



Dave Yost • Auditor of State



**NORTH CANTON CITY SCHOOL DISTRICT  
STARK COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Management's Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	16
Statement of Activities.....	17
Fund Financial Statements:	
Balance Sheet	
Governmental Funds.....	18
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities.....	19
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds .....	20
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	21
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) General Fund.....	22
Statement of Fiduciary Net Position Fiduciary Funds .....	23
Statement of Changes in Fiduciary Net Position Fiduciary Funds .....	24
Notes to the Basic Financial Statements .....	25
Federal Awards Receipts and Expenditures Schedule.....	59
Notes to the Federal Awards Receipts and Expenditures Schedule .....	60
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	61
Independent Auditor's Report on Compliance with Requirements Applicable to Its Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133 .....	63
Schedule of Findings.....	65
Independent Accountants' Report on Applying Agreed-Upon Procedure .....	67

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

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

To the Board of Education:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Canton City School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of North Canton City School District, Stark County, Ohio, as of June 30, 2013, and the respective changes in financial position thereof and the budgetary comparison for the General funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

*Supplementary and Other Information*

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Award Receipts and Expenditures Schedule presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected these schedules to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling schedules directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 24, 2013

**This page intentionally left blank.**



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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

The Management's Discussion and Analysis of the North Canton City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

**Financial Highlights**

Key financial highlights for 2013 are as follows:

- In total, net position of governmental activities increased \$45,203 which represents a 0.43% increase from 2012 as restated in Note 3.A.
- General revenues accounted for \$38,828,086 in revenue or 86.69% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$5,961,032 or 13.31% of total revenues of \$44,789,118.
- The District had \$44,743,915 in expenses related to governmental activities; only \$5,961,032 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$38,828,086 were adequate to provide for these programs.
- The District's major governmental fund is the general fund. The general fund had \$39,540,079 in revenues and \$39,823,380 in expenditures and other financing uses. During fiscal year 2013, the general fund's fund balance decreased \$343,501 from \$1,630,598 to \$1,287,097.

**Using the Basic Financial Statements**

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

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

**Reporting the District as a Whole**

***Statement of Net Position and the Statement of Activities***

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2013?" The Statement of Net Position and the Statement of Activities answer this question. These statements include *all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

The District's Statement of Net Position and Statement of Activities can be found on pages 16-17 of this report.

**Reporting the District's Most Significant Funds**

***Fund Financial Statements***

The analysis of the District's major governmental funds begins on page 11. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental fund is the general fund.

***Governmental Funds***

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 18-22 of this report.

***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 23 and 24. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 25-57 of this report.

**The District as a Whole**

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

The table below provides a summary of the District's net position at June 30, 2013 and June 30, 2012. The net position at June 30, 2012 has been restated as described in Note 3.A.

	<b>Net Position</b>	
	Governmental Activities 2013	Restated Governmental Activities 2012
<b><u>Assets</u></b>		
Current and other assets	\$ 34,838,733	\$ 32,860,672
Capital assets, net	<u>21,455,839</u>	<u>22,529,333</u>
Total assets	<u>56,294,572</u>	<u>55,390,005</u>
<b><u>Deferred Outflows of Resources</u></b>		
Deferred Outflows of Resources	<u>275,252</u>	<u>318,149</u>
<b><u>Liabilities</u></b>		
Current liabilities	6,212,384	5,799,793
Long-term liabilities	<u>14,935,931</u>	<u>17,031,181</u>
Total liabilities	<u>21,148,315</u>	<u>22,830,974</u>
<b><u>Deferred Inflows of Resources</u></b>		
Deferred Inflows of Resources	<u>24,974,653</u>	<u>22,475,527</u>
<b><u>Net Position</u></b>		
Net investment in capital assets	9,627,068	9,138,740
Restricted	1,807,878	1,967,809
Unrestricted (deficit)	<u>(988,090)</u>	<u>(704,896)</u>
Total net position	<u>\$ 10,446,856</u>	<u>\$ 10,401,653</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets plus deferred outflows of resources exceeded liabilities plus deferred inflows of resources by \$10,446,856. At year-end, restricted net position were \$1,807,878.

At year-end, capital assets represented 38.11% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2013, were \$9,627,068. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

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

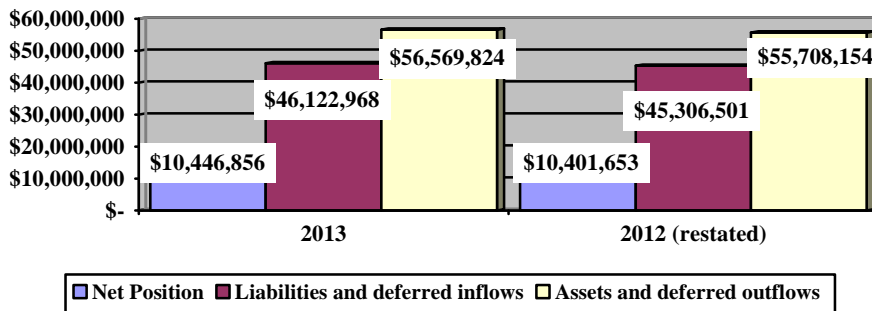
**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

Assets of the District increased \$904,567 or 1.63%. This increase is primarily the result of an increase in cash and cash equivalents. Liabilities of the District decreased \$1,682,659 or 7.37%. The most significant decrease was in the area of long-term obligations which decreased due to principal payments made on bonds and note made during the year.

A portion of the District's net position, \$1,807,878, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position is a deficit of \$988,090.

The graph below shows the District's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position at June 30, 2013 and 2012. The amounts at June 30, 2012 have been restated as described in Note 3.A.

**Governmental Activities**



The table below shows the change in net position for fiscal years 2013 and 2012.

	<b>Change in Net Position</b>	
	Governmental Activities 2013	Restated Governmental Activities 2012
<b>Revenues</b>		
Program revenues:		
Charges for services and sales	\$ 2,665,000	\$ 2,831,305
Operating grants and contributions	3,296,032	3,723,348
Capital grants and contributions	-	1,105,000
General revenues:		
Property taxes	22,771,400	22,231,361
Grants and entitlements	15,765,598	16,349,152
Investment earnings	26,809	10,945
Miscellaneous	264,279	253,997
<b>Total revenues</b>	<b>\$ 44,789,118</b>	<b>\$ 46,505,108</b>

(Continued)

