter 5705.

Cash - All monies received by the Academy are deposited in a demand deposit account.

Net Assets - Net assets represent the difference between assets and liabilities. Net assets invested in capital assets consist of capital assets, net of accumulated depreciation. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

Intergovernmental Revenue - The Academy currently participates in the State Foundation Program through the Ohio Department of Education. Revenues from this program are recognized as operating revenue in the accounting period in which they are earned, essentially the same as the fiscal year.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. The Academy did not have any federal or state grant revenue, other than foundation revenue, for the fiscal year ended June 30, 2009.

Capital Assets and Depreciation - All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$1,000. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Furniture and equipment is depreciated over five years.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 19 - FIVE R'S ACADEMY - (Continued)

Operating Revenues and Expenses - Operating revenues are those revenues that are generated directly from the primary activity of the Academy. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Academy. All revenues and expenses not meeting this definition are reported as non-operating.

Prepayments - Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in the financial statements. These items are reported as assets on the statement of net assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expense is reported in the year in which services are consumed.

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

B. Deposits

At June 30, 2009, the carrying amount of the Academy's deposits was \$81 and the bank balance was \$81. The entire bank balance was covered by federal depository insurance.

C. Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For the period August 21, 2008 through June 30, 2009, the Academy was named on the Sponsor's policy for property and general liability insurance. The Academy provides employee bond coverage through Leonard Insurance Services in the following amounts: Treasurer \$50,000 and Board of Directors \$20,000.

D. Service Agreement

The Community School Sponsorship Contract (the "Contract") between the Academy and the Canton Local School District (as Sponsor) outlined the specific payments to be made by the Academy to the Sponsor for the fiscal year 2009. The Contract stated that the two parties agreed to pay mutually agreed upon amounts, including fees for any services provided to the Academy by the Sponsor. The following payments were made for the period July 1, 2008 through June 30, 2009 from the Academy to the Sponsor:

Educational services	\$178,320
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Additionally, the Contract allows, based on mutual agreement, for the payment of \$150 per student per year from the Academy to the Sponsor, in accordance with Ohio Revised Code Section 3314.08.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 19 - FIVE R'S ACADEMY - (Continued)

E. Capital Assets

Capital asset activity for the period July 1, 2008 through June 30, 2009, was as follows:

	<u>Balance at July 1, 2008</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2009</u>
Furniture and equipment	\$ 253,931	\$ -	\$ -	\$ 253,931
Less: accumulated depreciation	<u>(42,916)</u>	<u>(50,786)</u>	<u>-</u>	<u>(93,702)</u>
Capital assets, net	<u>\$ 211,015</u>	<u>\$ (50,786)</u>	<u>\$ -</u>	<u>\$ 160,229</u>

F. Contingencies

Grants - The Academy received financial assistance from State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2009.

Litigation - The Academy is not involved in any litigation that, in the opinion of management, would have material effect on the financial statements.



December 28, 2009

To the Board of Education
Canton Local School District
Canton, OH 44707

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Canton Local School District (the "School District") as of and for the year ended June 30, 2009, and have issued our report thereon dated December 28, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential, will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs, as item 2009-003, to be a significant deficiency in internal control over financial reporting.

Canton Local School District
Independent Auditor's Report on Internal Control Over
Financial Reporting on Compliance and Other
Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards
December 28, 2009
Page 2

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above as item 2009-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2009-001 and 2009-002.

We also noted certain matters that we reported to management of the School District in a separate letter dated December 28, 2009.

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

Hea & Associates, Inc.



December 28, 2009

To the Board of Education
Canton Local School District
Canton, OH 44707

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Canton Local School District (the School 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 program for the year ended June 30, 2009. The School District's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits 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 with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School 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 School District's compliance with those requirements.

As described in Finding 2009-004 in the accompanying Schedule of Findings and Questioned Costs, the School District did not comply with requirements regarding cash management and allowable costs that are applicable to its Title I federal program. Compliance with such requirements is necessary, in our opinion, for the School District to comply with requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the School District complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2009. The results of our auditing procedures also disclosed other instances of noncompliance in other federal programs with those requirements that are required to be reported in accordance with OMB Circular A-133 and which is also described in the accompanying Schedule of Findings and Questioned Costs as item 2009-004.

Internal Control Over Compliance

The management of the School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the School District's response and, accordingly, we express no opinion on it.

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

Hea & Associates, Inc.

CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
<u>U. S. DEPARTMENT OF AGRICULTURE</u>				
<i>Passed through Ohio Department of Education:</i>				
Child Nutrition Cluster:				
Non-Cash Assistance (Food Distribution):				
National School Lunch Program	10.555	2009	\$ 54,953	\$ 54,953
Cash Assistance:				
School Breakfast Program	10.553	2009	121,866	121,866
National School Lunch Program	10.555	2009	407,287	407,287
<i>Cash Assistance Subtotal</i>			<u>529,153</u>	<u>529,153</u>
<i>Total Child Nutrition Cluster</i>			<u>584,106</u>	<u>584,106</u>
Total - Nutrition Cluster			<u>584,106</u>	<u>584,106</u>
Fresh Fruit and Vegetable Program	10.582	2009	28,055	28,055
Total US Department of Agriculture			<u>612,161</u>	<u>612,161</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>				
<i>Passed through Ohio Department of Education:</i>				
Title I, Part A	84.010	2008	77,641	0
		2009	405,257	342,136
Total Title I, Part A			<u>482,898</u>	<u>342,136</u>
Title I, Part D	84.010	2008	125,399	116,177
		2009	52,042	53,778
Total Title I, Part D			<u>177,441</u>	<u>169,955</u>
Total Title I			<u>660,339</u>	<u>512,091</u>
Title VI-B	84.027	2008	48,579	21,715
		2009	402,376	424,924
Total Title VI-B			<u>450,955</u>	<u>446,639</u>
Title V	84.298	2008	(200)	0
		2009	5,015	5,015
Total Title V			<u>4,815</u>	<u>5,015</u>
Carl Perkins Grant	84.048	2008	19,922	1,486
		2009	119,018	57,472
Total Carl Perkins Grant			<u>138,940</u>	<u>58,958</u>

CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2009

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	CFDA Number	Grant Number	Federal Receipts	Federal Disbursements
Title II-D Technology	84.318	2008	\$ (413)	\$ 0
		2009	4,251	4,350
			<u>3,838</u>	<u>4,350</u>
Title II-A	84.340	2008	16,666	0
		2009	109,367	101,696
Total Title II-A			<u>126,033</u>	<u>101,696</u>
Title IV	84.016	2008	(504)	0
		2009	6,215	6,215
Total Title IV			<u>5,711</u>	<u>6,215</u>
Javitis Gifted and Talented Students Grant	84.206	2009	3,000	0
Total U. S. Department of Education Passed through Ohio Department of Education			<u>1,393,631</u>	<u>1,134,964</u>
<u>CORPORATION FOR NATIONAL AND COMMUNITY SERVICE</u>				
<i>Passed through Ohio Department of Education:</i>				
Learn and Serve America	94.004	2008	4,905	0
		2009	2,106	8,763
Total Corporation for National and Community Service Passed through Ohio Department of Education			<u>7,011</u>	<u>8,763</u>
<u>FEDERAL AGENCY OFFICE OF AIR AND RADIATION, ENVIRONMENTAL PROTECTION AGENCY</u>				
<i>Direct Award:</i>				
Clean School Bus USA	66.036	SB-00E45901-0	<u>88,807</u>	<u>88,276</u>
Total Environmental Protection Agency			<u>88,807</u>	<u>88,276</u>
Total Federal Financial Assistance			<u>\$ 2,101,610</u>	<u>\$ 1,844,164</u>

See accompanying notes to schedule of expenditures of federal awards.

Canton Local School District
Stark County, Ohio
Notes to the Schedule of Federal Expenditures – Cash Basis
For the Fiscal Year Ended June 30, 2009

Note A - Child Nutrition Cluster

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

Note B – Food Donation Program

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

Note C - Transfers

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education's (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2009, the ODE authorized the following transfers:

<u>CFDA</u> <u>Number</u>	<u>Program Title</u>	<u>Program</u> <u>Year</u>	<u>Transfers</u> <u>Out</u>	<u>Transfers</u> <u>In</u>
84.010	Title I Grants to Local Educational Agencies	2008	\$ 37,654	
84.010	Title I Grants to Local Educational Agencies	2009		\$ 37,654
84.340	Title II-A Improving Teacher Quality	2008	560	
84.340	Title II-A Improving Teacher Quality	2009		560
84.318	Title II-D Technology Literacy Quality	2008	705	
84.318	Title II-D Technology Literacy Quality	2009		705
84.186	Title IV-A Safe and Drug-Free Schools	2008	505	
84.186	Title IV-A Safe and Drug-Free Schools	2009		505
84.298	Title V Innovative Programs	2008	3,659	
84.298	Title V Innovative Programs	2009		3,659
84.027	Title VI-B Special Education - Grants to States	2008	94,037	
84.027	Title VI-B Special Education - Grants to States	2009		94,037

CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2009

1. SUMMARY OF AUDITOR'S RESULTS
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A-133 Ref.
.505(d)

(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 internal control deficiencies reported at the financial statement level (GAGAS)?	No
(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 internal control deficiencies reported for major programs which were not considered to be material?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Qualified
(d) (1) (vi)	Are there any reportable findings under Section .510(a) of Circular A-133?	Yes
(d) (1) (vii)	Major Programs (list): Title I	CFDA # 84.010
(d) (1) (viii)	Dollar Threshold: Type A/B	Type A: >\$300,000 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

MATERIAL NON-COMPLIANCE

FINDING NUMBER	2009-001
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Ohio Rev. Code Section 5705.10 requires that money paid into a fund must be used only for the purposes for which such fund has been established. Negative fund cash balances indicate that money from one fund was used to cover the expenses of another fund. Ohio Rev. Code Section 3315.20 provides an exception for special revenue funds if the following conditions are met. The School District must have a request for payment pending with the state sufficient to cover the amount of the deficit and there is a reasonable likelihood that the payment will be made; and the unspent unencumbered balance in the School District's general fund is greater than the aggregate of deficit amounts in all of the School District's special revenue funds. The School District had three funds with negative balances at year end that did not meet the exceptions listed above. The following table summarizes the negative cash balances at year end.

CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
JUNE 30, 2009

FINDING NUMBER	2009-001 (Continued)
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Fund	Deficit
General Fund (001)	\$ 196,026
Multi-County Juevenile Atten. (019)	490,814
District Agency (022)	39,242
Early Childhood Education (439)	75,457

Fund activity should be monitored to prevent future expenditures in excess of available resources. In those cases where additional funds are required, the resources should either be transferred or advanced to the fund in accordance with the Ohio Revised Code. The General Fund did not originally report a fund deficit. Non-compliance occurred due to posted audit adjustments.

Client's Response:

Many of the negative fund balances at June 30, 2009 are due to the requirement of the various grants that have been awarded to the district. The terms of the grants require the expenditure of funds by a certain date while not always allowing sufficient time for the district to be reimbursed. In the case of the Multi-County Juvenile Attention Center Fund, the cost of all services are paid, then the participating districts are invoiced for their costs after the services have been provided and paid. The General Fund does not have adequate resources to advance funds to these grants.

FINDING NUMBER	2009-002
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Ohio Rev. Code Section 5705.41(B) states no subdivision or taxing unit shall make any expenditure of money unless it has been appropriated. As of June 30, 2009, the School District had expenditures exceeding appropriations in the following funds:

Fund	Expenditures Exceeding Appropriations
General Fund (001)	\$ 232,776
Food Service Fund (006)	5,967
Various Grant Funds (019)	464,508
Title VI-B (516)	93,717

We recommend the School District monitor expenses and ensure appropriations are available prior to approving the purchase order. The General Fund did not originally report expenditures exceeding appropriations. Non-compliance occurred due to posted audit adjustments.

Client's Response:

This issue is related to the negative fund balances. Certain funds are required to be spent before the revenue is received, resulting in a negative fund balance. Appropriations cannot exceed the amount of revenue received so the appropriations are limited to the amount of revenue received. This causes the expenditures to exceed the appropriation level. The General Fund does not have adequate resources to advance to these funds to avoid having expenditures exceed appropriations.

CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
JUNE 30, 2009

MATERIAL WEAKNESS

FINDING NUMBER	2009-003
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In May of 2006, the American Institute of Certified Public Accountants (AICPA), the national professional organization for certified public accountants, issued its Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*. This standard became effective for audits of financial statements for periods ending on or after December 15, 2006.

The AICPA establishes auditing standards generally accepted in the United States that certified public accountants and government auditors must follow in conducting audits of state and local governments. SAS No. 112 establishes standards, responsibilities and guidance for auditors during a financial statement audit engagement for identifying and evaluating a client's internal control over financial reporting. This new standard requires the audit to report *in writing* to management and the governing body any control deficiencies found during the audit that are considered significant deficiencies and/or material weaknesses. To this end, SAS No. 112 lists specific control deficiencies that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

The compilation and presentation of materially correct financial statements and the related footnotes is the responsibility of management of the School District. Independent auditors are not part of the entity's internal control structure and should not be relied upon by management to detect misstatements in the financial statements.

As a result of our audit, we identified material misstatements in the School District's financial statements, as well as other misstatements that were not necessarily material, but were more than inconsequential. Material amounts noted above have been subsequently reported in the audited financial statements.

The School District is relying on a contracted service provider to compile the financial statements. We recommend the School District consider modifying the existing control procedures over the financial reporting process to include an independent review of the financial statements and the related journal entries. The review should be conducted by School District personnel that are knowledgeable of generally accepted accounting principles. Additionally, the Treasurer and the contracted service provider should review the adjustments and reclassifications identified during the current audit and ensure that similar errors are not reported on financial statements in subsequent years.

