



**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Canton City School District, Stark County, Ohio (the District) as of and for the year ended June 30, 2001, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Canton City School District, Stark County, Ohio as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the general purpose financial statements, certain errors and omissions resulting in the overstatement of the July 1, 2000 unencumbered General Fund balance were discovered during the current year. Accordingly, the beginning balance for the General Fund was restated as of July 1, 2000 to correct for these errors.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2002 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

February 21, 2002

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CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
ASSETS AND OTHER DEBITS										
ASSETS:										
Equity in pooled cash and investments . . .	\$9,997,843	\$5,113,044	\$2,854,161	\$52,867,925	\$3,030,718	\$2,752,126	\$553,517			\$77,169,334
Receivables (net of allowances of uncollectibles):										
Taxes - current & delinquent.	31,104,092		3,630,107	9,175,182						43,909,381
Accounts	98,330									98,330
Accrued interest	82,604			247,498						330,102
Interfund loan receivable	2,888,442									2,888,442
Due from other governments	180,094	1,982,348		5,300	964,720					3,132,462
Prepayments	53,745									53,745
Materials and supplies inventory	120,081				45,055					165,136
Restricted assets:										
Equity in pooled cash and investments	292,824									292,824
Property, plant and equipment (net of accumulated depreciation where applicable)					1,336,504	18,273		\$96,375,824		97,730,601
OTHER DEBITS:										
Amount available in debt service fund. . .									\$2,968,931	2,968,931
Amount to be provided for retirement of general long-term obligations.									48,521,586	48,521,586
Total assets and other debits.	<u>\$44,818,055</u>	<u>\$7,095,392</u>	<u>\$6,484,268</u>	<u>\$62,295,905</u>	<u>\$5,376,997</u>	<u>\$2,770,399</u>	<u>\$553,517</u>	<u>\$96,375,824</u>	<u>\$51,490,517</u>	<u>\$277,260,874</u>

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

--Continued

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED BALANCE SHEET
 ALL FUND TYPES AND ACCOUNT GROUPS (CONTINUED)
 JUNE 30, 2001

	Governmental Fund Types				Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-Term Obligations	
LIABILITIES, EQUITY AND OTHER CREDITS										
LIABILITIES:										
Accounts payable	\$533,136	\$503,957		\$43,270	\$17,586	\$965	\$4,364			\$1,103,278
Contracts payable				2,740,865						2,740,865
Accrued wages and benefits	8,998,122	2,064,405		1,473	118,562	2,788	1			11,185,351
Compensated absences payable	174,748	10,731			84,405	517			\$3,729,564	3,999,965
Pension obligation payable	1,392,136	309,456		556	223,046	1,824			914,507	2,841,525
Interfund loan payable		1,298,722		1,589,720						2,888,442
Due to other governments							7,437			7,437
Deferred revenue	30,387,928	1,725,761	\$3,515,337	9,352,340	35,154					45,016,520
Due to students							256,945			256,945
Claims payable							1,746,425			1,746,425
Capital lease obligations									63,229	63,229
General obligation bonds payable									46,783,217	46,783,217
Total liabilities	41,486,070	5,913,032	3,515,337	13,728,224	478,753	1,752,519	268,747		51,490,517	118,633,199
EQUITY AND OTHER CREDITS:										
Investment in general fixed assets								\$96,375,824		96,375,824
Contributed capital					341,374	18,462				359,836
Retained earnings: unreserved					4,556,870	999,418				5,556,288
Fund balances:										
Reserved for encumbrances	1,569,148	493,459		7,717,424			358			9,780,389
Reserved for materials and supplies inventory	120,081									120,081
Reserved for prepayments	53,745									53,745
Reserved for debt service			2,854,161							2,854,161
Reserved for tax revenue unavailable for appropriation	777,990		114,770	72,540						965,300
Reserved for BWC refunds	292,824									292,824
Unreserved-undesignated	518,197	688,901		40,777,717			284,412			42,269,227
Total equity and other credits	3,331,985	1,182,360	2,968,931	48,567,681	4,898,244	1,017,880	284,770	96,375,824		158,627,675
Total liabilities, equity and other credits	\$44,818,055	\$7,095,392	\$6,484,268	\$62,295,905	\$5,376,997	\$2,770,399	\$553,517	\$96,375,824	\$51,490,517	\$277,260,874

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

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2001

	Governmental Fund Types				Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
Revenues:						
From local sources:						
Taxes	\$27,358,070		\$3,256,104	\$1,546,825		\$32,160,999
Tuition	830,424	\$27,710				858,134
Earnings on investments	1,596,992	9,512	272,268	2,336,379	\$14,895	4,230,046
Extracurricular		816,992				816,992
Other local revenues	626,875	285,345			118,022	1,030,242
Other revenue		3,636,077				3,636,077
Intergovernmental - State	54,714,773	10,229,688	365,301	12,585,276		77,895,038
Intergovernmental - Federal	1,088,381	9,675,546				10,763,927
Total revenues	86,215,515	24,680,870	3,893,673	16,468,480	132,917	131,391,455
Expenditures:						
Current:						
Instruction:						
Regular	33,808,506	7,868,162		13,109	7,078	41,696,855
Special	10,653,163	4,950,254				15,603,417
Vocational	2,530,560	192,268		47,012		2,769,840
Other	2,044,719	660,044				2,704,763
Support services:						
Pupil	5,657,686	2,347,054			22,034	8,026,774
Instructional staff	2,193,935	4,134,187			3,240	6,331,362
Board of education	38,835					38,835
Administration	6,678,955	1,204,061				7,883,016
Fiscal	1,399,262	122,463				1,521,725
Business	862,865					862,865
Operations and maintenance	8,964,330	292,696		3,962,488		13,219,514
Pupil transportation	2,487,814	218,077				2,705,891
Central	2,618,082	259,176		934,071	8,958	3,820,287
Community services	501,017	461,263			11,957	974,237
Extracurricular activities	1,049,349	504,651			37,572	1,591,572
Facilities acquisition and construction	1,035,446	59,507		12,408,211		13,503,164
Capital outlay	79,782					79,782
Intergovernmental pass-through		517,296				517,296
Debt service:						
Principal retirement	16,553		46,705,789			46,722,342
Interest and fiscal charges	1,568		2,451,519			2,453,087
Total expenditures	82,622,427	23,791,159	49,157,308	17,364,891	90,839	173,026,624
Excess of revenues over (under) expenditures	3,593,088	889,711	(45,263,635)	(896,411)	42,078	(41,635,169)
Other financing sources (uses):						
Premium and accrued interest on bonds sold			132,139			132,139
Proceeds from sale of bonds			46,705,413			46,705,413
Premium on notes sold			875			875
Proceeds from sale of fixed assets	250			15,479		15,729
Proceeds from capital lease transaction	79,782					79,782
Operating transfers in		109,208				109,208
Operating transfers out	(1,079,208)					(1,079,208)
Total other financing sources (uses)	(999,176)	109,208	46,838,427	15,479		45,963,938
Excess of revenues and other financing sources over expenditures and other financing uses	2,593,912	998,919	1,574,792	(880,932)	42,078	4,328,769
Fund balances at July 1	736,171	183,441	1,394,139	49,448,613	242,692	52,005,056
Increase in reserve for inventory	1,902					1,902
Fund balances at June 30	\$3,331,985	\$1,182,360	\$2,968,931	\$48,567,681	\$284,770	\$56,335,727