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<b>Change in Net Position</b>	
	Governmental Activities <u>2013</u>	Restated Governmental Activities <u>2012</u>
<b><u>Expenses</u></b>		
Program expenses:		
Instruction:		
Regular	\$ 18,727,810	\$ 18,632,172
Special	3,783,640	3,019,130
Vocational	1,559,596	1,838,805
Adult/continuing	210	6,947
Other	156,763	133,079
Support services:		
Pupil	1,934,469	3,073,775
Instructional staff	2,614,237	2,438,102
Board of education	17,668	34,022
Administration	3,339,400	3,453,499
Fiscal	1,057,068	1,068,906
Business	141,319	18,398
Operations and maintenance	4,075,479	4,421,364
Pupil transportation	3,050,932	2,941,246
Central	357,500	430,570
Operations of non-instructional services		
Other non-instructional services	271,000	291,993
Food service operations	1,827,696	1,720,027
Extracurricular activities	1,363,548	1,407,315
Interest and fiscal charges	<u>465,580</u>	<u>470,609</u>
Total expenses	<u>44,743,915</u>	<u>45,399,959</u>
Change in net position	45,203	1,105,149
Net position at beginning of year (restated)	<u>10,401,653</u>	<u>9,296,504</u>
Net position at end of year	<u><u>\$ 10,446,856</u></u>	<u><u>\$ 10,401,653</u></u>

**Governmental Activities**

Net position of the District's governmental activities increased \$45,203. Total governmental expenses of \$44,743,915 were offset by program revenues of \$5,961,032 and general revenues of \$38,828,086. Program revenues supported 13.32% of the total governmental expenses. The most significant decrease in program revenues was in the area of operating grants and contributions. This decrease was primarily the result of a decrease in Title VI IDEA Part B funding.

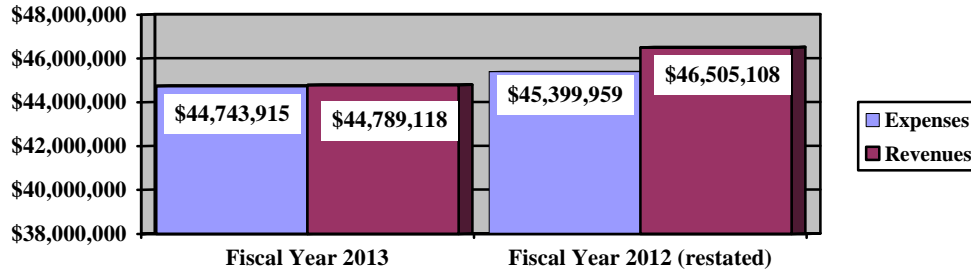
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 86.04% of total governmental revenue. Real estate property is reappraised every six years. The increase in tax revenue was the result of better collection of property taxes during the year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2013 and 2012.

**Governmental Activities - Revenues and Expenses**



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

**Governmental Activities**

	Total Cost of Services 2013	Net Cost of Services 2013	Restated Total Cost of Services 2012	Restated Net Cost of Services 2012
<b>Program expenses</b>				
Instruction:				
Regular	\$ 18,727,810	\$ 18,026,764	\$ 18,632,172	\$ 17,867,199
Special	3,783,640	2,651,692	3,019,130	1,736,069
Vocational	1,559,596	1,226,661	1,838,805	1,563,186
Adult	210	210	6,947	(9,826)
Other	156,763	156,763	133,079	133,079
Support services:				
Pupil	1,934,469	1,695,699	3,073,775	2,572,656
Instructional staff	2,614,237	2,302,991	2,438,102	2,155,429
Board of education	17,668	17,668	34,022	34,022
Administration	3,339,400	2,802,181	3,453,499	2,845,843
Fiscal	1,057,068	1,057,068	1,068,906	1,068,906
Business	141,319	141,319	18,398	18,398
Operation and maintenance	4,075,479	4,006,190	4,421,364	4,365,353
Pupil transportation	3,050,932	2,955,173	2,941,246	2,855,611
Central	357,500	331,456	430,570	415,514
Operations of non-instructional services				
Other non-instructional services	271,000	(18,474)	291,993	16,115
Food service operations	1,827,696	46,365	1,720,027	(134,753)
Extracurricular activities	1,363,548	917,577	1,407,315	(233,104)
Interest and fiscal charges	465,580	465,580	470,609	470,609
<b>Total expenses</b>	<u>\$ 44,743,915</u>	<u>\$ 38,782,883</u>	<u>\$ 45,399,959</u>	<u>\$ 37,740,306</u>

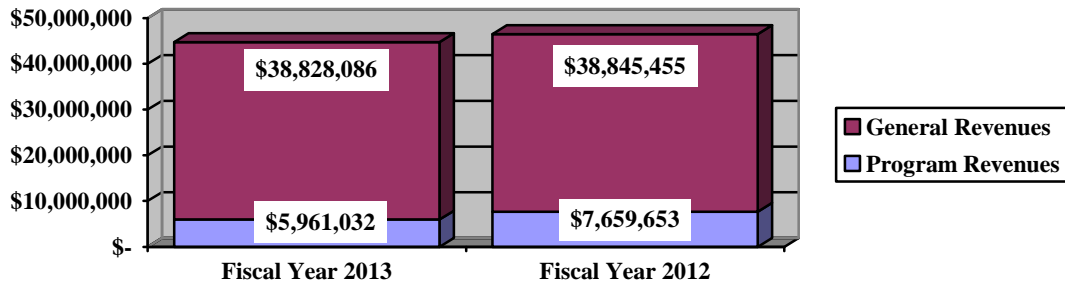
**NORTH CANTON CITY SCHOOL DISTRICT  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

The dependence upon tax and other general revenues for governmental activities is apparent, 91.06% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 86.68%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.

**Governmental Activities - General and Program Revenues**



**The District's Funds**

The District's governmental funds (as presented on the Balance Sheet on page 18) reported a combined fund balance of \$2,838,249, which is a lower balance than last year's total balance of \$3,617,421. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance <u>June 30, 2013</u>	Fund Balance <u>June 30, 2012</u>	<u>(Decrease)</u>
General	\$ 1,287,097	\$ 1,630,598	\$ (343,501)
Other Governmental	<u>1,551,152</u>	<u>1,986,823</u>	<u>(435,671)</u>
Total	<u>\$ 2,838,249</u>	<u>\$ 3,617,421</u>	<u>\$ (779,172)</u>

**General Fund**

The District's general fund balance decreased \$343,501. The table that follows assists in illustrating the financial activities and fund balance of the general fund.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<b><u>Revenues</u></b>				
Taxes	\$ 21,407,077	\$ 20,985,895	\$ 421,182	2.01 %
Tuition	430,586	494,656	(64,070)	(12.95) %
Earnings on investments	21,284	16,513	4,771	28.89 %
Intergovernmental	16,689,390	17,275,248	(585,858)	(3.39) %
Other revenues	<u>991,742</u>	<u>1,026,017</u>	<u>(34,275)</u>	(3.34) %
Total	<u>\$ 39,540,079</u>	<u>\$ 39,798,329</u>	<u>\$ (258,250)</u>	(0.65) %
<b><u>Expenditures</u></b>				
Instruction	\$ 23,378,425	\$ 22,694,133	\$ 684,292	3.02 %
Support services	15,245,419	16,563,812	(1,318,393)	(7.96) %
Operation of non-instructional services	6,535	16,215	(9,680)	(59.70) %
Extracurricular activities	837,377	828,611	8,766	1.06 %
Capital outlay	-	768,121	(768,121)	100.00 %
Facilities acquisition and construction	23,375	83,455	(60,080)	(71.99) %
Debt services	<u>172,589</u>	<u>158,205</u>	<u>14,384</u>	9.09 %
Total	<u>\$ 39,663,720</u>	<u>\$ 41,112,552</u>	<u>\$ (1,448,832)</u>	(3.52) %

Revenues of the general fund decreased \$258,250 or 0.65%. The most significant decrease was in the area of intergovernmental revenues which decreased due to a \$781,000 decrease in tangible personal property tax reimbursements. Earnings on investments increased due to higher interest rates earned on investments.

