

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

SINGLE AUDIT

**FOR THE YEAR ENDED
JUNE, 30 2022**



Rea & associates

www.reacpa.com

OHIO AUDITOR OF STATE
KEITH FABER



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Board of Education
Canton City School District
1312 5th St. SW
Canton, OH 44707

We have reviewed the *Independent Auditor's Report* of the Canton City School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2021 through June 30, 2022. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

March 14, 2023

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Stark County, Ohio
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INDEPENDENT AUDITOR'S REPORT

To the Board of Education and Management
Canton City School District
Stark County, Ohio
1312 5th Street SW
Canton, Ohio 44707

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Canton City School District, Stark County, Ohio, (the "School District") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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 the School District, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the budgetary comparisons for the General Fund and ESSER Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to

continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control—related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and pension and other post-employment benefit schedules*, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which

consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The Schedule of Expenditures of Federal Awards, as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2023 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School District's 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 School District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
January 30, 2023

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Canton City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

The discussion and analysis of the Canton City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2022. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2022 are as follows:

- Net position increased \$26,448,790 from 2021 net position.
- Capital assets increased \$7,174,893 during fiscal year 2022.
- During the fiscal year, outstanding debt decreased primarily from principal payments on maturing debt.
- Implementation of GASB 87 resulted in presentation of a lease receivable, which is further described in Note 9.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the School District as a whole 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 School District, presenting both an aggregate view of the School 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 School District's most significant funds with all other nonmajor funds presented in total in one column. In the case of the School District, the general and ESSER funds are by far the most significant funds.

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2022?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Canton City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

These two statements report the School District's net position and changes in net position. This change in net position is important because it tells the reader that, for the School District as a whole, the financial position of the School 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 School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the *Statement of Net Position* and the *Statement of Activities*, governmental activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non-instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general and ESSER funds.

Governmental Funds Most of the School 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 statements provide a detailed short-term view of the School 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 financial statements.

Proprietary Fund The School District maintains one type of proprietary fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the School District's various functions. The School District uses internal service funds to account for workers' compensation and warehouse service programs. Because this service predominately benefits governmental functions, it has been included within the governmental activities in the government-wide financial statements.

Reporting the School District's Fiduciary Responsibilities

The School District acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in custodial funds. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Canton City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for 2022 compared to 2021:

Table 1
Net Position

	Governmental Activities		
	2022	Restated 2021	Change
Assets			
Current & Other Assets	\$ 110,472,459	\$ 103,065,363	\$ 7,407,096
Long Term Leased Assets	5,778,924	5,851,603	(72,679)
Net Pension/OPEB Asset	10,616,496	9,088,848	1,527,648
Capital Assets	111,722,142	104,547,249	7,174,893
<i>Total Assets</i>	<u>238,590,021</u>	<u>222,553,063</u>	<u>16,036,958</u>
Deferred Outflows of Resources			
Pension & OPEB	41,293,094	35,923,885	5,369,209
Liabilities			
Current & Other Liabilities	22,227,192	17,563,248	4,663,944
Long-Term Liabilities:			
Due Within One Year	4,648,519	1,758,802	2,889,717
Due In More Than One Year:			
Pension & OPEB	98,319,274	175,471,225	(77,151,951)
Other Amounts	19,157,692	24,555,850	(5,398,158)
<i>Total Liabilities</i>	<u>144,352,677</u>	<u>219,349,125</u>	<u>(74,996,448)</u>
Deferred Inflows of Resources			
Property Taxes	36,186,035	35,444,695	741,340
Leases	5,778,924	5,851,603	(72,679)
Pension & OPEB	93,696,905	24,411,742	69,285,163
<i>Total Deferred Inflows of Resources</i>	<u>135,661,864</u>	<u>65,708,040</u>	<u>69,953,824</u>
Net Position			
Net Investment in Capital Assets	94,643,561	84,852,408	9,791,153
Restricted	21,796,003	27,705,975	(5,909,972)
Unrestricted	(116,570,990)	(139,138,600)	22,567,610
<i>Total Net Position</i>	<u>\$ (131,426)</u>	<u>\$ (26,580,217)</u>	<u>\$ 26,448,791</u>

Canton City School District
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Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2022, and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior period, the School District also adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB asset/liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
- 2 Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these assets/liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for fiscal year 2020 that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

Canton City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability reported by the retirement boards. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows.

Capital assets include land, construction in progress, buildings and improvements, land improvements, furniture, equipment and vehicles. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the City's net position, represents resources that are subject to external restrictions on how they may be used. The balance of unrestricted net position is a deficit balance, which was primarily caused by GASB's 68 and 75 accruals.