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

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	General			Special Revenue			Debt Service			Capital Projects			Total (Memorandum Only)		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:															
From local sources:															
Taxes	\$25,844,866	\$27,913,390	\$2,068,524				\$3,290,351	\$3,306,724	\$16,373	\$1,418,360	\$1,556,165	\$137,805	\$30,553,577	\$32,776,279	\$2,222,702
Tuition	983,298	697,296	(286,002)	\$26,738	\$27,710	\$972							1,010,036	725,006	(285,030)
Earnings on investments	946,657	1,570,898	624,241	9,222	9,512	290	272,268	272,268	0	2,008,237	2,538,025	529,788	3,236,384	4,390,703	1,154,319
Extracurricular				802,425	816,992	14,567							802,425	816,992	14,567
Other local revenues	828,300	763,726	(64,574)	250,782	272,041	21,259				14,520	24,623	10,103	1,093,602	1,060,390	(33,212)
Intergovernmental - State	56,474,264	54,714,773	(1,759,491)	11,345,074	10,174,544	(1,170,530)	187,483	365,301	177,818	2,393,535	12,582,176	10,188,641	70,400,356	77,836,794	7,436,438
Intergovernmental - Federal	986,429	1,088,381	101,952	9,498,531	9,632,982	134,451							10,484,960	10,721,363	236,403
Other revenue				3,519,925	3,892,089	372,164							3,519,925	3,892,089	372,164
Total revenues	86,063,814	86,748,464	684,650	25,452,697	24,825,870	(626,827)	3,750,102	3,944,293	194,191	5,834,652	16,700,989	10,866,337	121,101,265	132,219,616	11,118,351
Expenditures:															
Current:															
Instruction:															
Regular	35,168,006	35,058,328	109,678	8,618,850	7,962,927	655,923				18,741	14,241	4,500	43,805,597	43,035,496	770,101
Special	10,703,595	10,670,214	33,381	5,398,814	5,030,713	368,101							16,102,409	15,700,927	401,482
Vocational	2,869,422	2,860,473	8,949	103,269	102,074	1,195				69,658	52,932	16,726	3,042,349	3,015,479	26,870
Other instruction	2,137,362	2,130,696	6,666	867,428	829,578	37,850							3,004,790	2,960,274	44,516
Support services:															
Pupil	5,650,225	5,632,604	17,621	2,729,653	2,591,302	138,351							8,379,878	8,223,906	155,972
Instructional staff	2,292,852	2,285,701	7,151	4,721,933	4,312,337	409,596							7,014,785	6,598,038	416,747
Board of Education	39,677	39,553	124	27,062	27,062	0							66,739	66,615	124
Administration	7,114,994	7,092,805	22,189	1,385,249	1,247,362	137,887							8,500,243	8,340,167	160,076
Fiscal	1,432,181	1,427,714	4,467	155,161	118,270	36,891							1,587,342	1,545,984	41,358
Business	937,459	934,535	2,924										937,459	934,535	2,924
Operation and maintenance of plant	9,591,002	9,561,091	29,911	279,054	295,883	(16,829)				4,564,610	4,098,574	466,036	14,434,666	13,955,548	479,118
Transportation	2,627,906	2,619,710	8,196	151,395	219,234	(67,839)							2,779,301	2,838,944	(59,643)
Central	3,304,580	3,294,274	10,306	385,004	338,772	46,232				1,539,684	1,524,948	14,736	5,229,268	5,157,994	71,274
Community services	542,432	540,740	1,692	554,750	516,918	37,832							1,097,182	1,057,658	39,524
Extracurricular activities	1,048,826	1,045,555	3,271	659,006	534,208	124,798							1,707,832	1,579,763	128,069
Facilities acquisition and construction	1,121,096	1,117,600	3,496	7,640	7,170	470				41,362,215	20,354,240	21,007,975	42,490,951	21,479,010	21,011,941
Intergovernmental pass-through				611,974	539,555	72,419							611,974	539,555	72,419
Debt service:															
Principal retirement							48,805,789	48,805,789	0				48,805,789	48,805,789	0
Interest and fiscal charges							2,738,339	2,454,061	284,278				2,738,339	2,454,061	284,278
Total expenditures	86,581,615	86,311,593	270,022	26,656,242	24,673,365	1,982,877	51,544,128	51,259,850	284,278	47,554,908	26,044,935	21,509,973	212,336,893	188,289,743	24,047,150
Excess (deficiency) of revenues															
Over (under) expenditures	(517,801)	436,871	954,672	(1,203,545)	152,505	1,356,050	(47,794,026)	(47,315,557)	478,469	(41,720,256)	(9,343,946)	32,376,310	(91,235,628)	(56,070,127)	35,165,501
Other financing sources (uses):															
Premium and accrued interest															
on bonds sold							132,139	132,139	0				132,139	132,139	0
Premium on notes sold							875	875	0				875	875	0
Proceeds from the sale of bonds							46,605,413	46,705,413	100,000	0	0	0	46,605,413	46,705,413	100,000
Proceeds from the sale of notes							2,100,000	2,100,000	0				2,100,000	2,100,000	0
Advances in	0	1,285,679	1,285,679	0	982,654	982,654				0	1,114,720	1,114,720	0	3,383,053	3,383,053
Advances out	0	(2,343,770)	(2,343,770)	0	(927,629)	(927,629)				0	(201,720)	(201,720)	0	(3,473,119)	(3,473,119)
Refund of prior year expenditures	0	1,177,786	1,177,786	0	7,590	7,590	2,542	2,542	0	320,888	351,551	30,663	323,430	1,539,469	1,216,039
Refund of prior year receipt	(170,494)	(169,962)	532	(6,129)	(6,098)	31				0	0	0	(176,623)	(176,060)	563
Operating transfers in				39,208	209,275	170,067				0	0	0	39,208	209,275	170,067
Operating transfers out	(1,082,584)	(1,079,208)	3,376	0	(10,000)	(10,000)				0	0	0	(1,082,584)	(1,089,208)	(6,624)
Proceeds from sale of fixed assets	0	250	250							15,479	15,479	0	15,479	15,729	250
Total other financing sources (uses)	(1,253,078)	(1,129,225)	123,853	33,079	255,792	222,713	48,840,969	48,940,969	100,000	336,367	1,280,030	943,663	47,957,337	49,347,566	1,390,229
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,770,879)	(692,354)	1,078,525	(1,170,466)	408,297	1,578,763	1,046,943	1,625,412	578,469	(41,383,889)	(8,063,916)	33,319,973	(43,278,291)	(6,722,561)	36,555,730
Fund balances, July 1 (restated)	6,492,391	6,492,391	0	3,195,837	3,195,837	0	1,228,749	1,228,749	0	47,545,564	47,545,564	0	58,462,541	58,462,541	0
Prior year's encumbrances appropriated	1,786,605	1,786,605	0	531,415	531,415	0	0	0	0	3,451,425	3,451,425	0	5,769,445	5,769,445	0
Fund balances, June 30	\$6,508,117	\$7,586,642	\$1,078,525	\$2,556,786	\$4,135,549	\$1,578,763	\$2,275,692	\$2,854,161	\$578,469	\$9,613,100	\$42,933,073	\$33,319,973	\$20,953,695	\$57,509,425	\$36,555,730

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Tuition and fees.	\$1,105,787	\$107,599	\$1,213,386
Sales/charges for services.	844,973	7,978,713	8,823,686
Other operating revenues.	82,900		82,900
	<u>2,033,660</u>	<u>8,086,312</u>	<u>10,119,972</u>
Total operating revenues.			
Operating expenses:			
Personal services	2,638,523	74,954	2,713,477
Contract services	369,484	632,257	1,001,741
Materials and supplies	2,021,846	103,038	2,124,884
Claims.		9,228,338	9,228,338
Depreciation.	119,164	6,849	126,013
Other operating expenses	55,088		55,088
	<u>5,204,105</u>	<u>10,045,436</u>	<u>15,249,541</u>
Total operating expenses			
Operating loss	<u>(3,170,445)</u>	<u>(1,959,124)</u>	<u>(5,129,569)</u>
Nonoperating revenues:			
Operating grants.	3,940,560		3,940,560
Federal commodities	228,884		228,884
Interest revenue	58,854	142,172	201,026
Loss on sale of fixed assets	(52,179)		(52,179)
	<u>4,176,119</u>	<u>142,172</u>	<u>4,318,291</u>
Total nonoperating revenues.			
Net income (loss) before operating transfers.	1,005,674	(1,816,952)	(811,278)
Operating transfers in	70,000	900,000	970,000
Net income (loss)	1,075,674	(916,952)	158,722
Retained earnings at July 1	3,481,196	1,916,370	5,397,566
Retained earnings at June 30	<u>\$4,556,870</u>	<u>\$999,418</u>	<u>\$5,556,288</u>