Expenditures of the general fund decreased \$1,448,832 or 3.52%. The most significant decreases were in the areas of support services and capital outlay. Support services decreased due to a decrease in pupil services and decreases in other support services. Capital outlay decreased due to the District entering into a capital lease in fiscal year 2012.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2013, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues of \$39,540,050 were increased to final budgeted revenues of \$40,159,050. Actual revenues and other financing sources for fiscal year 2013 was \$40,158,103. This represents a \$947 decrease from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$40,512,425 were increased to \$40,537,425 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2013 totaled \$40,405,445, which was \$131,980 less than the final budget appropriations.



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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal year 2013, the District had \$21,455,839 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities. The following table shows June 30, 2013 balances compared to June 30, 2012:

	<b>Capital Assets at June 30</b>	
	<b>(Net of Depreciation)</b>	
	<u>Governmental Activities</u>	
	<u>2013</u>	<u>2012</u>
Land	\$ 1,785,562	\$ 1,785,562
Land improvements	1,839,133	1,985,131
Building and improvements	16,472,637	17,167,507
Furniture and equipment	973,764	1,109,925
Vehicles	<u>384,743</u>	<u>481,208</u>
Total	<u>\$ 21,455,839</u>	<u>\$ 22,529,333</u>

Total additions to capital assets for 2013 were \$156,158. The District recorded \$1,198,086 in depreciation expense and \$31,566 in disposals (net of accumulated depreciation) for fiscal year 2013.

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

***Debt Administration***

At June 30, 2013, the District had \$11,907,211 in general obligation bonds, a capital lease and an energy conservation loan outstanding. Of this total, \$1,586,417 is due within one year and \$10,320,794 is due within more than one year. The following table summarizes the bonds, lease and loan outstanding.

	<b>Outstanding Debt, at Year End</b>	
	Governmental	Governmental
	Activities	Activities
	<u>2013</u>	<u>2012</u>
General obligation bonds	\$ 10,350,000	\$ 11,665,000
Capital lease	492,211	636,258
Energy conservation loan	<u>1,065,000</u>	<u>1,180,000</u>
Total	<u>\$ 11,907,211</u>	<u>\$ 13,481,258</u>

At June 30, 2013, the District's voted debt margin was \$46,818,546 with an unvoted debt margin of \$618,625.

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

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

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)

**Current Financial Related Activities**

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

The District's financial outlook is beginning to change. During this time, the Board of Education and administration will continue to closely monitor its revenues and expenditures to ensure they are in accordance with its financial forecast. Overall, the District continues to perform at the highest level determined by the State of Ohio, which is measured by a defined set of proficiency criteria.

The District has communicated to the community that they rely upon their support for the major part of its operations, and will continue to work diligently to plan expenses, staying carefully within the District's five-year financial plan. State law limits the growth of income generated by local levies rendering revenue relatively constant. This lack of revenue growth forces the District to come back to the voters from time to time and ask for additional financial support. The District successfully passed a 6.5 mill continuing operating levy in May 2006. Collection of this new levy began in January 2007. The District successfully passed a 4.5 mill continuing operation levy in November 2010, and collections began in January 2011. The District successfully passed a 1.5 mill continuous permanent improvement levy in May 2013, and collections will begin in January 2014. This levy will generate approximately \$1.5 million per year.

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

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

The state funding formula was flat-lined for our District with regards to our basic education revenues for the years 2006-2009. The State funding formula for the bienium budget of 2010-2011 began a pattern of reductions to basic education revenues. This was a loss of over \$400,000 from the flat-lined budgets we have received over the previous years. For the bienium budget of 2012-2013, we saw even deeper reductions with a total loss for the two years of over \$1.3 million. We have seen slight enrollment decreases since 2006, and we do not anticipate any large enrollment increases in the near future.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013  
(UNAUDITED)**

Also, Ohio was allocated \$845 million from the ARRA in State Fiscal Stabilization Funds (SFSF) to help stabilize state and local budgets in order to minimize and avoid reductions in education and other essential services. Education SFSF for primary and secondary education was distributed to school districts as part of the foundation settlement payments each month – total foundation support included both state and federal SFSF funds. We received almost \$1.8 million of SFSF funds 2011. These funds ran out at the end of the 2010-11 biennium and were not replaced with any other funding mechanism from the State.

We also had access to another round of stimulus dollars for Ohio from the federal government called the Education Jobs Fund (Ed Jobs). The program provides \$10 billion for states to save or create education jobs. Ohio received an estimated \$361 million from this program. The North Canton City Schools allocation for the 2010-11 school year was \$726,454 and for the 2011-12 school year was \$19,499. These funds ran out at the end of the 2012 and were not replaced with any other funding mechanism from the State.

The sum of reductions to the North Canton City School District for the 2012-13 bienium budget period, in the areas of State Funding and Federal ARRA and Ed Jobs funding created a total reduction of nearly \$5 million over the two year period.

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

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

**Contacting the District's Financial Management**

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

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

STATEMENT OF NET POSITION  
JUNE 30, 2013

	<b>Governmental Activities</b>
<b>Assets:</b>	
Equity in pooled cash and cash equivalents. . . . .	\$ 8,822,250
Receivables:	
Property taxes . . . . .	25,818,497
Accounts. . . . .	17,257
Accrued interest . . . . .	11,645
Intergovernmental . . . . .	92,460
Materials and supplies inventory. . . . .	76,624
Capital assets:	
Nondepreciable capital assets . . . . .	1,785,562
Depreciable capital assets, net. . . . .	19,670,277
Capital assets, net . . . . .	21,455,839
 Total assets. . . . .	 56,294,572
 <b>Deferred outflows of resources:</b>	
Unamortized deferred charges on debt refunding . . . . .	275,252
Total deferred outflows of resources . . . . .	275,252
 <b>Liabilities:</b>	
Accounts payable. . . . .	141,234
Accrued wages and benefits payable . . . . .	4,943,642
Pension obligation payable. . . . .	922,489
Intergovernmental payable . . . . .	170,707
Accrued interest payable . . . . .	34,312
Long-term liabilities:	
Due within one year. . . . .	1,945,633
Due in more than one year. . . . .	12,990,298
Total liabilities . . . . .	21,148,315
 <b>Deferred inflows of resources:</b>	
Property taxes levied for the next fiscal year. . . . .	24,974,653
Total deferred inflows of resources . . . . .	24,974,653
 <b>Net position:</b>	
Net investment in capital assets . . . . .	9,627,068
Restricted for:	
Capital projects . . . . .	46,585
Debt service. . . . .	1,487,764
Locally funded programs . . . . .	28,686
State funded programs. . . . .	52,074
Federally funded programs . . . . .	1,381
Student activities . . . . .	117,961
Other purposes . . . . .	73,427
Unrestricted (deficit) . . . . .	(988,090)
Total net position. . . . .	\$ 10,446,856