Client's Response:

The School District will implement new procedures to ensure the financial statements are compiled accurately in preparation for audit.

CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
JUNE 30, 2009

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

FINDING NUMBER	2009-004
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Program Information:

CFDA # 84.010 Title I
CFDA # 84.027 Title VI-B
CFDA # 84.340 Title II-A
CFDA # 84.048 Carl Perkins Grant
U.S. Department of Education
Passed through Ohio Department of Education

Criteria: The Cash Management Improvement Act (34 CFR 80.21) states “Procedures for minimizing the time elapsing between the transfer of funds from the U.S. Treasury and disbursement by grantees and subgrantees must be followed whenever advance payment procedures are used. Grantees must establish reasonable procedures to ensure the receipt of reports on subgrantees’ cash balances and cash disbursements in sufficient time to enable them to prepare complete and accurate cash transactions reports to the awarding agency.”

Federal Regulations (Appendix A to 2 CFR 225(C)(1)(c)) include the following requirements “To be allowable under Federal awards, costs must meet the following criteria:

- a. Be necessary and reasonable for proper and efficient performance and administration of Federal Awards.
- b. Be allocable to Federal awards under the provisions of 2 CFR 225.
- c. Be authorized or not prohibited under State or local laws or regulations.”

Ohio Auditor of State Bulletin 97-003 requires all inter-fund cash advances follow certain requirements, including the following:

1. “There must be statutory authority to use the money in the fund advancing the cash (the “creditor” fund) for the same purpose for which the fund receiving the cash (the “debtor” fund) was established;
2. The reimbursement from the debtor fund to the creditor fund must not violate any restrictions on use of the money to be used to make the reimbursement.”

Condition: Expenditures included in various draw downs consisted of an accrued wages adjustment made into the cash basis accounting system. The accrued wages adjustment represented a short-term loan to the general fund. The adjustment in form was not labeled an advance; however, in substance it was an advance. Federal funds’ expenditures were inflated and therefore caused funds to be drawn down prior to funds being expended.

CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(CONTINUED)
JUNE 30, 2009

FINDING NUMBER	2009-004 (Continued)
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Context: In our testing of project cash requests, we noted there were certain expenditures included for work that had been performed but not yet paid. Although the School District is eligible to draw down funds in advance of services, project cash requests were completed as if expenditures had already been incurred and paid. The accrued wages adjustment to the cash basis accounting records was to reduce general fund personal services expenses and increase various grant personal services expenditures. Expenditures included in certain draw downs for the above grants included salary and benefit expenditures for June through August 2009.

Questioned Costs: We reviewed the detailed adjustment made to the cash basis accounting records. Adjustments were made to increase personal services expenditures in the federal grant funds as follows: Title I \$67,727, Title VI-B \$20,828, Title II-A \$26,784 and Carl Perkins \$61,546. In total our testing indicated there are questioned costs related to the above programs in the amount of \$176,885.

Effect: The overstatement of expenditures has caused the School District to draw down monies in a manner not in compliance with federal regulations.

Recommendations: We recommend the Treasurer and respective grant coordinator(s) monitor all expenditures charged to Federal grant funds and ensure all draw downs are for expenditures already incurred. If the School District chooses to draw down funds in advance, they should do so within the guidelines set forth by the Ohio Department of Education.

Client's Response:

The adjusting entries were made for personal services that were completed by June 30, 2009. Accrued wages for these services were paid in July and August. All federal funds were properly received and accounted for according to federal and state requirements.

CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A-133, SECTION .315(b)
JUNE 30, 2009

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2008-001	Ohio Revised Code Section 5705.10, several District funds had negative fund balances.	No	Re-issued as Finding 2009- 001
2008-002	Ohio Revised Code Section 5705.41(B), the District had several funds where expenditures exceeded appropriations.	No	Re-issued as Finding 2009- 002



Rea & Associates, Inc.

ACCOUNTANTS AND BUSINESS CONSULTANTS

Focused on Your Future.

**INDEPENDENT ACCOUNTANT'S REPORT
ON APPLYING AGREED-UPON PROCEDURES**

December 28, 2009

Canton Local School District
4526 Ridge Avenue SE
Canton, OH 44707

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting in January and April 2006.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;

- (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;
 - (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
 - (6) A procedure for documenting any prohibited incident that is reported;
 - (7) A procedure for responding to and investigating any reported incident;
 - (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report;
 - (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States.
3. The policy excluded the following required element:
- (1) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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

Rea & Associates, Inc.



Mary Taylor, CPA
Auditor of State

CANTON LOCAL 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
MARCH 23, 2010