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

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF CASH FLOWS
 ALL PROPRIETARY FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$1,105,787	\$107,599	\$1,213,386
Cash received from sales/service charges	844,973	7,978,713	8,823,686
Cash received from other operating activities.	82,900		82,900
Cash payments for personal services	(2,774,571)	(74,205)	(2,848,776)
Cash payments for contract services.	(381,973)	(631,792)	(1,013,765)
Cash payments for materials and supplies	(1,804,413)	(121,509)	(1,925,922)
Cash payments for claims		(8,965,396)	(8,965,396)
Cash payments for other expenses.	(55,088)		(55,088)
Net cash used in operating activities	<u>(2,982,385)</u>	<u>(1,706,590)</u>	<u>(4,688,975)</u>
Cash flows from noncapital financing activities:			
Cash received from operating grants.	3,538,921		3,538,921
Transfers in from other funds	70,000	900,000	970,000
Net cash provided by noncapital financing activities	<u>3,608,921</u>	<u>900,000</u>	<u>4,508,921</u>
Cash flows from capital and related financing activities:			
Acquisition of capital assets.	(55,593)		(55,593)
Net cash used in capital and related financing activities.	<u>(55,593)</u>		<u>(55,593)</u>
Cash flows from investing activities:			
Interest received	58,854	142,172	201,026
Net cash provided by investing activities.	<u>58,854</u>	<u>142,172</u>	<u>201,026</u>
Net increase (decrease) in cash and cash equivalents	629,797	(664,418)	(34,621)
Cash and cash equivalents at beginning of year.	2,400,921	3,416,544	5,817,465
Cash and cash equivalents at end of year	<u>\$3,030,718</u>	<u>\$2,752,126</u>	<u>\$5,782,844</u>
Reconciliation of operating loss to net cash used in operating activities:			
Operating loss	(\$3,170,445)	(\$1,959,124)	(\$5,129,569)
Adjustments to reconcile operating loss to net cash used in operating activities:			
Depreciation	119,164	6,849	126,013
Federal donated commodities.	228,884		228,884
Changes in assets and liabilities:			
Increase in materials and supplies inventory	(4,028)		(4,028)
Decrease in accounts payable	(24,692)	(18,006)	(42,698)
Increase (decrease) in accrued wages and benefits	(149,034)	259	(148,775)
Increase (decrease) in compensated absences payable	(29,435)	166	(29,269)
Increase in pension obligation payable	42,421		42,421
Decrease in due to other governments	(56)		(56)
Increase in claims payable.		262,942	262,942
Increase in deferred revenue.	4,836	324	5,160
Net cash used in operating activities	<u>(\$2,982,385)</u>	<u>(\$1,706,590)</u>	<u>(\$4,688,975)</u>
Noncash investing, capital and financing activities:			
Federal donated commodities.	\$228,884		\$228,884
Contribution of fixed assets from other funds.	341,374	18,462	359,836

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 11th largest by enrollment among the 682 public and community school districts in the State. The District employs 776 non-certified and 1,062 certified employees to provide services to approximately 12,728 students and community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

A. Reporting Entity - (Continued)

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

B. Fund Accounting - (Continued)

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

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

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

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The following are the District's proprietary fund types:

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

B. Fund Accounting - (Continued)

FIDUCIARY FUNDS

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

ACCOUNT GROUPS

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

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

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

C. Measurement Focus/Basis of Accounting

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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

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

The modified accrual basis of accounting is followed for governmental funds and the expendable trust fund. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is sixty days after the June 30 year-end. Revenues accrued at the end of the year include interest, grants, and accounts (student fees and rent). Current property taxes measurable as of June 30, 2001, and which are intended to finance fiscal 2002 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On the modified accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied and the resources are available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been met and the resources are available.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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

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

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

On the accrual basis of accounting, revenue from nonexchange transactions, such as grants, entitlements and donations, is recognized in the fiscal year in which all eligibility requirements have been met. The proprietary funds receive no revenue from property taxes.

D. Budgets

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

1. Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The expressed purpose of this budget document is to reflect the need for existing (or increased) tax rates.
2. By no later than January 20, the Board-adopted budget is filed with the Stark County Budget Commission for tax rate determination.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

D. Budgets - (Continued)

3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2001.
4. By July 1, the Annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. (State statute permits a temporary appropriation to be effective until no later than October 1 of each year.) Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.
7. Appropriation amounts are as originally adopted, or as amended by the Board of Education throughout the year by supplemental appropriations which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board of Education prior to June 30, 2001.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

D. Budgets - (Continued)

8. Unencumbered appropriations lapse at year end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Cash disbursements plus encumbrances may not legally exceed budgeted appropriations at the fund level.

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

E. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the District's records. Each fund's interest in the pool is presented as "Equity in Pooled Cash and Investments" on the combined balance sheet.

During fiscal year 2001, investments were limited to federal agency securities, repurchase agreements, commercial paper, U.S. government money market mutual funds, non-negotiable certificates of deposit 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 and non-negotiable certificates of deposit are reported at cost.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

E. Cash and Investments - (Continued)

The District has invested funds in STAR Ohio during fiscal year 2001. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2001.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2001 amounted to \$1,596,992 which includes \$982,184 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the District are considered to be cash equivalents. Investments with an initial maturity of more than three months are reported as investments.

An analysis of the Treasurer's investments at year-end is provided in Note 4.

F. Inventory

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

G. Fixed Assets and Depreciation

1. General Fixed Assets Account Group

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

2. Proprietary Funds

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

H. Intergovernmental Revenues

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

H. Intergovernmental Revenues - (Continued)

Entitlements

General Fund

State Foundation Program

Non-Reimbursable Grants

Special Revenue Funds

Teacher Development Block Grant

JOBS/ABLE

JOBS Assessment

Data Communications

Career Development

Reading Excellence

Gear-Up

Raising the Bar

STARS

School Readiness Resource Center

Parent Mentor

Management Information Systems

Public Preschool Grant

Early Childhood Education Grant

EHA Preschool Grant

Adult Basic Education Grant

Disadvantaged Pupil Impact Aid

Auxiliary Services

School Improvement (Venture Capital)

Job Training Partnership Act (JTPA) Grant

Eisenhower Grant

Title VI-B Special Education Grant

Vocational Education

Title I

Title VI

Safe Schools

Character Education

Entry Program

Ohio Reads

Summer Intervention

SchoolNet Professional Development

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

H. Intergovernmental Revenues - (Continued)

Non-Reimbursable Grants - (cont'd)

Special Revenue Funds - (cont'd)

- Extended Learning Opportunity
- Performance Incentive Grant
- Alternative Schools
- Reducing Class Size
- Drug-Free Schools

Capital Projects Funds

- Permanent Improvement
- Building
- Classroom Facilities
- SchoolNet
- Technology Equity
- Urban Eight
- CAD H.B.

Reimbursable Grants

General Fund

- Driver Education

Enterprise Funds

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

Grants and entitlements amounted to approximately 63% of the District's operating revenue during the 2001 fiscal year.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

I. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as “interfund loans receivable or payable”. The District had short-term interfund loans receivable and payable at June 30, 2001.
4. Long-term interfund loans that will not be repaid within the next year are termed “advances” and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had no long-term advances receivable or payable at June 30, 2001.

An analysis of interfund transactions is presented in Note 5.

J. Compensated Absences

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

J. Compensated Absences - (Continued)

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

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

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

K. Prepayments

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

L. Long-Term Obligations

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

M. Fund Balance Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, materials and supplies inventory, prepayments, debt service, tax revenue unavailable for appropriation and Bureau of Worker's Compensation (BWC) refunds. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds.

N. Parochial Schools

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

O. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by state statute. A fund balance reserve has also been established. See Note 18 for details.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

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

P. Estimates

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

Q. Bond Discounts, Premiums and Interest Costs

For governmental fund types, bond premiums and discounts, as well as issuance cost, are recognized during the current period. Bond proceeds are reported as other financing sources net of the applicable premium or discount. Premium and/or accrued interest are reported separately on the financial statements. The long-term debt that appears in the general long-term obligations account group is always reported at the bond's face value.

R. Contributed Capital

Contributed capital represents resources from other funds, other governments, and private sources provided to proprietary funds that is not subject to repayment. These assets are recorded at their fair market value on the date donated. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end. See Note 21 for fiscal 2001 changes in contributed capital.

S. Memorandum Only - Total Columns

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principle

GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions," was implemented during fiscal 2001. This statement pertains to the financial reporting of certain types of revenue received by the District for which no value is given in return, including derived tax revenues, imposed nonexchange transactions, government-mandated nonexchange transactions, and voluntary nonexchange transactions. The adoption of this statement had no effect on fund balances/retained earnings as previously reported by the District at June 30, 2000.

B. Prior Period Adjustment

The District has recorded a prior period adjustment to properly reflect the July 1, 2000 unencumbered fund balance in the general fund. The general fund unencumbered balance at July 1, 2000 was decreased \$2,051,473 from \$8,543,864 to \$6,492,391 as a result of the District inappropriately reflecting advances in as an estimated revenue; however, advances out are not budgeted by the District and subsequently appropriated.

C. Deficit Fund Balances/Retained Earnings

Fund balances/retained earnings at June 30, 2001 included the following individual fund deficits:

	<u>Deficit Balance</u>
<u>Special Revenue Funds</u>	
Title I	\$106,615
Vocational Education	43,667
Industrial Training Program	13
Venture Capital Grant	1
Entry Year	133
Disadvantaged Pupil Impact Aid	979,181
Post-Secondary Vocational Education	1,505
Drug-Free Grant	13,469
Adult Basic Education	3,018
Eisenhower Grant	6,045
Community Education	17

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

C. Deficit Fund Balances/Retained Earnings (Continued)

<u>Capital Projects Funds</u>	
Emergency School Repairs	1,720
CAD H.B.	33,071
 <u>Internal Service Fund</u>	
Employee Benefits Self-Insurance	1,922

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

The deficit fund balances in the Title I, Venture Capital Grant, Community Education, Adult Basic Education and Drug-Free Grant special revenue funds are caused by accruing a liability for wage, benefit and pension obligations in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

The deficit fund balances in the Vocational Education, Industrial Training Program, Entry Year, Disadvantaged Pupil Impact Aid, Post-Secondary Vocational Education, and Eisenhower Grant special revenue funds are due to the reporting of an "advances in" from another fund as an interfund loan payable rather than as an "other financing source" and by the reporting of accrued wage and retirement benefits in accordance with GAAP. These deficits will be eliminated by intergovernmental revenues and other resources not recognized at June 30.