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

		<b>Program Revenues</b>		<b>Net (Expense) Revenue and Changes in Net Position Governmental Activities</b>
<b>Expenses</b>	<b>Charges for Services and Sales</b>	<b>Operating Grants and Contributions</b>		
<b>Governmental activities:</b>				
Instruction:				
Regular . . . . .	\$ 18,727,810	\$ 553,057	\$ 147,989	\$ (18,026,764)
Special . . . . .	3,783,640	17,680	1,114,268	(2,651,692)
Vocational . . . . .	1,559,596	48,693	284,242	(1,226,661)
Adult/continuing. . . . .	210	-	-	(210)
Other . . . . .	156,763	-	-	(156,763)
Support services:				
Pupil. . . . .	1,934,469	-	238,770	(1,695,699)
Instructional staff . . . . .	2,614,237	5	311,241	(2,302,991)
Board of education . . . . .	17,668	-	-	(17,668)
Administration. . . . .	3,339,400	357,257	179,962	(2,802,181)
Fiscal. . . . .	1,057,068	-	-	(1,057,068)
Business. . . . .	141,319	-	-	(141,319)
Operations and maintenance . . . . .	4,075,479	69,289	-	(4,006,190)
Pupil transportation. . . . .	3,050,932	-	95,759	(2,955,173)
Central . . . . .	357,500	12	26,032	(331,456)
Operation of non-instructional services:				
Other non-instructional services . . . . .	271,000	5,519	283,955	18,474
Food service operations . . . . .	1,827,696	1,230,653	550,678	(46,365)
Extracurricular activities. . . . .	1,363,548	382,835	63,136	(917,577)
Interest and fiscal charges . . . . .	465,580	-	-	(465,580)
Total governmental activities . . . . .	\$ 44,743,915	\$ 2,665,000	\$ 3,296,032	(38,782,883)
 <b>General revenues:</b>				
Property taxes levied for:				
General purposes . . . . .				21,481,060
Debt service. . . . .				1,290,340
Grants and entitlements not restricted to specific programs . . . . .				15,765,598
Investment earnings . . . . .				26,809
Miscellaneous . . . . .				264,279
Total general revenues . . . . .				38,828,086
Change in net position . . . . .				45,203
<b>Net position at beginning of year (restated)</b>				10,401,653
<b>Net position at end of year. . . . .</b>				\$ 10,446,856

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET  
GOVERNMENTAL FUNDS  
JUNE 30, 2013

	<b>General</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>			
Equity in pooled cash and cash equivalents. . . . .	\$ 6,595,488	\$ 2,224,220	\$ 8,819,708
Receivables:			
Property taxes. . . . .	23,713,588	2,104,909	25,818,497
Accounts . . . . .	15,995	1,262	17,257
Accrued interest . . . . .	10,981	664	11,645
Interfund loans . . . . .	291,000	-	291,000
Intergovernmental. . . . .	86,510	5,950	92,460
Materials and supplies inventory. . . . .	57,335	19,289	76,624
Restricted assets:			
Equity in pooled cash and cash equivalents . . . . .	2,542	-	2,542
Total assets . . . . .	\$ 30,773,439	\$ 4,356,294	\$ 35,129,733
<b>Liabilities:</b>			
Accounts payable . . . . .	\$ 86,031	\$ 55,203	\$ 141,234
Accrued wages and benefits payable . . . . .	4,665,955	277,687	4,943,642
Compensated absences payable . . . . .	273,520	-	273,520
Interfund loans payable. . . . .	-	291,000	291,000
Intergovernmental payable . . . . .	160,836	9,871	170,707
Pension obligation payable . . . . .	838,246	84,243	922,489
Total liabilities. . . . .	6,024,588	718,004	6,742,592
<b>Deferred inflows of resources:</b>			
Property taxes levied for the next fiscal year. . . . .	22,917,976	2,056,677	24,974,653
Delinquent property tax revenue not available. . . . .	521,532	29,797	551,329
Accrued interest not available. . . . .	10,515	664	11,179
Miscellaneous revenue not available. . . . .	11,731	-	11,731
Total deferred inflows of resources . . . . .	23,461,754	2,087,138	25,548,892
<b>Fund balances:</b>			
Nonspendable:			
Materials and supplies inventory. . . . .	57,335	19,289	76,624
Restricted:			
Debt service . . . . .	-	1,492,279	1,492,279
Capital improvements . . . . .	-	46,585	46,585
Food service operations . . . . .	-	104,222	104,222
Non-public schools . . . . .	-	55,119	55,119
Targeted academic assistance . . . . .	-	444	444
Other purposes. . . . .	2,542	36,066	38,608
Extracurricular activities . . . . .	-	117,961	117,961
Committed:			
Capital improvements . . . . .	-	87	87
Assigned:			
Student instruction . . . . .	397,596	-	397,596
Student and staff support. . . . .	736,841	-	736,841
Extracurricular activities . . . . .	3,569	-	3,569
Facilities acquisition and construction . . . . .	11,014	-	11,014
Subsequent year's appropriations . . . . .	709,799	-	709,799
Other purposes. . . . .	114,912	-	114,912
Unassigned (deficit). . . . .	(746,511)	(320,900)	(1,067,411)
Total fund balances . . . . .	1,287,097	1,551,152	2,838,249
Total liabilities, deferred inflows and fund balances . . . . .	\$ 30,773,439	\$ 4,356,294	\$ 35,129,733

