



Mary Taylor, CPA
Auditor of State

**CANTON ACADEMYCOMMUNITY SCHOOL
STARK COUNTY**

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Mary Taylor, CPA

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INDEPENDENT ACCOUNTANTS' REPORT

Canton Academy Community School
Stark County
617 McKinley Avenue S.W.
Canton, Ohio 44707

To the Board of Directors:

We have audited the accompanying basic financial statements of the Canton Academy Community School, Stark County, Ohio, (the Academy) a component unit of the Canton City School District, as of and for the year ended June 30, 2007, as listed in the Table of Contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Canton Academy Community School, Stark County, Ohio, as of June 30, 2007, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2008, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

A handwritten signature in black ink that reads "Mary Taylor". The signature is written in a cursive, flowing style.

Mary Taylor, CPA
Auditor of State

February 5, 2008

**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The discussion and analysis of the Canton Academy Community School's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the Academy's financial performance.

Financial Highlights

Key financial highlights for 2007 are as follows:

- In total, net assets were \$211,294 at June 30, 2007.
- The Academy had operating revenues of \$555,238, operating expenses of \$803,341 and non-operating revenues of \$215,395 for fiscal year 2007. Total change in net assets for the fiscal year was a decrease of \$32,708.

Using these Basic Financial Statements

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The *Statement of Net Assets* and *Statement of Revenues, Expenses and Changes in Net Assets* provide information about the activities of the Academy, including all short-term and long-term financial resources and obligations.

Reporting the Academy's Financial Activities

Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows

These documents look at all financial transactions and asks the question, "How did we do financially during 2007?" The Statement of Net Assets and the Statement of Revenues, Expenses and Changes in Net Assets answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the Academy's *net assets* and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the *financial position* of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. These statements can be found on pages 7 and 8 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 9 of this report.

**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The table below provides a summary of the Academy's net assets for fiscal year 2007 and 2006.

	Net Assets	
	<u>2007</u>	<u>2006</u>
<u>Assets</u>		
Current assets	\$ 92,843	\$ 182,816
Capital assets, net	<u>224,514</u>	<u>170,641</u>
Total assets	<u>317,357</u>	<u>353,457</u>
<u>Liabilities</u>		
Current liabilities	<u>106,063</u>	<u>109,455</u>
Total liabilities	<u>106,063</u>	<u>109,455</u>
<u>Net Assets</u>		
Invested in capital assets	224,514	170,641
Restricted	52,212	153,873
Unrestricted (deficit)	<u>(65,432)</u>	<u>(80,512)</u>
Total net assets	<u>\$ 211,294</u>	<u>\$ 244,002</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2007, the Academy's net assets totaled \$211,294.

At year-end, capital assets represented 70.74% of total assets. Capital assets consisted of land, building improvements, furniture and computer equipment. There is no debt related to these capital assets. Capital assets are used to provide services to the students and are not available for future spending.

**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

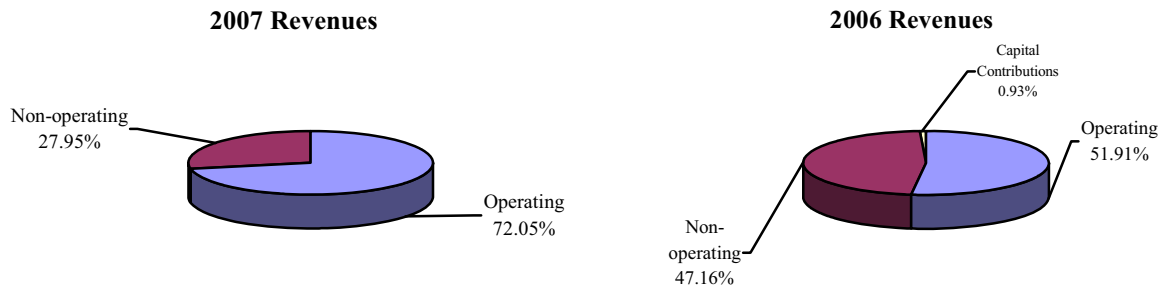
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)

The table below shows the changes in net assets for fiscal year 2007 and 2006.