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

The deficit retained earnings in the Employee Benefits Self-Insurance internal service fund is caused by the recording of a liability for claims incurred by June 30 but not paid until after that date. This deficit will be eliminated as premiums are collected to pay the claims.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

D. Compliance

Contrary to Ohio Rev. Code 5705.41(D), the District had expenditures which were not certified by the Treasurer until the time of payment.

Contrary to Ohio Rev. Code 5705.10, throughout fiscal year 2001, the District had deficit fund balances in certain special revenue, capital projects and proprietary funds.

E. Agency Funds

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

LIABILITIES

Accounts payable	\$5,601
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NOTE 4 - EQUITY IN POOLED CASH AND INVESTMENTS

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

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

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 4 - EQUITY IN POOLED CASH 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 money deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

8. Under limited circumstances, corporate debt instruments rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

Deposits: At year-end, the carrying amount of the District's deposits was \$7,474,436 and the bank balance was \$10,073,670. These balances included \$10,000,000 in nonnegotiable certificates of deposit. Of the bank balance:

1. \$173,670 was covered by federal depository insurance; and
2. \$9,900,000 was uninsured and unregistered as defined by GASB although it was secured by collateral held by third party trustees, pursuant to section 135.181 Ohio Revised Code, in collateralized pools securing all public funds on deposit with specific depository institutions; these securities not being in the name of the District. Although all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements would potentially subject the District to a successful claim by the FDIC.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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

	Category 3	Carrying Amount	Fair Value
Repurchase Agreements	\$ 4,248,303	\$ 4,248,303	\$ 4,248,303
Federal Agency Securities	28,163,750	28,163,750	28,163,750
Commercial Paper	<u>7,922,746</u>	7,922,746	7,922,746
Total	<u>\$40,334,799</u>		
Investment in State			
Treasurer's Investment Pool		29,364,959	29,364,959
U.S. Government Money Market			
Mutual Fund		<u>287,964</u>	<u>287,964</u>
Total Investments		<u>\$69,987,722</u>	<u>\$69,987,722</u>

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

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

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

	<u>Cash and Cash Equivalents/Deposits</u>	<u>Investments</u>
Per GASB Statement No. 9	\$ 77,462,158	\$ 0
Investments of the Cash		
Management Pool:		
Repurchase Agreements	(4,248,303)	4,248,303
Federal Agency Securities	(28,163,750)	28,163,750
Commercial Paper	(7,922,746)	7,922,746
State Treasurer's Investment Pool	(29,364,959)	29,364,959
U.S. Government Money Market		
Mutual Fund	<u>(287,964)</u>	<u>287,964</u>
GASB Statement No. 3	<u>\$ 7,474,436</u>	<u>\$69,987,722</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS

A. Interfund balances at June 30, 2001, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
General Fund	\$2,888,442	\$ ---
<u>Special Revenue Funds</u>		
Other Grant	---	633,114
Career Development	---	7,325
Community Education	---	2,844
Post Secondary Vocational Education	---	3,000
Children's Trust	---	673
JTPA	---	10,500
Miscellaneous State Grants	---	68,057
Title I	---	10,000
Vocational Education	---	34,567
Miscellaneous Federal Grants	---	145,000
Auxiliary Services	---	100
Entry Year	---	20,000
DPIA	---	275,000
Classroom Reduction	---	55,000
Industrial Training Program	---	18,522
Eisenhower Grant	---	15,000
Ohio Reads	---	20
<u>Capital Projects Funds</u>		
Permanent Improvement	---	475,000
Classroom Facilities	---	1,013,000
CAD H.B.	---	100,000
Emergency Room Repairs	---	1,720
Total	<u>\$2,888,442</u>	<u>\$2,888,442</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2001:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ ---	\$1,079,208
<u>Special Revenue Funds</u>		
District Managed Student Activity	70,000	---
Career Development	14,208	---
Post Secondary Vocational Education	25,000	---
<u>Internal Service Fund</u>		
Employee Benefits Self-Insurance	900,000	---
<u>Enterprise Fund</u>		
Recreation	<u>70,000</u>	<u>---</u>
Total	<u>\$1,079,208</u>	<u>\$1,079,208</u>

NOTE 6 - PROPERTY TAXES

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

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

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

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed value upon which the 2000 taxes were collected was \$848,777,928. Agricultural/residential and public utility real estate represented \$402,390,010 or 47.4% of this total; Commercial & industrial real estate represented \$196,669,600 or 23.2% of this total; public utility tangible represented \$52,229,530 or 6.2% of this total and general tangible property \$197,488,788 or 23.2% of this total. The voted general tax rate for operations at the fiscal year ended June 30, 2001 was \$52.20 per \$1,000 of assessed valuation, \$2.50 per \$1,000 of assessed valuation for permanent improvement, and \$4.50 per \$1,000 of assessed valuation for debt service.

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

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. A total of \$965,300 was available to the District as an advance at June 30 and is recognized as revenue.

Taxes available for advance and recognized as revenue but not received by the district prior to June 30, 2001, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year end.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 7 - RECEIVABLES

Receivables at June 30, 2001, consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants and entitlements (to the extent eligibility requirements have been met by year-end). Intergovernmental receivables have been reported as "Due From Other Governments" on the combined balance sheet. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current fiscal year guarantee of Federal funds.

	Amounts
<u>General Fund</u>	
Taxes - current and delinquent	\$31,104,092
Accounts	98,330
Due from other governments	180,094
Accrued interest	82,604
Interfund loans	2,888,442
 <u>Special Revenue Funds</u>	
Due from other governments	1,982,348
 <u>Debt Service Fund</u>	
Taxes - current and delinquent	3,630,107
 <u>Capital Project Funds</u>	
Taxes - current and delinquent	9,175,182
Accrued interest	247,498
Due from other governments	5,300
 <u>Enterprise Funds</u>	
Due from other governments	964,720

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 8 - FIXED ASSETS

A. General Fixed Assets

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

	<u>Balance</u> <u>July 1, 2000</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2001</u>
Land/Improvements	\$19,052,295	\$ 2,647,149	\$ ---	\$ 21,699,444
Buildings	32,450,256	4,042,511	---	36,492,767
Furniture/Equipment	18,390,269	4,191,573	(522,921)	22,058,921
Vehicles	3,854,975	106,377	---	3,961,352
Construction In Progress	<u>610,552</u>	<u>11,552,788</u>	<u>---</u>	<u>12,163,340</u>
Total	<u>\$74,358,347</u>	<u>\$22,540,398</u>	<u>\$(522,921)</u>	<u>\$96,375,824</u>

The construction in process at June 30 represents cost incurred on the Construction Project detailed in Note 9A.

B. Proprietary Fixed Assets

A summary of enterprise fund fixed assets at June 30, 2001 follows:

Building	\$ 1,961,438
Furniture and equipment	1,612,414
Less: accumulated depreciation	<u>(2,237,348)</u>
Net fixed assets	<u>\$ 1,336,504</u>

A summary of the internal service fixed assets at June 30, 2001 follows:

Furniture and equipment	\$ 37,995
Less: accumulated depreciation	<u>(19,722)</u>
Net fixed assets	<u>\$ 18,273</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 9 - LONG -TERM OBLIGATIONS

- A. During the fiscal 2001, the District issued general obligation bonds to provide long-term financing of the construction and renovation of various school buildings in accordance with the terms of a Facilities grant from the Ohio Schools Facilities Commission (OSFC). The total project (hereafter "Construction Project") encompasses the construction of nine new elementary schools, one new middle school, and a high school campus and the remodeling of five elementary schools, three middle schools and two high schools. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the general long-term obligations account group. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 3.7 mills bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the Ohio School Facilities Commission (OSFC). OSFC will make quarterly disbursements to the District as the project is completed. As of June 30, 2001, the total estimated cost of the Construction Project is \$175,887,147, of which OSFC will pay approximately 129,181,358.

In conjunction with the 3.7 mills which support the bond issue, the District also passed in fiscal 2001 a 0.8 mill levy to fund land acquisition. Tax revenue from this levy has been reported in the capital projects funds.