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
JUNE 30, 2013

<b>Total governmental fund balances</b>		\$	2,838,249
<i>Amounts reported for governmental activities on the Statement of Net Position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			21,455,839
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Property taxes receivable	\$	551,329	
Accounts receivable		11,731	
Accrued interest receivable		11,179	
Total			574,239
Unamortized premiums on bonds issued are not recognized in the funds.			(196,812)
Unamortized amounts on refundings are not recognized in the funds.			275,252
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(34,312)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(10,350,000)	
Capital lease obligations		(492,211)	
Compensated absences		(2,558,388)	
Energy conservation loan		(1,065,000)	
Total			(14,465,599)
<b>Net position of governmental activities</b>		<b>\$</b>	<b>10,446,856</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>			
From local sources:			
Property taxes . . . . .	\$ 21,407,077	\$ 1,282,893	\$ 22,689,970
Tuition . . . . .	430,586	-	430,586
Earnings on investments . . . . .	21,284	702	21,986
Charges for services . . . . .	19,307	1,231,915	1,251,222
Extracurricular . . . . .	86,493	368,159	454,652
Classroom materials and fees . . . . .	413,021	687	413,708
Rental income . . . . .	65,549	-	65,549
Contributions and donations . . . . .	86,707	61,216	147,923
Contract services . . . . .	41,948	-	41,948
Other local revenues . . . . .	278,717	11,017	289,734
Intergovernmental - intermediate . . . . .	-	62,115	62,115
Intergovernmental - state . . . . .	16,680,537	470,990	17,151,527
Intergovernmental - federal . . . . .	8,853	1,660,890	1,669,743
Total revenues . . . . .	<u>39,540,079</u>	<u>5,150,584</u>	<u>44,690,663</u>
<b>Expenditures:</b>			
Current:			
Instruction:			
Regular . . . . .	18,363,630	85,062	18,448,692
Special . . . . .	3,319,099	428,957	3,748,056
Vocational . . . . .	1,541,385	35,006	1,576,391
Other . . . . .	154,311	-	154,311
Support services:			
Pupil . . . . .	1,670,118	262,582	1,932,700
Instructional staff . . . . .	2,228,171	348,463	2,576,634
Board of education . . . . .	17,318	-	17,318
Administration . . . . .	3,152,063	157,541	3,309,604
Fiscal . . . . .	1,018,491	24,296	1,042,787
Operations and maintenance . . . . .	3,940,559	-	3,940,559
Pupil transportation . . . . .	2,889,049	-	2,889,049
Central . . . . .	329,650	21,980	351,630
Operation of non-instructional services:			
Other operation of non-instructional . . . . .	6,535	261,971	268,506
Food service operations . . . . .	-	1,829,038	1,829,038
Extracurricular activities . . . . .	837,377	438,548	1,275,925
Facilities acquisition and construction . . . . .	23,375	-	23,375
Debt service:			
Principal retirement . . . . .	144,047	1,430,000	1,574,047
Interest and fiscal charges . . . . .	28,542	427,385	455,927
Total expenditures . . . . .	<u>39,663,720</u>	<u>5,750,829</u>	<u>45,414,549</u>
Excess of expenditures over revenues . . . . .	<u>(123,641)</u>	<u>(600,245)</u>	<u>(723,886)</u>
<b>Other financing sources (uses):</b>			
Transfers in . . . . .	-	159,660	159,660
Transfers (out) . . . . .	(159,660)	-	(159,660)
Total other financing sources (uses) . . . . .	<u>(159,660)</u>	<u>159,660</u>	<u>-</u>
Net change in fund balances . . . . .	(283,301)	(440,585)	(723,886)
<b>Fund balances at beginning of year . . . . .</b>	<b>1,630,598</b>	<b>1,986,823</b>	<b>3,617,421</b>
<b>Increase (decrease) in reserve for inventory . . . . .</b>	<b>(60,200)</b>	<b>4,914</b>	<b>(55,286)</b>
<b>Fund balances at end of year . . . . .</b>	<b><u>\$ 1,287,097</u></b>	<b><u>\$ 1,551,152</u></b>	<b><u>\$ 2,838,249</u></b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**Net change in fund balances - total governmental funds** \$ (723,886)

*Amounts reported for governmental activities in the  
Statement of Activities are different because:*

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives as  
depreciation expense.

Capital asset additions	\$	156,158	
Current year depreciation		(1,198,086)	
<b>Total</b>		<b>(1,041,928)</b>	(1,041,928)

The net effect of various miscellaneous transactions involving  
capital assets (i.e., sales, disposals, trade-ins, and donations) is to  
decrease net position. (31,566)

Governmental funds report expenditures for inventory when  
purchased. However, in the statement of activities, they are  
reported as an expense when consumed. (55,286)

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

Property taxes		81,430	
Tuition		3,515	
Earnings on investments		5,862	
Rental income		3,740	
Contract services		80	
Other local revenue		4,396	
<b>Total</b>		<b>99,023</b>	99,023

Repayment of bond, loan and capital lease principal is an expenditure in the  
governmental funds, but the repayment reduces long-term liabilities  
on the Statement of Net Position. Principal payments during the year were:

Bonds		1,315,000	
Loans		115,000	
Capital leases		144,047	
<b>Total</b>		<b>1,574,047</b>	1,574,047

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

Decrease in accrued interest payable		2,572	
Amortization of bond premiums		30,672	
Amortization of deferred charges		(42,897)	
<b>Total</b>		<b>(9,653)</b>	(9,653)

Some expenses reported in the Statement of Activities,  
such as compensated absences, do not require the use of current  
financial resources and therefore are not reported as expenditures  
in governmental funds. 234,452

**Change in net position of governmental activities** \$ 45,203

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance with Final Budget Positive (Negative)</b>
	<u>Original</u>	<u>Final</u>		<u>Actual</u>
<b>Revenues:</b>				
From local sources:				
Property taxes . . . . .	\$ 22,285,127	\$ 22,634,000	\$ 22,632,630	\$ (1,370)
Tuition. . . . .	410,572	417,000	387,185	(29,815)
Earnings on investments . . . . .	49,229	50,000	21,089	(28,911)
Extracurricular. . . . .	11,815	12,000	13,095	1,095
Rental income . . . . .	54,152	55,000	62,429	7,429
Contract services. . . . .	28,553	29,000	15,441	(13,559)
Other local revenues . . . . .	268,054	272,250	270,954	(1,296)
Intergovernmental - state . . . . .	16,427,625	16,684,800	16,680,537	(4,263)
Intergovernmental - federal . . . . .	4,923	5,000	8,853	3,853
Total revenues . . . . .	<u>39,540,050</u>	<u>40,159,050</u>	<u>40,092,213</u>	<u>(66,837)</u>
<b>Expenditures:</b>				
Current:				
Instruction:				
Regular . . . . .	18,671,210	18,688,228	18,367,909	320,319
Special. . . . .	2,949,409	2,688,473	3,174,081	(485,608)
Vocational. . . . .	1,801,367	1,692,687	1,576,453	116,234
Other. . . . .	181,363	153,519	154,240	(721)
Support services:				
Pupil. . . . .	2,042,740	1,936,462	1,960,424	(23,962)
Instructional staff . . . . .	2,089,420	2,270,974	2,378,012	(107,038)
Board of education . . . . .	21,425	31,890	24,016	7,874
Administration. . . . .	2,857,921	2,974,757	2,904,492	70,265
Fiscal . . . . .	1,172,766	1,048,337	1,039,649	8,688
Business . . . . .	28,814	26,872	21,037	5,835
Operations and maintenance. . . . .	4,241,912	4,347,205	4,258,517	88,688
Pupil transportation . . . . .	2,844,186	2,983,112	2,952,342	30,770
Central. . . . .	421,822	370,978	351,627	19,351
Other operation of non-instructional services . . . . .	17,705	5,128	-	5,128
Extracurricular activities. . . . .	770,561	745,423	747,564	(2,141)
Facilities acquisition and construction . . . . .	115,848	112,529	34,389	78,140
Total expenditures . . . . .	<u>40,228,469</u>	<u>40,076,574</u>	<u>39,944,752</u>	<u>131,822</u>
Excess (deficiency) of revenues over (under) expenditures. . . . .	<u>(688,419)</u>	<u>82,476</u>	<u>147,461</u>	<u>64,985</u>
<b>Other financing sources (uses):</b>				
Refund of prior year's expenditures . . . . .	-	-	3,390	3,390
Refund of prior year's receipts. . . . .	(50)	(10,100)	(10,033)	67
Transfers (out). . . . .	(158,906)	(159,751)	(159,660)	91
Advances in. . . . .	-	-	62,500	62,500
Advances (out) . . . . .	(125,000)	(291,000)	(291,000)	-
Total other financing sources (uses) . . . . .	<u>(283,956)</u>	<u>(460,851)</u>	<u>(394,803)</u>	<u>66,048</u>
Net change in fund balance . . . . .	(972,375)	(378,375)	(247,342)	131,033
<b>Fund balance at beginning of year . . . . .</b>	<b>5,101,295</b>	<b>5,101,295</b>	<b>5,101,295</b>	<b>-</b>
<b>Prior year encumbrances appropriated . . . . .</b>	<b>299,810</b>	<b>299,810</b>	<b>299,810</b>	<b>-</b>
<b>Fund balance at end of year . . . . .</b>	<b>\$ 4,428,730</b>	<b>\$ 5,022,730</b>	<b>\$ 5,153,763</b>	<b>\$ 131,033</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
JUNE 30, 2013