Change in Net Assets

	<u>2007</u>	<u>2006</u>
<u>Operating Revenues:</u>		
State foundation	\$ 555,238	\$ 489,063
Total operating revenue	<u>555,238</u>	<u>489,063</u>
<u>Operating Expenses:</u>		
Purchased services	595,664	604,671
Materials and supplies	157,230	100,434
Depreciation	14,754	5,915
Other	<u>35,693</u>	<u>31,625</u>
Total operating expenses	<u>803,341</u>	<u>742,645</u>
<u>Non-operating Revenues:</u>		
Federal and State grants	214,313	444,260
Contributions and donations	1,000	-
Miscellaneous	14	-
Interest income	<u>68</u>	<u>-</u>
Total non-operating revenues	<u>215,395</u>	<u>444,260</u>
Capital contributions	<u>-</u>	<u>8,800</u>
Change in net assets	(32,708)	199,478
Net assets at beginning of year	<u>244,002</u>	<u>44,524</u>
Net assets at end of year	<u>\$ 211,294</u>	<u>\$ 244,002</u>

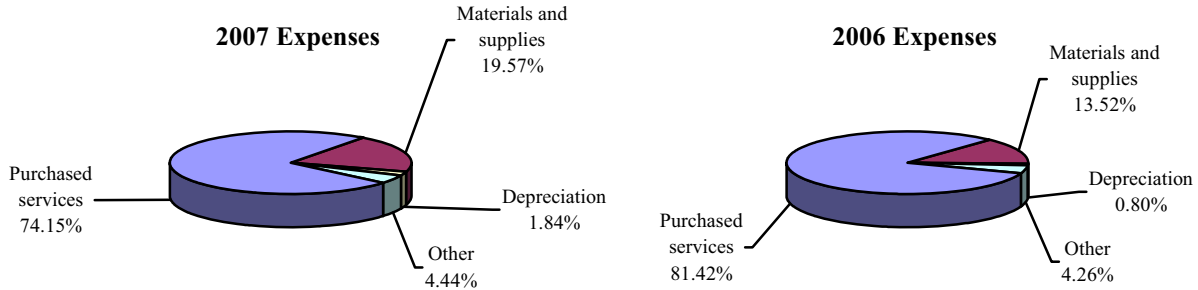
The chart below illustrates the revenues for the Academy during fiscal 2007 and 2006.



**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007
(UNAUDITED)**

The chart below illustrates the expenses for the Academy during fiscal 2007 and 2006.



Capital Assets

At June 30, 2007, the Academy had \$224,514 invested in land, building improvements and furniture and computer equipment. See Note 4 to the basic financial statements for more detail on capital assets.

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

	Business-type Activities	
	2007	2006
Land	\$ 900	\$ 900
Construction in progress	-	139,076
Building improvements	198,374	-
Furniture and equipment	25,240	30,665
Total	\$ 224,514	\$ 170,641

Current Financial Related Activities

The Academy is sponsored by Canton City School District. The Academy is reliant upon State Foundation monies and State and Federal Grants to offer quality, educational services to students.

In order to continually provide learning opportunities to the Academy's students, the Academy will apply financial resources to best meet the needs of its students. It is the intent of the Academy to apply for other State and Federal funds that are made available to finance its operations.

Contacting the Academy's Financial Management

This financial report is designed to provide our clients and creditors with a general overview of the Academy's finances and to show the Academy's accountability for the money it receives. If you have questions about this report or need additional financial information contact Tim Pickana, Treasurer, Canton Academy Community School, 617 McKinley Avenue SW, Canton, Ohio 44707.