The increase in current and other assets was caused by an increase in property tax revenues for the May 2020 levy and an increase in tax valuation.

The School District's current and other liabilities increased for multiple reasons. Computers were purchased for students at year-end coupled with an increase in excess costs payable caused an increase in accounts payable for the current fiscal year. Lower employee turnover and an increase in wages for the bargaining unit employees also caused an increase in accrued wages and benefits. Long term liabilities due in one year increased due to an increase in payments due in the next year for the Series 2015 general obligation bonds as it nears maturity.

There was a significant change in net pension/OPEB liability/asset for the School District. These fluctuations are due to changes in the actuarial liabilities/assets and related accruals that are passed through to the School District's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

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Canton City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

In order to further understand what makes up the changes in net position for the current year, the following table gives readers further details regarding the results of activities for 2022 and 2021.

Table 2
Changes in Net Position

	Governmental Activities		
	2022	2021	Change
Revenues			
<i>Program Revenues</i>			
Charges for Services	\$ 2,775,686	\$ 1,888,247	\$ 887,439
Operating Grants	37,903,693	43,007,890	(5,104,197)
Capital Grants	6,388,423	116,707	6,271,716
<i>Total Program Revenues</i>	<u>47,067,802</u>	<u>45,012,844</u>	<u>2,054,958</u>
General Revenues			
Property Taxes	36,827,358	27,107,579	9,719,779
Grants & Entitlements	91,166,367	93,707,451	(2,541,084)
Miscellaneous	216,092	2,333,176	(2,117,084)
<i>Total General Revenues</i>	<u>128,209,817</u>	<u>123,148,206</u>	<u>5,061,611</u>
<i>Total Revenues</i>	<u>175,277,619</u>	<u>168,161,050</u>	<u>7,116,569</u>
Program Expenses			
Instruction:			
Regular	50,681,745	69,714,600	(19,032,855)
Special	18,485,410	22,271,470	(3,786,060)
Vocational	4,085,042	5,932,749	(1,847,707)
Adult/Continuing	1,047,803	1,221,530	(173,727)
Student Intervention Services	-	259,536	(259,536)
Other	1,123,655	2,491,220	(1,367,565)
Support Services:			
Pupils	13,664,622	10,708,802	2,955,820
Instructional Staff	9,607,179	7,244,041	2,363,138
Board of Education	29,609	34,640	(5,031)
Administration	11,669,660	12,567,856	(898,196)
Fiscal	2,085,169	2,100,173	(15,004)
Business	438,388	517,690	(79,302)
Operation and Maintenance of Plant	13,092,132	13,890,309	(798,177)
Pupil Transportation	6,515,396	6,735,313	(219,917)
Central	3,830,060	4,229,938	(399,878)
Operation of Non-Instructional/Shared Services:			
Food Service Operations	6,321,912	5,497,266	824,646
Community Services	2,321,047	2,172,110	148,937
Other	870	998	(128)
Extracurricular Activities	3,153,178	2,696,570	456,608
Debt Service:			
Interest and Fiscal Charges	675,951	749,083	(73,132)
<i>Total Expenses</i>	<u>148,828,828</u>	<u>171,035,894</u>	<u>(22,207,066)</u>
<i>Change in Net Position</i>	26,448,791	(2,874,844)	29,323,635
<i>Net Position Beginning of Year</i>	<u>(26,580,217)</u>	<u>(23,705,373)</u>	<u>(2,874,844)</u>
<i>Net Position End of Year</i>	<u>\$ (131,426)</u>	<u>\$ (26,580,217)</u>	<u>\$ 26,448,791</u>

Canton City School District
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Management's Discussion and Analysis
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The decrease in operating grants in is a result of a change in the State funding formula, which reduced State Foundation revenue. The increase in capital grants is a result of the Hall of Fame Village transferring ownership of the Turk Alberta weight room building to the School District during the fiscal year. Property taxes revenue increases due to collections for the May 2020 7.9 mill levy combined with an increase in the tax valuation. Miscellaneous revenues decreased due to workers compensation premium refunds that were received in fiscal year 2021.

The primary cause of the changes in program expenses were the School District's objective to reduce overall operating costs combined with changes in the School District's proportionate share of the net pension liability, net OPEB liability/asset and related accruals. As previously indicated, these items are explained in detail within their respective notes.

Governmental Funds

The School District's major funds are accounted for using the modified accrual basis of accounting.