	<b>Private-Purpose Trust</b>	
	<b>Scholarship</b>	<b>Agency</b>
<b>Assets:</b>		
Current assets:		
Equity in pooled cash and cash equivalents . . . . .	\$ 406,848	\$ 190,881
Receivables:		
Accrued interest. . . . .	508	-
Total assets. . . . .	407,356	\$ 190,881
<b>Liabilities:</b>		
Intergovernmental payable . . . . .	-	\$ 4,208
Due to students. . . . .	-	186,673
Total liabilities . . . . .	-	\$ 190,881
<b>Net position:</b>		
Held in trust for scholarships . . . . .	407,356	
Total net position. . . . .	\$ 407,356	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<b>Private-Purpose Trust</b>
	<b>Scholarship</b>
<b>Additions:</b>	
Interest . . . . .	\$ 1,267
Gifts and contributions . . . . .	13,666
Total additions . . . . .	14,933
<b>Deductions:</b>	
Scholarships awarded . . . . .	14,400
Change in net position . . . . .	533
<b>Net position at beginning of year . . . . .</b>	<b>406,823</b>
<b>Net position at end of year . . . . .</b>	<b>\$ 407,356</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT**

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

The District is the 76<sup>th</sup> largest in the State of Ohio (among 918 public and community school districts) in terms of enrollment. It is staffed by 250 non-certified employees and 350 certified teaching personnel, who provide services to 4,580 students and other community members. The Board controls the District's eight school buildings, a bus garage, a warehouse and an administration building.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

**A. Reporting Entity**

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

*JOINTLY GOVERNED ORGANIZATIONS*

Stark-Portage Area Computer Consortium (SPARCC)

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

Stark County Tax Incentive Review Council (SCTIRC)

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

*PUBLIC ENTITY RISK POOLS*

**Shared Risk Pool**

Stark County School Council of Governments Health Benefit Plan

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

**Insurance Purchasing Pool**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

**B. Fund Accounting**

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

*GOVERNMENTAL FUNDS*

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

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

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

*PROPRIETARY FUNDS*

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

*FIDUCIARY FUNDS*

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

**C. Basis of Presentation and Measurement Focus**

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

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position.

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

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

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



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**D. Basis of Accounting**

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

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

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

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

*Deferred Inflows of Resources and Deferred Outflows of Resources* - A deferred inflow of resources is an acquisition of net assets by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net assets by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Income taxes, payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

**E. Budgets**

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

Alternate Tax Budget:

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

Estimated Resources:

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

Appropriations:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

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

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

Lapsing of Appropriations:

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

**F. Cash and Investments**

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

During fiscal year 2013, investments were limited to nonnegotiable certificates of deposit, repurchase agreements and State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit and repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2013.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2013 amounted to \$21,284, which includes \$7,297 assigned from other District funds.

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**G. Inventory**

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

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

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

**H. Capital Assets**

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

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

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

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

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

On fund financial statements and the government-wide financial statements, issuance costs are expensed/expended in the fiscal year they occur.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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

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

**J. Interfund Balances**

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

**K. Compensated Absences**

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

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

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

**L. Accrued Liabilities and Long-Term Obligations**

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**M. Fund Balance**

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

*Nonspendable* - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

*Restricted* - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

*Assigned* - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

*Unassigned* - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**N. Net Position**

Net Position represents the difference between assets plus deferred outflows of resources less liabilities and deferred inflows of resources. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows or resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of Net Position. Net Position is reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The restriction for other purposes consists of monies restricted by State statute for school bus purchases (See Note 17).

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

**O. Estimates**

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

**P. Restricted Assets**

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

**Q. Interfund Activity**

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

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

**R. Nonpublic Schools**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

**S. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2013.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 had the following effect on the financial statements of the District:

	Governmental Activities
Net assets as previously reported	\$ 10,566,862
Removal of unamortized bond issuance costs	(165,209)
Net position at July 1, 2012	\$ 10,401,653

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

**B. Deficit Fund Balances**

Fund balances at June 30, 2013 included the following individual fund deficits:

<u>Nonmajor funds</u>	<u>Deficit</u>
Title VI-B	\$ 143,865
Title I	166,531
IDEA Part-B preschool	10,504

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities and reporting short-term interfund loans as a fund liability rather than as an other financing source.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 4 - DEPOSITS AND INVESTMENTS**

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

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

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

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

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

**A. Deposits with Financial Institutions**

At June 30, 2013, the carrying amount of all District deposits was \$7,778,711, based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2013, \$2,356,065 of the District's bank balance of \$8,045,863 was exposed to custodial risk as discussed below, while \$5,689,798 was covered by the FDIC.

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

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

**B. Investments**

As of June 30, 2013, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u> 6 months or less
STAR Ohio	\$ 11,268	\$ 11,268
Repurchase agreement	<u>1,630,000</u>	<u>1,630,000</u>
Total	<u>\$ 1,641,268</u>	<u>\$ 1,641,268</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

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

*Credit Risk:* The federal agency securities that underlie the repurchase agreement were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively. Standard & Poor's has assigned STAR Ohio an AAAM money market rating. STAR Ohio must maintain the highest letter or numerical rating provided by at least one nationally recognized standard service. The District's investment policy does not specifically address credit risk beyond the adherence to all relevant sections of the Ohio Revised Code.