**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

STATEMENT OF NET ASSETS
JUNE 30, 2007

Assets:	
Current assets:	
Cash and cash equivalents.	\$ 43,461
Receivables:	
Accounts	525
Intergovernmental.	47,245
Prepayments	1,612
Total current assets	<u>92,843</u>
Non-current assets:	
Capital assets, net.	<u>224,514</u>
Total assets	<u>317,357</u>
Liabilities:	
Current:	
Accounts payable	21,327
Intergovernmental payable.	<u>84,736</u>
Total liabilities	<u>106,063</u>
Net Assets:	
Invested in capital assets	224,514
Restricted for:	
State funded programs	59
Federally funded programs.	52,153
Unrestricted.	<u>(65,432)</u>
Total net assets	<u>\$ 211,294</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Operating revenues:	
State foundation	\$ 555,238
Total operating revenues	<u>555,238</u>
Operating expenses:	
Purchased services	595,664
Materials and supplies	157,230
Depreciation	14,754
Other	35,693
Total operating expenses	<u>803,341</u>
Operating loss	(248,103)
Non-operating revenues:	
Federal and State grants	214,313
Interest income	68
Miscellaneous	14
Contributions and donations	1,000
Total non-operating revenues	<u>215,395</u>
Change in net assets	(32,708)
Net assets at beginning of year	<u>244,002</u>
Net assets at end of year	<u>\$ 211,294</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

Cash flows from operating activities:	
Cash received from State foundation	\$ 550,787
Cash payments to suppliers for goods and services . .	(607,206)
Cash payments for materials and supplies	(136,971)
Cash payments for other expenses	(35,203)
	(228,593)
 Cash flows from noncapital financing activities:	
Federal and state grants	332,853
Contributions and donations	1,000
Cash received from non-operating revenues	14
	333,867
 Cash flows from capital and related financing activities:	
Acquisition of capital assets	(77,242)
	(77,242)
 Cash flows from investing activities:	
Interest received	68
	68
Net cash provided by investing activities	68
Net increase in cash and cash equivalents	28,100
Cash and cash equivalents at beginning of year . . .	15,361
Cash and cash equivalents at end of year	\$ 43,461
	43,461
 Reconciliation of operating loss to net cash used in operating activities:	
Operating loss	\$ (248,103)
Adjustments:	
Depreciation	14,754
Changes in assets and liabilities:	
(Increase) in accounts receivable	(525)
Decrease in prepayments	58
Increase in accounts payable	15,619
(Decrease) in intergovernmental payable	(10,396)
	(228,593)
Net cash used in operating activities	\$ (228,593)

Non-cash transactions:

At June 30, 2007 and 2006, the Canton Academy had \$0 and \$8,615, respectively, in capital assets purchased on account.

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 1 - DESCRIPTION OF THE ACADEMY

The Canton Academy Community School (the "Academy") was established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new conversion school in Canton City School District (the "Sponsor") addressing the needs of students in grades 9-12. The Academy, which is part of the State's education program, is nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy may sue and be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy is considered a component unit of the Canton City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14.

The Academy is designed to meet the academic and mental health needs of high school students, grades 9 through 12, ages 14 through 22, who are unsuccessful in the traditional educational setting. Typically, they are identified as students with special needs or are "at highest risk" for academic failure. Even with such significant issues, these students have a desire for an education when presented in a manner that can optimize learning. This can be done in an environment that does not include most ancillary components of a more traditional education, and supports the mental health needs of the student. Enrollment is limited to students within the attendance area of the Sponsor. The Academy uses the services of the Sponsor to assist with overall operations.

The Academy was approved under contract with the Sponsor for a period of five years commencing July 1, 2004 through July 31, 2009 after which, the Academy must apply for an additional contract with the Sponsor. The Sponsor is responsible for evaluating the performance of the Academy and has the authority to deny renewal of the contract at its expiration.

The Academy operates under the direction of a five-member Board of Directors (the "Governing Authority"). The Governing Authority is composed of one member from each of the following organizations: Stark County Community Mental Health Board, Stark County Family Council, City of Canton, Stark County Department of Job and Family Services and Canton City Schools. The Governing Authority is responsible for carrying out the provisions of the contract, which include, but are not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers.

The Sponsor, under a purchased services basis with the Academy, provides planning, instructional, administrative and technical services. Personnel providing services to the Academy on behalf of the Sponsor under the purchased services basis are considered employees of the Sponsor, and the Sponsor is solely responsible for all payroll functions. The Academy provides services to approximately 48 students.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

A. Basis of Presentation

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

B. Measurement Focus and Basis of Accounting

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

C. Budgetary Process

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five year forecasts. The contract between the Academy and its Sponsor requires a detailed school budget for each year of the contract; however, the budget does not have to follow the provisions of Ohio Revised Code Section 5705.