	Fund Balance 12/31/2022	Fund Balance 12/31/2021	Change
General Fund	\$ 18,932,255	\$ 10,603,330	\$ 8,328,925
ESSER Fund	(4,707,233)	(625,272)	(4,081,961)

The significant increase to the general fund's fund balance for fiscal year 2022 was primarily caused by an increase in property taxes that was caused by the tax collections and an increase in the tax valuation for the School District, as previously discussed. Additionally, overall expenses decreased significantly as COVID-19 relief grants received offset the need for support from the general fund.

The fund balance of the ESSER fund shows a large decrease for fiscal year 2022 due to the timing and recognition of payables and receivables under the modified basis of accounting.

General Fund Budgeting Highlights

The School 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 2022, the School District amended its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

Original Budget Compared to Final Budget During the year there was no need for any amendments to increase the original estimated revenues and other financing sources or the original expenditure appropriations and financing uses.

Final Budget Compared to Actual Results A review of actual revenues and other financing sources compared to the resources in the final budget shows a large decrease due to a decrease in State Foundation received. Final budgeted appropriations and financing uses exceed actual expenditures and other financing uses as COVID-19 relief grants received offset the need for support from the general fund.

Capital Assets and Debt Administration

Canton City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2022

Capital Assets and Debt Administration

Capital Assets

During fiscal year 2022, capital assets increased due to multiple projects, including the Turk Alberta Weight Room, Crenshaw track and field improvements, Munson baseball field improvements and indoor training facility, the Crenshaw Middle School Career Tech addition and fieldhouse renovation projects. See Note 7 for more information about the capital assets of the School District.

Debt

There were no significant changes in the School Districts debt during fiscal year 2022 other than principal payments. See Note 8 for additional details.

Current Issues

During fiscal year 2022, the District Board, Administration, and all three OAPSE bargaining units successfully negotiated new three-year agreements which become effective July 1, 2022 and run through June 30, 2025. The terms of these agreements are well in line with current market standards, which include increasing the employee share of health insurance premiums.

The Board and Administration continue to manage its resources conservatively and operate using priority based budgeting to remain financially sound.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Jeff Gruber, Treasurer of Canton City School District, 1312 5th Street SW, Canton, Ohio 44707-4798.

Canton City School District
Stark County, Ohio
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Equity in Pooled Cash and Investments	\$ 45,467,852
Accounts Receivable	19,244
Intergovernmental Receivable	11,357,260
Property Taxes Receivable	48,693,770
Leases Receivable	5,778,924
Restricted Assets	
Cash and Investments with Escrow Agents	4,934,333
Net OPEB Asset	10,616,496
Non-Depreciable Capital Assets	8,106,852
Depreciable Capital Assets, net	103,615,290
<i>Total Assets</i>	238,590,021
Deferred Outflows of Resources	
Pension	36,451,717
OPEB	4,841,377
<i>Total Deferred Outflows of Resources</i>	41,293,094
Liabilities	
Accounts Payable	3,230,918
Accrued Wages and Benefits	14,753,540
Contracts Payable	938,050
Intergovernmental Payable	2,634,854
Accrued Interest Payable	93,869
Claims Payable	176,435
Matured Compensated Absences Payable	399,526
Long-Term Liabilities:	
Due Within One Year	4,648,519
Due In More Than One Year:	
Net Pension Liability	86,633,400
Net OPEB Liability	11,685,874
Other Amounts Due in More Than One Year	19,157,692
<i>Total Liabilities</i>	144,352,677
Deferred Inflows of Resources	
Property Taxes Levied for the Next Year	36,186,035
Leases	5,778,924
Pension	73,995,871
OPEB	19,701,034
<i>Total Deferred Inflows of Resources</i>	135,661,864
Net Position	
Net Investment in Capital Assets	94,643,561
Restricted for:	
Capital Outlay	1,712,192
Debt Service	8,318,144
Classroom Facilities Maintenance	5,047,633
Food Service Operations	3,912,193
Other Purposes	2,805,841
Unrestricted	(116,570,990)
<i>Total Net Position</i>	\$ (131,426)