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

*Concentration of Credit Risk:* The District places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
STAR Ohio	\$ 11,268	0.69
Repurchase agreement	<u>1,630,000</u>	<u>99.31</u>
Total	<u>\$ 1,641,268</u>	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Reconciliation of Cash and Investments to the Financial Statements**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the financial statements as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 7,778,711
Investments	<u>1,641,268</u>
Total	<u>\$ 9,419,979</u>
 <u>Cash and investments per financial statements</u>	
Governmental activities	\$ 8,822,250
Private-purpose trust funds	406,848
Agency funds	<u>190,881</u>
Total	<u>\$ 9,419,979</u>

**NOTE 5 - INTERFUND TRANSACTIONS**

- A.** Interfund transfers for the year ended June 30, 2013, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
<u>Transfers from general fund to:</u>	
Nonmajor governmental fund	<u>\$ 159,660</u>

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

- B.** Interfund loans receivable/payable consisted of the following at June 30, 2013, as reported on the fund statement:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 291,000</u>

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

Interfund balances between governmental funds are eliminated on the government-wide Statement of Net Position.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 6 - PROPERTY TAXES**

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$274,080 in the general fund and \$18,435 in the bond retirement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$1,499,633 in the general fund and \$88,639 in the bond retirement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 6 - PROPERTY TAXES - (Continued)**

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 654,915,310	98.39	\$ 607,123,260	98.14
Public utility personal	<u>10,736,440</u>	<u>1.61</u>	<u>11,501,930</u>	<u>1.86</u>
Total	<u>\$ 665,651,750</u>	<u>100.00</u>	<u>\$ 618,625,190</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operating	\$69.30		\$69.30	
Debt service	3.00		3.00	

**NOTE 7 - RECEIVABLES**

Receivables at June 30, 2013 consisted of property taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the Statement of Net Position follows:

**Governmental activities:**

Property taxes	\$ 25,818,497
Accounts	17,257
Intergovernmental	92,460
Accrued interest	<u>11,645</u>
Total	<u>\$ 25,939,859</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 8 - CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2013 was as follows:

	Balance			Balance
	<u>06/30/12</u>	<u>Additions</u>	<u>Deductions</u>	<u>06/30/13</u>
<b>Governmental activities:</b>				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,785,562	\$ -	\$ -	\$ 1,785,562
Total capital assets, not being depreciated	<u>1,785,562</u>	<u>-</u>	<u>-</u>	<u>1,785,562</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	3,977,441	20,694	-	3,998,135
Buildings and improvements	37,270,439	5,675	-	37,276,114
Furniture and equipment	3,387,244	129,789	(39,475)	3,477,558
Vehicles	<u>2,415,689</u>	<u>-</u>	<u>-</u>	<u>2,415,689</u>
Total capital assets, being depreciated	<u>47,050,813</u>	<u>156,158</u>	<u>(39,475)</u>	<u>47,167,496</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,992,310)	(166,692)	-	(2,159,002)
Buildings and improvements	(20,102,932)	(700,545)	-	(20,803,477)
Furniture and equipment	(2,277,319)	(234,384)	7,909	(2,503,794)
Vehicles	<u>(1,934,481)</u>	<u>(96,465)</u>	<u>-</u>	<u>(2,030,946)</u>
Total accumulated depreciation	<u>(26,307,042)</u>	<u>(1,198,086)</u>	<u>7,909</u>	<u>(27,497,219)</u>
Governmental activities capital assets, net	<u>\$ 22,529,333</u>	<u>\$ (1,041,928)</u>	<u>\$ (31,566)</u>	<u>\$ 21,455,839</u>



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 8 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 438,314
Special	56,954
Vocational	27,939
Adult/continuing	210
Other	2,452
<u>Support services:</u>	
Pupil	35,588
Instructional staff	50,444
Board of Education	350
Administration	55,317
Fiscal	16,883
Business	141,319
Operations and maintenance	126,248
Pupil transportation	109,825
Central	5,885
<u>Operation of noninstructional services:</u>	
Other non-instructional services	6,724
Food service operations	8,158
Extracurricular	<u>115,476</u>
Total depreciation expense	<u>\$ 1,198,086</u>

**NOTE 9 - CAPITALIZED LEASE - LESSEE DISCLOSURE**

During a prior fiscal year, the District entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of capital lease, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital leases consisting of equipment have been capitalized in the amount of \$768,121. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2013 for copiers was \$230,436 leaving a current book value of \$537,685. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2013 totaled \$144,047 paid by the general fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2013:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 172,589
2015	172,589
2016	172,589
2017	<u>14,383</u>
Total minimum lease payments	532,150
Less: amount representing interest	<u>(39,939)</u>
Total	<u>\$ 492,211</u>

**NOTE 10 - LONG-TERM OBLIGATIONS**

A. During the fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

	<u>Issued</u>	<u>Due</u>	<u>Interest Rate</u>	<u>Balance 06/30/12</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance 06/30/13</u>	<u>Amount Due in One Year</u>
General obligation								
refunding bonds	2009	2019	2.0-4.0%	\$ 11,665,000	-	\$ (1,315,000)	10,350,000	\$ 1,320,000
Energy conservation loan	2006	2021	3.96%	1,180,000	-	(115,000)	1,065,000	115,000
Capital lease obligations				636,258	-	(144,047)	492,211	151,417
Compensated absences				<u>3,322,439</u>	<u>116,200</u>	<u>(606,731)</u>	<u>2,831,908</u>	<u>359,216</u>
Total				<u>\$ 16,803,697</u>	<u>\$ 116,200</u>	<u>\$ (2,180,778)</u>	14,739,119	<u>\$ 1,945,633</u>
Add: Unamortized premium							196,812	
Total on Statement of Net Position							<u>\$ 14,935,931</u>	

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

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

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

The following is a schedule of activity for fiscal year 2013 on the Series 2009 refunding bonds:

	Balance 6/30/12	Additions	Reductions	Balance 06/30/13
Current interest bonds	\$ 11,665,000	\$ -	\$ (1,315,000)	\$ 10,350,000

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

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

Fiscal Year Ending June 30.	Series 2009 refunding bonds		
	Principal	Interest	Total
2014	\$ 1,320,000	\$ 369,575	\$ 1,689,575
2015	1,345,000	336,575	1,681,575
2016	1,430,000	299,575	1,729,575
2017	1,485,000	242,375	1,727,375
2018	1,540,000	182,975	1,722,975
2019 - 2020	3,230,000	190,825	3,420,825
Total	\$ 10,350,000	\$ 1,621,900	\$11,971,900

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)**

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

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

Fiscal Year Ending June 30,	Energy Conservation Loan		
	Principal	Interest	Total
2014	\$ 115,000	\$ 39,897	\$ 154,897
2015	120,000	35,244	155,244
2016	125,000	30,393	155,393
2017	130,000	25,344	155,344
2018	135,000	20,097	155,097
2019 - 2021	440,000	26,730	466,730
Total	\$ 1,065,000	\$ 177,705	\$ 1,242,705

**D. Legal Debt Margin**

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2013, are a voted debt margin of \$46,818,546 (including available funds of \$1,492,279), an unvoted debt margin of \$618,625, and an energy conservation debt margin of \$4,502,627.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 11 - OTHER EMPLOYEE BENEFITS**