D. Cash

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

E. Capital Assets and Depreciation

All capital assets are capitalized at cost and updated for additions and reductions during the year. Donated capital assets are recorded at their fair market value on the date donated. The Academy maintains a capitalization threshold of \$500. The Academy does not have any infrastructure. Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All capital assets except land are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Building improvements are depreciated over twenty years and furniture and equipment are depreciated over five to ten years.

**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

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

F. Net Assets

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

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

G. Prepayments

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

H. Intergovernmental Revenue

The Academy currently participates in the State Foundation Program through the Ohio Department of Education and a Federal start up grant. Revenues from these programs are recognized as operating revenue in the accounting period in which they are earned, essentially the same as the fiscal year.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met. Eligibility includes timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Academy on a reimbursement basis. The Academy received the State of Ohio Educational Management Information Systems (EMIS) and various State and Federal grants during fiscal year 2007. Federal and State grant revenue for the fiscal year 2007 was \$214,313.

I. Operating Revenues and Expenses

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

J. Estimates

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

**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 3 - DEPOSITS

At June 30, 2007, the carrying amount of the Academy's deposits was \$43,461. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2007, the Academy's entire bank balance of \$44,992 was covered by the Federal Deposit Insurance Corporation.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at June 30, 2007</u>
Land	\$ 900		\$ -	\$ 900
Construction in progress	139,076	67,027	(206,103)	-
Building improvements	-	206,103	-	206,103
Furniture and equipment	37,586	1,600	-	39,186
Less: accumulated depreciation	<u>(6,921)</u>	<u>(14,754)</u>	<u>-</u>	<u>(21,675)</u>
Capital assets, net	<u>\$ 170,641</u>	<u>\$ 259,976</u>	<u>\$(206,103)</u>	<u>\$ 224,514</u>

NOTE 5 - RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For fiscal year 2007, the Academy was named on the Sponsor's policy for property and general liability insurance. The Academy provides employee bond coverage through Ohio Casualty Insurance in the following amounts: Treasurer \$50,000, Executive Director \$20,000 and Board of Directors \$20,000.

Settled claims of the Sponsor have not exceeded commercial coverage in any of the past three fiscal years, and there has been no significant reduction in coverage from the prior fiscal year.

NOTE 6 - PURCHASED SERVICES

For fiscal year ended June 30, 2007, purchased services expenses were as follows:

Professional and technical services	\$ 561,098
Property services	20,941
Travel, mileage and meetings	1,163
Communications	917
Utility services	6,344
Contracted craft or trade services	97
Tuition and other similar payments	<u>5,104</u>
Total	<u>\$ 595,664</u>

**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 7 - CONTINGENCIES

A. Grants

The Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Academy at June 30, 2007.

B. Litigation

A lawsuit entitled *Beverly Blount-Hill, et al. v. State of Ohio, et al., Case #: 3:04CV197* was filed in the U.S. District Court, Southern District of Ohio, Western Division in October 2004. The suit alleges that the funding provisions of the Ohio Community Schools Act, O.R.C. Section 3314, violate both the Ohio and Federal constitutions. If the funding scheme is determined to be unconstitutional, it could have financial ramifications for all community/charter schools. The case is currently pending, and the effect of this suit, if any, on the Academy cannot presently be determined.

C. State Foundation Funding

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The Academy has not had a review for fiscal year 2007; however, in the opinion of management, the outcome of a review would not have a material effect on the financial statements.

NOTE 8 - RELATED PARTY TRANSACTIONS

For the fiscal year ended June 30, 2007, the Academy had expenses of \$573,356 to their sponsor.

NOTE 9 - PENSION PLANS

The Academy has contracted with its Sponsor to provide employee services and pay those employees. However, these contract services do not relieve the Academy of the obligation for remitting pension contributions. The retirement systems consider the Academy as the Employer-of-Record and the Academy is ultimately responsible for remitting contributions to each of the systems noted below:

A. School Employees Retirement System

The Academy contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (800) 878-5853. It is also posted on SERS' website, www.ohsers.org, under Forms and Publications.