This issue is comprised of both current interest bonds, par value \$29,835,000, and capital appreciation bonds, par value \$2,110,000. The interest rates on the current interest bonds range from 4.35% to 5.625%. The capital appreciation bonds mature at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of maturity dates and effective interest rates for the capital appreciation bonds:

	<u>Original Principal</u>	<u>Accreted Value at Maturity</u>	<u>Maturity Date</u>	<u>Effective Interest Rate</u>
Capital Appreciation Bond	\$203,652	\$ 425,000	12/1/05	15.29%
Capital Appreciation Bond	175,729	425,000	12/1/06	15.37%
Capital Appreciation Bond	149,709	420,000	12/1/07	15.47%
Capital Appreciation Bond	129,427	420,000	12/1/08	15.49%
Capital Appreciation Bond	<u>111,896</u>	<u>420,000</u>	12/1/09	15.51%
Total	<u>\$770,413</u>	<u>\$2,110,000</u>		

The present value (as of issue date) reported in the general long-term obligations account group at June 30, 2001 was \$770,413. As of June 30, 2001, a total of \$77,804 in accreted interest on the capital appreciation bonds has been included in the general long-term obligations account group.

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issue is December 1, 2023.

The following is a schedule of activity for fiscal 2001 on the 2000 series general obligation bonds:

	<u>Balance July 1, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2001</u>
Current interest bonds	\$ 0	\$29,835,000	\$ ---	\$29,835,000
Capital appreciation bonds	<u>0</u>	<u>848,217</u>	<u>---</u>	<u>848,217</u>
Total G.O. bonds	<u>\$ 0</u>	<u>\$30,683,217</u>	<u>\$ 0</u>	<u>\$30,683,217</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the 2001 series general obligation bonds:

Fiscal Year Ending	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2002	\$ 105,000	\$ 1,617,534	\$ 1,722,534	\$ ---	\$ ---	\$ ---
2003	280,000	1,609,020	1,889,020	---	---	---
2004	325,000	1,595,477	1,920,477	---	---	---
2005	375,000	1,579,634	1,954,634	---	---	---
2006	0	1,571,103	1,571,103	425,000	0	425,000
2007 - 2011	425,000	7,845,208	8,270,208	1,685,000	0	1,685,000
2012 - 2016	6,880,000	7,113,383	13,993,383	---	---	---
2017 - 2021	12,305,000	4,334,886	16,639,886	---	---	---
2022 - 2024	<u>9,140,000</u>	<u>790,031</u>	<u>9,930,031</u>	<u>---</u>	<u>---</u>	<u>---</u>
Total	<u>\$29,835,000</u>	<u>\$28,056,276</u>	<u>\$57,891,276</u>	<u>\$2,110,000</u>	<u>\$ 0</u>	<u>\$2,110,000</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

B. During the fiscal year, the District issued a total of \$16,100,000 in Classroom Facilities Improvement Bonds, Qualified Zone Academy bonds (QZAB). The total proceeds was comprised of two separate issues; one of QZAB Series 2000 bonds in the amount of \$14,000,000 and one of QZAB Series 2001 bonds in the amount of \$2,100,000. The QZAB Series 2000 bonds mature November 29, 2013 and the QZAB Series 2001 bonds mature November 30, 2015. The District is required to make mandatory sinking fund deposits (consisting of cash and/or U.S. Treasury obligations) on December 1 in the following years and in the following amounts (in each case equal to the value of any cash deposits, plus the stated principal value at maturity of any U.S. Treasury obligations plus any interest to be paid thereon through and including the maturity date):

<u>December 1</u> <u>of year</u>	<u>QZAB</u> <u>Series 2000</u>	<u>QZAB</u> <u>Series 2001</u>	<u>Total</u>
2001	\$ 1,000,000	\$ 140,000	\$ 1,140,000
2002	1,000,000	140,000	1,140,000
2003	1,000,000	140,000	1,140,000
2004	1,100,000	140,000	1,240,000
2005	1,100,000	140,000	1,240,000
2006	1,100,000	140,000	1,240,000
2007	1,100,000	140,000	1,240,000
2008	1,100,000	140,000	1,240,000
2009	1,100,000	140,000	1,240,000
2010	1,100,000	140,000	1,240,000
2011	1,100,000	140,000	1,240,000
2012	1,100,000	140,000	1,240,000
2013	1,100,000	140,000	1,240,000
2014	- - -	140,000	140,000
2015	- - -	<u>140,000</u>	<u>140,000</u>
	<u>\$14,000,000</u>	<u>\$2,100,000</u>	<u>\$16,100,000</u>

The QZAB Series 2000 bonds bear no interest and the QZAB Series 2001 bonds require stated annual interest payments. During fiscal 2001, the District did not make any sinking fund deposits and paid interest on the QZAB Series 2001 bonds of \$817. All principal and interest payments related to these issues are reported in the debt service fund.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

C. On April 13, 2000, the District issued \$46,705,789 in bond anticipation notes to begin the Construction Project under the terms outlined by the OSFC. These notes bore an annual interest rate of 4.2848% and matured on December 15, 2000. In accordance with FASB Statement No. 6, "Classification of Short-Term Obligations Expected to Be Refinanced," the bond anticipation notes were considered long-term obligations because they were replaced with long-term bonds before the financial statements were issued. The bond anticipation notes were retired during fiscal 2001 with the proceeds from the District's bond issue described in Note 9.A and 9.B. A summary of bond anticipation note transactions for the year ended June 30, 2001 follows:

	<u>Principal Outstanding June 30, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2001</u>
<u>Capital Projects Funds</u>				
Bond Anticipation				
Notes - 4.2848%	\$46,705,789	\$ - - -	\$(46,705,789)	\$ 0

D. During the year ended June 30, 2001, the following changes occurred in the liabilities reported in the general long-term obligations account group. Compensated absences are reported net of actual increases and decreases due to the impracticality of determining these values. Compensated absences and the pension obligation will be paid from the fund in which the employee was paid. The capital lease obligation is paid from the general fund and further described in Note 20.

	<u>Balance July 1, 2000</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance June 30, 2001</u>
Compensated absences	\$ 4,323,515	\$ - - -	\$ (593,951)	\$ 3,729,564
Pension obligation payable	940,565	914,507	(940,565)	914,507
General obligation bonds	0	46,783,217	- - -	46,783,217
Capital lease obligation	0	79,782	(16,553)	63,229
Bonds anticipation note payable	46,705,789	- - -	(46,705,789)	0
Total	<u>\$51,969,869</u>	<u>\$47,777,506</u>	<u>\$(48,256,858)</u>	<u>\$51,490,517</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 9 - LONG-TERM OBLIGATIONS - (Continued)

E. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The effects of these debt limitations at June 30, 2001 are a voted debt margin of \$32,575,728 (including available funds of \$2,968,931) and an unvoted debt margin of \$848,778.

NOTE 10 - COMPENSATED ABSENCES

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

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

NOTE 11 - NOTES PAYABLE

On December 14, 2000, the District issued \$2,100,000 in classroom facilities improvement notes. These notes bore an interest rate of 5.125% and matured on April 12, 2001. The District retired these notes from the debt service fund, the fund which received the proceeds. The following is a summary of the note transactions for fiscal year 2001:

	<u>Principal Outstanding June 30, 2000</u>	<u>Additions</u>	<u>Reductions</u>	<u>Principal Outstanding June 30, 2001</u>
<u>Debt Service Fund</u>				
Classroom Facilities				
Improvement Notes - 5.125%	\$ <u>0</u>	<u>\$2,100,000</u>	<u>\$(2,100,000)</u>	\$ <u>0</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

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

<u>Coverage</u>	<u>Insurer</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:	Nationwide Insurance		
Each occurrence		\$ 2,000,000	\$ 0
Aggregate		\$ 5,000,000	\$ 0
Building and contents	Coregis Insurance Co.	\$217,677,160	\$10,000
Boiler and machinery	Cincinnati Insurance Co.	\$5,000,000	\$ 5,000
Fleet:	Nationwide Insurance		
Comprehensive		\$ 2,000,000	\$ 250
Collision		\$ 2,000,000	\$ 250
Umbrella liability	Cincinnati Insurance Co.	\$ 1,000,000	\$ 0

Settled claims have not exceeded this commercial coverage in any of the past three years. There has been no significant reduction in coverage from fiscal year 2000.

B. Health Care Self-Insurance Program

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Health Care Self-Insurance Program - (Continued)

The claims liability is \$819,163 reported in the internal service fund at June 30, 2001, is based on an estimate provided by the third party administrators and the requirements of GASB Statement No. 10, "Accounting and Financial Reporting for Risk Financing and Related Insurance Issues", as amended by GASB Statement No. 30, "Risk Financing Omnibus", which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be accrued at the estimated ultimate cost of settling the claims. Changes in claims activity for the past two fiscal years are as follows:

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2001	\$951,129	\$8,397,385	\$(8,529,351)	\$819,163
2000	921,541	7,742,004	(7,712,416)	951,129

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

C. Workers' Compensation Program

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 12 - RISK MANAGEMENT - (Continued)

C. Workers' Compensation Program - (Continued)

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2001	\$532,354	\$830,953	\$(436,045)	\$927,262
2000	528,529	376,297	(372,472)	532,354

NOTE 13 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains four enterprise funds to account for the operations of food service, rotary special services, adult education programs and recreation operations. The table below reflects, in a summarized format, the more significant financial data relating to the enterprise funds of the District as of and for the year ended June 30, 2001.