**A. Compensated Absences**

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

**B. Insurance Benefits**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 12 - RISK MANAGEMENT**

**A. Comprehensive**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During fiscal year 2013, the District has contracted with private companies for various types of insurance as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
Buildings and Contents		
Replacement Cost	\$136,026,324	\$ 5,000
Inland Marine Coverage	various	500
Automobile Liability	1,000,000	0
Automobile Comprehensive	1,000,000	250
Automobile Collision	1,000,000	500
Uninsured Motorists	50,000	0
Employee Stop Gap Liability	1,000,000	0
School Leaders	1,000,000	2,500
Law Enforcement Professional Liability	1,000,000	2,500
Sexual Misconduct	1,000,000	0
Employee Benefits Liability	1,000,000	1,000
Umbrella Policy	10,000,000	10,000
General Liability:		
Per occurrence	1,000,000	0
Aggregate	2,000,000	0

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

**B. Group Health and Dental Insurance**

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

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

**C. Workers' Compensation**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 12 - RISK MANAGEMENT - (Continued)**

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

**NOTE 13 - PENSION PLANS**

**A. School Employees Retirement System**

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$777,451, \$755,978 and \$702,743, respectively; 72.28 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**B. State Teachers Retirement System of Ohio**

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 13 - PENSION PLANS - (Continued)**

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

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$2,756,689, \$2,734,247 and \$2,662,045, respectively; 83.82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**C. Social Security System**

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.



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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 14 - POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2011 (latest information available) was \$96.40 for most participants, but could be as high as \$369.10 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on the SERS' Ohio website, [www.ohsers.org](http://www.ohsers.org), under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

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

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$100,108, \$121,764 and \$172,222, respectively; 72.28 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$43,917, \$44,644 and \$45,223, respectively; 72.28 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)**

**B. State Teachers Retirement System of Ohio**

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2013, 2012 and 2011 were \$212,053, \$210,327 and \$204,773, respectively; 83.82 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING**

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

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

**Net Change in Fund Balance**

	<u>General fund</u>
Budget basis	\$ (247,342)
Net adjustment for revenue accruals	(1,238,960)
Net adjustment for expenditure accruals	(96,817)
Net adjustment for other sources/uses	235,143
Funds budgeted elsewhere	81,989
Adjustment for encumbrances	982,686
GAAP basis	<u>\$ (283,301)</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special rotary fund, the uniform school supplies fund, the adult education fund and the public school support fund.

**NOTE 16 - CONTINGENCIES**

**A. Grants**

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

**B. Litigation**

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

**NOTE 17 - STATUTORY RESERVES**

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	780,898
Contributions in excess of the current fiscal year set-aside requirement	-
Current year qualifying expenditures	(1,052,963)
Excess qualified expenditures from prior years	-
Current year offsets	-
Waiver granted by ODE	-
Prior year offset from bond proceeds	<u>-</u>
Total	<u>\$ (272,065)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u><u>\$ -</u></u>

In addition to the above statutory set-aside, the District also has \$2,542 in monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2013 follows:

Amount restricted for school bus purchases	<u><u>\$ 2,542</u></u>
--	------------------------

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE 18 - OTHER COMMITMENTS**

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 992,472
Other governmental	<u>252,798</u>
Total	<u><u>\$ 1,245,270</u></u>

**NOTE 19 - SUBSEQUENT EVENTS**

On August 8, 2013, the District issued \$1,500,000 in tax anticipation notes for general improvements and technology upgrades. The notes carry an interest rate of 3.00% and have a final maturity of December 1, 2023.

On July 15, 2013, the District obtained five buses through a lease purchase agreement that was approved on June 18, 2013. The five buses are valued at a total of \$405,755. The lease purchase agreement carries an interest rate of 2.09% and requires the District to make four installment payments of \$104,607 of which the first payment was made on July 15, 2013.

**This page intentionally left blank.**

NORTH CANTON CITY SCHOOL DISTRICT  
STARK COUNTY  
FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Child Nutrition Cluster:</i>					
<i>Cash Assistance:</i>					
National School Breakfast Program	10.553	\$31,441		\$31,441	
National School Lunch Program	10.555	441,042		441,042	
<i>Non-Cash Assistance (Food Distribution)</i>					
National School Lunch Program	10.555		\$60,171		\$60,171
<b>Total Child Nutrition Cluster</b>		<b>472,483</b>	<b>60,171</b>	<b>472,483</b>	<b>60,171</b>
<b>Total U.S. Department of Agriculture</b>		<b>472,483</b>	<b>60,171</b>	<b>472,483</b>	<b>60,171</b>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education:</i>					
<i>Special Education Cluster:</i>					
Special Education Grants to States	84.027	751,731		777,386	
Special Education Preschool Grants	84.173	17,280		22,101	
<b>Total Special Education Cluster</b>		<b>769,011</b>		<b>799,487</b>	
Title I, Grants to Local Educational Agencies	84.010	304,489		431,370	
Improving Teacher Quality State Grants	84.367	112,331		111,556	
Education Technology State Grants	84.318	2,469		2,469	
<i>Passed Through Plain Local School District - Fiscal Agent of Compact:</i>					
Career and Technical Education Basic Grants to States	84.048	35,000		35,000	
<b>Total U.S. Department of Education</b>		<b>1,223,300</b>		<b>1,379,882</b>	
<b>Totals</b>		<b>\$1,695,783</b>	<b>\$60,171</b>	<b>\$1,852,365</b>	<b>\$60,171</b>

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

**NORTH CANTON CITY SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED JUNE 30, 2013**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - CHILD NUTRITION CLUSTER**

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

**NOTE C – FOOD DONATION PROGRAM**

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





# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY GOVERNMENT AUDITING STANDARDS

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

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Canton City School District, Stark County, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 24, 2013.

### ***Internal Control Over Financial Reporting***

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

***Compliance and Other Matters***

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining 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*.

***Purpose of this Report***

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 24, 2013



# Dave Yost • Auditor of State

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

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

To the Board of Education:

### ***Report on Compliance for Each Major Federal Program***

We have audited the North Canton City School District (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect each of the North Canton City School District's major federal programs for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### ***Auditor's Responsibility***

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. 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 our audit provides a reasonable basis for our compliance opinion on the District's major programs. However, our audit does not provide a legal determination of the District's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, the North Canton City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2013.

***Report on Internal Control Over Compliance***

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

October 24, 2013

**NORTH CANTON CITY SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
JUNE 30, 2013**

**1. SUMMARY OF AUDITOR'S RESULTS**

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Special Education Cluster CFDA #84.027 and #84.173; Title-I Grant CFDA #84.010.
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None

**This page intentionally left blank.**



# Dave Yost • Auditor of State

## Independent Accountants' Report on Applying Agreed-Upon Procedure

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

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on June 20, 2012 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

**Dave Yost**  
Auditor of State

October 24, 2013

**This page intentionally left blank.**





# Dave Yost • Auditor of State

**NORTH CANTON CITY SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 19, 2013**