**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - PENSION PLANS – (Continued)

Plan members are required to contribute 10 percent of their annual covered salary and the Academy is required to contribute at an actuarially determined rate. The current Academy rate is 14 percent of annual covered payroll. A portion of the Academy's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2007, 10.68 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2006, 10.58 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2005, 10.57 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The Academy's required contribution for pension obligations to SERS for fiscal year ended 2007 were paid by the Academy's Sponsor. The Academy's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2007, 2006, and 2005 were \$5,279, \$4,403 and \$3,846, respectively; 42.15 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

B. State Teachers Retirement System

The Academy participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a stand-alone financial report that may be obtained by writing to STRS Ohio, 275 E. Broad St., Columbus, OH 43215-3371, or by calling (614) 227-4090, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds times an actuarially determined annuity factor. The DC Plan allows members to place all their member contributions and employer contributions equal to 10.5 percent of earned compensation into an investment account. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

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

**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007

NOTE 9 - PENSION PLANS – (Continued)

For the fiscal year ended June 30, 2007, plan members were required to contribute 10 percent of their annual covered salaries. The Academy was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions. The Academy's required contributions for pension obligations to STRS Ohio for fiscal year 2007 were paid by the Academy's Sponsor. The Academy's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2007, 2006, and 2005 were \$50,265, \$46,846 and \$29,058, respectively; 83.11 percent has been contributed for fiscal year 2007 and 100 percent for fiscal years 2006 and 2005.

NOTE 10 - POSTEMPLOYMENT BENEFITS

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

All STRS Ohio retirees who participated in the DB or combined plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS Ohio funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2007, the STRS Ohio Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the Academy, this amount equaled \$3,867 for fiscal year 2007.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2006 (the latest information available), the balance in the Health Care Stabilization Fund was \$3.5 billion. For the fiscal year ended June 30, 2006 (the latest information available), net health care costs paid by STRS Ohio were \$282.743 million and STRS Ohio had 119,184 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to disability and survivor benefit recipients. All retirees and beneficiaries are required to pay a portion of their premium for health care. The portion is based on years of service, Medicare eligibility, and retirement status.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2007, employer contributions to fund health care benefits were 3.32 percent of covered payroll, a decrease of .10 percent from fiscal year 2006. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2007, the minimum pay was established at \$35,800. Total surcharge is capped at 2 percent of each employer's SERS salaries. For the Academy, the amount contributed to fund health care benefits, during the 2007 fiscal year equaled \$1,641.

**CANTON ACADEMY COMMUNITY SCHOOL
STARK COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2007**

NOTE 10 - POSTEMPLOYMENT BENEFITS – (Continued)

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the projected claims less premium contributions for the next year. Expenses for health care for the fiscal year ended June 30, 2006 (the latest information available) were \$158.751 million. At June 30, 2006 (the latest information available), SERS had net assets available for payment of health care benefits of \$295.6 million. At June 30, 2006 (the latest information available), SERS had 59,492 participants currently receiving health care benefits.



Mary Taylor, CPA

Auditor of State

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

Canton Academy Community School
Stark County
617 McKinley Avenue S.W.
Canton, Ohio 44707

To the Board of Directors:

We have audited the financial statements of the Canton Academy Community School, Stark County, Ohio, (the Academy) a component unit of the Canton City School District, as of and for the year ended June 30, 2007, and have issued our report thereon dated February 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Academy's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the Academy's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the Academy's internal control will not prevent or detect a material financial statement misstatement.

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

We noted certain matters that we reported to the Academy's management in a separate letter dated February 5, 2008.

Compliance and Other Matters

As part of reasonably assuring whether the Academy's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain noncompliance or other matters that we reported to the Academy's management in a separate letter dated February 5, 2008.

We intend this report solely for the information and use of management, the Board of Directors, and the Academy's Sponsor (the Canton City School District). We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

February 5, 2008



Mary Taylor, CPA
Auditor of State

CANTON ACADEMY COMMUNITY SCHOOL

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 13, 2008**