	<u>Food Service</u>	<u>Rotary Special Service</u>	<u>Adult Education</u>	<u>Recreation</u>	<u>Total</u>
Operating revenue	\$ 832,985	\$38,456	\$1,099,544	\$ 62,675	\$ 2,033,660
Operating expenses					
before depreciation	3,665,285	42,635	1,239,314	137,707	5,084,941
Depreciation	21,608	---	53,192	44,364	119,164
Operating loss	(2,853,908)	(4,179)	(192,962)	(119,396)	(3,170,445)
Operating grants	3,523,393	---	417,167	---	3,940,560
Federal donated commodities	228,884	---	---	---	228,884
Loss on disposal of fixed assets	52,179	---	---	---	52,179
Interest revenue	54,550	---	4,304	---	58,854
Operating transfers in	---	---	---	70,000	70,000
Net income (loss)	900,740	(4,179)	228,509	(49,396)	1,075,674
Net working capital	2,301,716	64,808	1,319,034	(39,413)	3,646,145
Total assets	2,732,072	65,594	1,565,257	1,014,074	5,376,997
Total liabilities	361,637	786	63,233	53,097	478,753
Contributed capital	13,135	---	111,101	217,138	341,374
Total equity	2,370,435	64,808	1,502,024	960,977	4,898,244
Encumbrances					
06/30/01	20,243	2,126	16,359	---	38,728

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 14 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2001; 4.2% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by State statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$2,029,574, \$1,719,758, and \$1,625,377, respectively; 39.3% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$1,232,280, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 14 - DEFINED BENEFIT PENSION PLANS - (Continued)

B. State Teachers Retirement System - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14%; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$7,867,475, \$6,719,503, and \$6,322,826, respectively; 83.1% has been contributed for fiscal year 2001 and 100% for the fiscal years 2000 and 1999. \$1,327,256, representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. As of June 30, 2001, certain members of the Board of Education have elected Social Security. The Board's liability is 6.2 percent of wages paid.

NOTE 15 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14% of covered payroll. For this fiscal year, the Board allocated employer contributions equal to 4.5% of covered payroll to the Health Care Reserve Fund. For the District, this amount equaled \$2,528,831 during fiscal 2001.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 15 - POSTEMPLOYMENT BENEFITS - (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund was \$3.419 billion at June 30, 2000 (the latest information available). For the year ended June 30, 2000 (the latest information available), net health care costs paid by STRS were \$283.137 million and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with 10 or more years of qualifying service credit, and disability and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than 25 years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75% of the premium.

For this fiscal year, employer contributions to fund health care benefits were 9.8% of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14% of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2001, the minimum pay was established at \$12,400. The surcharge, added to the unallocated portion of the 14% employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150% of annual health care expenses. Expenses for health care at June 30, 2000 (the latest information available), were \$140.7 million and the target level was \$211.0 million. At June 30, 2000 (the latest information available), SERS had net assets available for payment of health care benefits of \$252.3 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$1,708,208 during the 2001 fiscal year.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING

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

The Combined Statement of Revenue, Expenditures, and Changes in Fund Balances -Budget and Actual Comparison (Non-GAAP Budgetary Basis) - All Governmental Fund Types is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues 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).

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 16 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the governmental funds are as follows:

	Governmental Fund Types			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Budget basis	\$ (692,354)	\$ 408,297	\$ 1,625,412	\$(8,063,916)
Net adjustment for revenue accruals	(532,949)	(145,000)	(50,620)	(232,509)
Net adjustment for expenditure accruals	1,730,887	(95,289)	2,102,542	(1,481,077)
Net adjustment for other sources/uses	130,049	(146,584)	(2,102,542)	(1,264,551)
Adjustment for encumbrances	<u>1,958,279</u>	<u>977,495</u>	<u>---</u>	<u>10,161,121</u>
GAAP basis	<u>\$2,593,912</u>	<u>\$ 998,919</u>	<u>\$ 1,574,792</u>	<u>\$ (880,932)</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 17 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2001.

B. Litigation

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

C. State School Funding Decision

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006. On November 5, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 17 - CONTINGENCIES - (Continued)

C. State School Funding Decision - (Continued)

In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of February 21, 2002, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may reexamine and redetermine any issue upon such reconsideration.

As of the date of these financial statements, the District is unable to determine the effect, if any, this decision and the reconsideration will have on its future State funding and on its financial operations.

NOTE 18 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by Statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2001, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2000	\$ 0	\$ 0	\$ 1,473,626
Current year set-aside requirement	1,846,993	1,846,993	---
Elimination of budget stabilization reserve	---	---	(1,473,626)
Offsets	---	(1,556,115)	---
Qualifying disbursements	<u>(1,881,332)</u>	<u>(1,056,375)</u>	<u>---</u>
Total	<u>\$ (34,339)</u>	<u>\$ (765,497)</u>	<u>\$ 0</u>
Cash balance carried forward to FY 2002	<u>\$ (34,339)</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE 18 - STATUTORY RESERVES - (Continued)

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the District to establish and maintain a budget stabilization reserve. As of June 30, 2001, the School Board has not taken action to designate these funds for a specific use. Monies representing BWC refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by State statute. All remaining monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The District is still required by state law to maintain the textbook reserve and capital acquisition reserve.

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the capital acquisition reserve, this extra amount may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

A schedule of the restricted assets at June 30, 2001 follows:

Amount restricted for BWC refunds	<u>\$292,824</u>
Total restricted assets	<u>\$292,824</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 19 - CONTRACTUAL COMMITMENTS

As of June 30, 2001, the District has entered into various contractual commitments for the OSFC project described in Note 9A. A summary of the primary contractual commitments outstanding at June 30, 2001, follows:

<u>Project</u>	<u>Contractual Cost Estimate</u>	<u>Costs Incurred by June 30</u>	<u>Remaining Contractual Commitment</u>
Crenshaw Middle School	\$ 7,572,709	\$ 148,917	\$ 7,423,792
Lehman Middle School	14,209,726	68,909	14,140,817
Cedar Elementary School	7,576,420	2,992,276	4,584,144
Stone Elementary School	3,580,600	795,116	2,785,484
Fairmount Elementary School	3,052,752	584,464	2,468,288
Schreiber Elementary School	3,821,199	523,171	3,298,028
Allen Elementary School	7,432,793	258,171	7,174,622
Gibbs Elementary School	6,955,791	0	6,955,791
Belden Elementary School	7,459,949	0	7,459,949
McKinley High School	16,022,163	0	16,022,163
Lathrop Elementary School	3,273,182	0	3,273,182
Worley Elementary School	<u>6,172,106</u>	<u>189,632</u>	<u>5,982,474</u>
Totals	<u>\$87,129,390</u>	<u>\$5,560,656</u>	<u>\$81,568,734</u>

NOTE 20 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During fiscal 2001, the District entered into capital lease agreements for the acquisition of a school bus and copier equipment. These leases meet the criteria of a capital lease as defined by FASB Statement No. 13, "Accounting for Leases", which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service expenditures in the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for all Governmental Fund Types and Expendable Trust Fund. These expenditures are reflected as program/function expenditures on a budgetary basis.

General fixed assets consisting of copier equipment have been capitalized in the general fixed assets account group in an amount of \$79,782. This amount represents the present value of the future minimum lease payments at the time of acquisition.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2001

NOTE 20 - CAPITALIZED LEASES - LESSEE DISCLOSURE

A corresponding liability was recorded in the general long-term obligations account group. Principal and interest payments in the 2001 fiscal year totaled \$16,553 and \$1,568, respectively. These amounts are reported as debt service payments of the general fund.

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2001:

<u>Year Ending June 30,</u>	<u>General Long-Term Obligation</u>
2002	\$50,506
2003	8,256
2004	8,256
2005	<u>2,064</u>
Total minimum lease payment	69,082
Less amount representing interest	<u>(5,853)</u>
Present value of minimum lease payments	<u>\$63,229</u>

NOTE 21 - CHANGES IN CONTRIBUTED CAPITAL

Changes in contributed capital for the year ended June 30, 2001 are summarized by source as follows:

	<u>Enterprise</u>	<u>Internal Service</u>
Contributed capital, July 1, 2000	\$ 0	\$ 0
Current contributions from the funds	<u>341,374</u>	<u>18,462</u>
Contributed capital, June 30, 2001	<u>\$341,374</u>	<u>\$18,462</u>

NOTE 22 - SIGNIFICANT SUBSEQUENT EVENTS

Ms. Dianne Talarico became Superintendent of the District effective September 21, 2001.

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CANTON CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/ Sub Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF EDUCATION						
<i>Direct</i>						
Impact Aid	84.041		\$ 19,967	\$ 0	\$ 19,967	\$ 0
Federal Pell Grant Program	84.063		209,327	0	209,327	0
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		131,733	0	132,214	0
			353,070	0	365,437	0
Total Gaining Early Awareness and Readiness for Undergraduate Programs			484,803	0	497,651	0
Passed Through Ohio Department of Education:						
Adult Education State Grant Program	84.002	043711ABSD01	294,437	0	294,437	0
		043711ABS100	39,113	0	39,113	0
		043711ABSD99	0	0	5	0
Total Adult Education State Grant Program			333,550	0	333,555	0
Title I Grants to Local Educational Agencies	84.010	043711C1S101	3,539,831	0	2,919,755	0
		043711C1S100C	0	0	9,150	0
		043711C1S199C	0	0	16	0
		043711C1S200C	379,036	0	363,472	0
		043711C1SS00	988,286	0	1,375,786	0
		043711C1SD01	53,742	0	46,332	0
		043711C1SD00	6,387	0	17,032	0
		043711C1SD00C	0	0	8,602	0
		043711C1SD99C	11,284	0	1,621	0
Total Title I Grants to Local Educational Agencies			4,978,566	0	4,741,766	0
Title VI-R, Classroom Reduction	84.340	043711CRS101	300,639	0	200,278	0
		043711CRS100	338,943	0	473,749	0
Total Title VI-R, Classroom Reduction			639,582	0	674,027	0
Special Education Cluster: Special Education Grants to States	84.027	0437116BSF01P	846,924	0	724,849	0
		0437116BSF00P	190,846	0	252,202	0
		0437116BSF99P	0	0	74	0
		0437116BSX01P	5,615	0	1,591	0
		0437116BSX00P	75,000	0	0	0
Total Special Education Grants to States			1,118,385	0	978,716	0
Special Education Preschool Grants	84.173	043711PGS101P	105,818	0	100,132	0
		043711PGSC99P	783	0	783	0
		043711PGS100P	14,566	0	23,013	0
Total Special Education Preschool Grants			121,167	0	123,928	0
Total Special Education Cluster			1,239,552	0	1,102,644	0

CANTON CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

<u>Federal Grantor/ Sub Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
Vocational Education Basic Grants to States	84.048	04371120C601	8,500	0	9,631	0
		04371120C600	5,775	0	1,869	0
		04371120C301	500	0	500	0
		04371120A200	6,463	0	1,264	0
		04371120A199	57,803	0	102,982	0
		04371120A101	299,621	0	275,726	0
		04371120A201	<u>45,713</u>	<u>0</u>	<u>53,780</u>	<u>0</u>
Total Vocational Education Basic Grants to States			424,375	0	445,752	0
Education for Homeless Children and Youth	84.196	043711HCS100	14,981	0	30,352	0
		043711HCS101	<u>35,707</u>	<u>0</u>	<u>27,805</u>	<u>0</u>
Total Education for Homeless Children and Youth			50,688	0	58,157	0
Even Start State Educational Agencies	84.213	043711EVS99	16,633	0	0	0
		043711EVS00	52,885	0	62,489	0
		043711EVS01	<u>100,508</u>	<u>0</u>	<u>91,813</u>	<u>0</u>
Total Even Start State Educational Agencies			170,026	0	154,302	0
Innovative Education Program Strategies	84.298	043711C2S101	96,956	0	24,029	0
		043711C2S100	(46)	0	2,484	0
		043711C2S199C	<u>0</u>	<u>0</u>	<u>3,779</u>	<u>0</u>
Total Innovative Education Program Strategies			96,910	0	30,292	0
Eisenhower Professional Development Grants	84.281	043711MSS199C	42,609	0	26,002	0
		043711MSS100	14,500	0	17,427	0
		043711MSS101	<u>42,276</u>	<u>0</u>	<u>46,577</u>	<u>0</u>
Total Eisenhower Professional Development Grants			99,385	0	90,006	0
Safe and Drug Free Schools and Communities State Grant	84.186	043711DRS100	21,084	0	36,519	0
		043711DRS101	<u>116,721</u>	<u>0</u>	<u>107,583</u>	<u>0</u>
Total Safe and Drug Free Schools and Communities State Grant			137,805	0	144,102	0
Goals 2000 State and Local Educational Systemic Improvement	84.276	043711G2S102	52,100	0	14,900	0
		043711G2S101	90,000	0	36,971	0
		043711G2S100	3,000	0	21,183	0
		043711G2S101P	42,000	0	57,615	0
		043711G2S102P	<u>23,693</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Goals 2000 State and Local Educational Systemic Improvement			210,793	0	130,669	0
Technology Literacy Challenge Fund Grants	84.318	043711TF1500P	4,601	0	4,601	0
		043711TF1510P	0	0	25,000	0
		043711TF1540P	174,525	0	174,525	0
		043711TF1541P	100,000	0	100,000	0
		043711TF1542P	<u>25,000</u>	<u>0</u>	<u>23,174</u>	<u>0</u>
Total Technology Literacy Challenge Fund Grants			304,126	0	327,300	0

CANTON CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

<u>Federal Grantor/ Sub Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Receipts</u>	<u>Non-Cash Receipts</u>	<u>Expenditures</u>	<u>Non-Cash Expenditures</u>
Title I, Accountability Grants	84.348	043711-C1-S1-2001	116,469	0	97,152	0
Reading Excellence Act	84.338	047311RNS100	277,000	0	234,929	0
Fund for the Improvement of Education	84.215	043711P1S100 043711P1S101	0 10,938	0 0	1,317 5,014	0 0
Total Fund for the Improvement of Education			<u>10,938</u>	<u>0</u>	<u>6,331</u>	<u>0</u>
Total U.S. Department of Education			<u>9,803,862</u>	<u>0</u>	<u>9,297,929</u>	<u>0</u>
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>Passed Through Ohio Department of Education:</i>						
Child Nutrition Cluster:						
Food Distribution	10.550	N/A	0	235,514	0	228,884
School Breakfast Program	10.553	04371105-PU	449,120	0	449,120	0
National School Lunch Program	10.555	043711LL-P1	2,446,020	0	2,446,020	0
Child and Adult Care Food Program	10.558	043711LL-P4	578	0	578	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>2,895,718</u>	<u>235,514</u>	<u>2,895,718</u>	<u>228,884</u>
<u>U.S. DEPARTMENT OF LABOR</u>						
<i>Passed Through SDA No. 23</i>						
Job Training Partnership Act	17.250	Youth-P00-0752 Youth-P00-0752 Youth-P00-0752 Youth-P00-0752 Youth-P00-0752	58,044 0 0 7,606 34,637	0 0 0 0 0	76,311 10,094 38,021 1,359 43,513	0 0 0 0 0
Total U.S. Department of Labor			<u>100,287</u>	<u>0</u>	<u>169,298</u>	<u>0</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>						
<i>Passed Through the Ohio Hunger Task Force</i>						
Child Care and Development Block Grants	93.575	121-2000 121-2000	0 0	0 0	20,350 820	0 0
Total Child Care and Development Block Grants			<u>0</u>	<u>0</u>	<u>21,170</u>	<u>0</u>
<i>Passed Through Ohio Department of Mental Retardation and Developmental Disabilities</i>						
Medicaid Assistance Program	93.667	7600340	1,068,415	0	1,068,415	0
Total U.S. Department of Health and Human Services			<u>1,068,415</u>	<u>0</u>	<u>1,089,585</u>	<u>0</u>
<u>U.S. NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES</u>						
<i>Passed Through the Institute of Museum and Library Services</i>						
State Library Program	45.310	II-39-E-2-99	100	0	32,603	0
Total Federal Assistance			<u>\$ 13,868,382</u>	<u>\$ 235,514</u>	<u>\$ 13,485,133</u>	<u>\$ 228,884</u>

The accompanying notes are an integral part of this statement

**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B—FOOD DISTRIBUTION

Nonmonetary assistance, such as food received from the U.S. Department of Agriculture, is reported in the Schedule at the fair market value of the commodities received and consumed. Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



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

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

To the Board of Education:

We have audited the general purpose financial statements of the Canton City School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated February 21, 2002 in which we noted certain errors and omissions resulting in the overstatement of the unencumbered General Fund balance were discovered during the current year. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are described in the accompanying Schedule of Findings and Questioned Costs as items 2001-11276-001 and 2001-11276-002.

We also noted other immaterial instances of noncompliance that we have reported to management of the District in a separate letter dated February 21, 2002.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2001-11276-003.

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

We also noted other matters involving the internal control over the financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 21, 2002.

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

Jim Petro
Auditor of State

February 21, 2002



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

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

To the Board of Education:

Compliance

We have audited the compliance of the Canton City School District, Stark County, Ohio (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with 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 occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2001. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2001-11276-004.

We also noted a certain immaterial instance of federal noncompliance that we have reported to management of the District in a separate letter dated February 21, 2002.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operations that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying Schedule of Findings and Questioned Costs as item 2001-11276-004.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted another matter involving the internal control over federal compliance that does not require inclusion in this report, that we have reported to management of the District in a separate letter dated February 21, 2002.

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

Jim Petro
Auditor of State

February 21, 2002

**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A -133 § .505
JUNE 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS
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(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)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	Yes
(d)(1)(iii)	Was there any reported non-compliance at the financial statement level (GAGAS)?	Yes
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	Yes
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	Yes
(d)(1)(vii)	Major Programs (list):	<i>Special Education Cluster: Special Education Grants to States, CFDA # 84.027 and CFDA # 84.173; Technology Literacy Challenge Fund Grants, CFDA #84.318; Gaining Early Awareness and Readiness for Undergraduate Program CFDA #84.334, Medicaid, CFDA #93.667; Title VIR, CFDA #84.340.</i>
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$411,421 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

FINDING NUMBER 2001-11276-001

Noncompliance

Ohio Rev. Code Section 5705.41(D) requires that no subdivision or taxing unit make any contract or order any expenditure of money unless there is attached thereto a certificate of the fiscal officer of the subdivision that the amount required to meet the same has been lawfully appropriated for such purposes and is in the treasury or in the process of collection to the credit of an appropriate fund free from any previous encumbrances. Every such contract made without such certificate shall be null and void and no warrant shall be issued in payment of any amount due thereon.

This section also provides for two "exceptions" to the above requirements:

- Then and Now Certificates - If no certificate is furnished as required, upon receipt of the fiscal officer's certificate that a sufficient sum was, both at the time of the contract or order and at the time of the certificate, appropriated and free of any previous encumbrances, the Board of Education may authorize the issuance of a warrant in payment of the amount due upon such contract or order by resolution within 30 days from the receipt of such certificate, if such expenditure is otherwise valid
- If the amount involved is less than \$1,000, the Treasurer may authorize payment through a Then and Now Certificate without affirmation of the Board of Education

During 2001, 21 out of 40 (53%) expenditures tested were not certified by the Treasurer prior to incurring the commitment. It was also found that neither of the two exceptions above were utilized for the items found to be in non-compliance. The Treasurer should inform all District employees of the requirements of Ohio Rev. Code Section 5705.41(D). The Treasurer should implement the use of so called Then and Now certificates and Blanket Certificates as further permitted by Ohio Rev. Code Section 5705.41. However, such certifications should only be used for recurring and reasonably predictable matters or emergency matters which may arise from time to time.

A similar matter was also included in the Management Letter for the financial statement audit for June 30, 2000.

FINDING NUMBER 2001-11276-002

Noncompliance

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

Throughout fiscal year 2001, the District had certain Special Revenue Funds, Capital Projects Funds, and an Enterprise Fund which had fund cash deficits ranging roughly \$100,000 to \$760,000. The Treasurer should monitor receipts and disbursements on a regular basis to ensure sufficient funds exist before authorizing the expenditure of funds.

The above negative fund balances were eliminated by June 30, 2001.

A similar matter was also included in the Schedule of Findings for the financial statement audit for June 30, 2000.

FINDING NUMBER 2001-11276-003

Reportable Condition - Payroll and Treasurer's Office Bank Account Reconciliations

The District's Payroll Department has not reconciled the payroll bank account timely, completely, or maintained adequate supporting documentation for all reconciling items. The timeliness of the reconciliations improved during fiscal year 2001; however, numerous long-standing unsupported reconciling items still exist. The June 30, 2001 reconciliation reflects 49 reconciling items ranging up to \$15,000; however, at least 8 of those reconciling items were not supported by underlying documentation. Select Payroll Department employees assert that a significant number of the reconciling items are due to certain bank errors, stale dated checks, and uncorrected errors from previous fiscal years.

Additionally, the June 30, 2001 District's overall bank reconciliation reflected four payroll reconciling items with a (\$6,000) net effect. Of those four items, two offsetting and significant items were roughly \$49,000 and (\$55,000). The District is uncertain of the origin or detail of the \$49,000 reconciling item. As for the (\$55,000), the Treasurer believes this cumulative item consists of certain payroll checks issued in error which were subsequently detected and corrected within the payroll and accounting records but not updated on the bank reconciliation.

The District should investigate these and the other reconciling items on the June 30, 2001 bank reconciliations and clear them as appropriate. Going forward, the District should complete timely and thorough bank reconciliations. The District should also ensure all reconciling items are sufficiently supported by documentation. This will help improve financial accountability for all payroll and payroll related expenditures and reduce the risk of misappropriation of District assets.

A similar matter was also included in the Schedule of Findings for the financial statement audit for June 30, 2000.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
--

FINDING NUMBER 2001-11276-004

Federal Questioned Costs and Reportable Condition

Finding Number	2001-11276-004
CFDA Title	Title VI-R Classroom Reduction
CFDA Number	#84.340
Pass Through Entity Number/Year	043711CRS101/ 2000-01 Grant Years
Federal Oversight Agency	U.S. Department of Education

FINDING NUMBER 2001-11276-004(continued)

Federal Questioned Cost (continued)

Title III of the Omnibus Consolidated and Emergency Supplemental Appropriations Act of 1999, Pub. L. No. 105-277, Section 307 (c)(1) states that funds must be used in accordance with the District's approved application, to recruit, hire (including payment of salaries and benefits), and train certified classroom teachers in order to reduce the class size in the targeted grades or subjects. Funds may also be used for teacher testing activities, to meet State certification requirements to provide professional development to teachers and for administrative costs. Also, **Class-Size Reduction Program Guidance**, effective through March 31, 2003 and issued by the United States Department of Education, states that funds may be used for teachers of regular classrooms, special education teachers, and teachers of children with special needs, such as those with disabilities or limited English proficiency. Funds may not be used for administrative or support personnel, teachers aides or paraprofessionals.

During our testing of Title VI-R Class-Size Reduction Grant payroll expenditures, we noted a certain Administrator's fiscal year 2001 salary, totaling \$37,444 or 100% of that employee's salary was allocated to the Title VI-R Class-Size Reduction Grant, which is questioned since those payroll expenditures did not coincide with program requirements. Those payroll expenditures resulted in Known Questioned Costs of \$37,444 out of \$674,026 (5%) grant payroll expenditures.

To help ensure Title VI-R Class-Size Reduction Grant monies are utilized for only allowable activities, the District's Federal Grant Coordinator should consult with representatives of the Ohio Department of Education prior to incurring the obligation for those more judgemental expenditures. This will help ensure the Title VI-R Class-Size Reduction Grant allowable activity guidelines are met.

Note: On February 5, 2002, the District reversed the effects of the Known Questioned Costs by posting adjustments totaling \$37,444 from the Title VI-R Class-Size Reduction Grant Fund (Fund No. 590) to the General Fund (Fund No. 001).

**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2001**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2000-11276-001	Monies collected under color of office were not deposited with the District as described in Ohio Rev. Code Section 117.01	Yes	Finding for recovery was repaid under audit. In addition, the District submitted a letter to school employees stating that all monies received under the color of office must be deposited with the District.
2000-11276-002	Negative Cash Balances during the Fiscal Year not in accordance with Ohio Rev. Code Section 5705.10	No	Throughout 2001, the District incurred negative cash balances in certain funds; however, those deficits were eliminated by June 30, 2001.
2000-11276-003	The Human Resource Department does not maintain a complete set of employee files, particularly with respect to employees working in community Education, temporary, and substitute positions.	Partially Corrected	The Human Resource Department is currently maintaining personnel files for all District employees; however, certain withholding forms and other pertinent payroll data was not made available for audit.

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; Explain
2000-11276-004	The District's Business Department did not maintain a complete and accurate Land and Land Improvements Report, the Fixed Assets Master Listing did not identify the acquisition year or fixed asset tag number, Fixed Asset Additions Listing did not reconcile to the Fixed Assets Master Report, Fixed Asset Policy does not specify how the District will identify fixed asset additions, deletions, or the transfers of fixed assets.	Partially Corrected	As of June 30, 2001, a Policy has not been implemented to identify fixed asset additions, deletions or the transfers of fixed assets.
2000-11276-005	The Payroll bank account reconciliations were not completed timely by the District's Payroll Department.	No	Payroll bank account reconciliations have been partially corrected. As of April 2001, the District hired a new Payroll Supervisor wherein Payroll bank account reconciliations are performed in a timely manner; however, there are unsupported reconciling items.



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CANTON CITY SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 19, 2002**