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2022

	Program Revenues				Net (Expense)
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions	Revenue and Changes in Net Position
Governmental Activities					
Instruction:					
Regular	\$ 50,681,745	\$ 459,607	\$ 10,365,453	\$ -	\$ (39,856,684)
Special	18,485,410	217,342	4,214,990	-	(14,053,078)
Vocational	4,085,042	17,572	64,191	-	(4,003,279)
Adult/Continuing	1,047,803	786,275	225,209	-	(36,319)
Other	1,123,655	-	190,107	-	(933,548)
Support Services:					
Pupils	13,664,622	34,078	4,281,587	-	(9,348,957)
Instructional Staff	9,607,179	23,461	6,824,917	-	(2,758,801)
Board of Education	29,609	-	-	-	(29,609)
Administration	11,669,660	279,505	1,545,389	-	(9,844,766)
Fiscal	2,085,169	25,075	641,435	-	(1,418,659)
Business	438,388	-	-	-	(438,388)
Operation and Maintenance of Plant	13,092,132	50	591,131	112,576	(12,388,374)
Pupil Transportation	6,515,396	7,832	179,015	-	(6,328,549)
Central	3,830,060	1,181	804,523	-	(3,024,355)
Operation of Non-Instructional/Shared Services:					
Food Service Operations	6,321,912	442,605	5,722,241	-	(157,066)
Community Services	2,321,047	78,234	1,780,137	-	(462,677)
Other	870	796	-	-	(74)
Extracurricular Activities	3,153,178	402,073	101,182	6,275,847	3,625,923
Debt Service:					
Interest and Fiscal Charges	675,951	-	372,186	-	(303,765)
Total	\$ 148,828,828	\$ 2,775,686	\$ 37,903,693	\$ 6,388,423	(101,761,026)

General Revenues

Property Taxes Levied for:	
General Purposes	33,080,236
Debt Service	2,642,214
Capital Outlay	680,519
Classroom Facilities Maintenance	424,389
Grants and Entitlements not Restricted to Specific Programs	91,166,367
Gain on Sale of Capital Assets	17,147
Investment Earnings	(269,060)
Miscellaneous	468,005
Total General Revenues	128,209,817
<i>Change in Net Position</i>	26,448,791
<i>Net Position Beginning of Year</i>	<u>(26,580,217)</u>
<i>Net Position End of Year</i>	<u><u>\$ (131,426)</u></u>

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Balance Sheet
Governmental Funds
June 30, 2022

	General	ESSER Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 29,389,430	\$ -	\$ 15,012,555	\$ 44,401,985
Restricted Cash and Investments with Escrow Agents	-	-	4,934,333	4,934,333
Accounts Receivable	19,244	-	-	19,244
Interfund Receivable	1,478,956	-	-	1,478,956
Intergovernmental Receivable	996,112	5,112,228	5,248,920	11,357,260
Property Taxes Receivable	43,219,298	-	5,474,472	48,693,770
Leases Receivable	5,778,924	-	-	5,778,924
<i>Total Assets</i>	<u>\$ 80,881,964</u>	<u>\$ 5,112,228</u>	<u>\$ 30,670,280</u>	<u>\$ 116,664,472</u>
Liabilities				
Accounts Payable	\$ 1,283,371	\$ 1,105,962	\$ 734,706	\$ 3,124,039
Accrued Wages and Benefits	10,680,195	2,385,286	1,686,838	14,752,319
Contracts Payable	99,966	813,284	24,800	938,050
Intergovernmental Payable	1,848,272	401,040	384,714	2,634,026
Interfund Payable	-	406,656	1,072,300	1,478,956
Matured Compensated Absences Payable	393,459	-	6,067	399,526
<i>Total Liabilities</i>	<u>14,305,263</u>	<u>5,112,228</u>	<u>3,909,425</u>	<u>23,326,916</u>
Deferred Inflows of Resources				
Property Taxes Levied for the Next Year	32,177,822	-	4,008,213	36,186,035
Unavailable Revenue	9,687,700	4,707,233	5,344,729	19,739,662
Leases	5,778,924	-	-	5,778,924
<i>Total Deferred Inflows of Resources</i>	<u>47,644,446</u>	<u>4,707,233</u>	<u>9,352,942</u>	<u>61,704,621</u>
Fund Balances				
Nonspendable	40,445	-	-	40,445
Restricted	-	-	19,896,587	19,896,587
Assigned	5,268,991	-	-	5,268,991
Unassigned	13,622,819	(4,707,233)	(2,488,674)	6,426,912
<i>Total Fund Balance</i>	<u>18,932,255</u>	<u>(4,707,233)</u>	<u>17,407,913</u>	<u>31,632,935</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 80,881,964</u>	<u>\$ 5,112,228</u>	<u>\$ 30,670,280</u>	<u>\$ 116,664,472</u>

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2022

Total Governmental Fund Balances		\$ 31,632,935
<i>Amounts reported for governmental activities in 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.		111,722,142
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:		
Intergovernmental	\$ 9,822,361	
Delinquent Property Taxes	9,917,301	19,739,662
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets, liabilities, deferred outflows/inflows of resources of the internal service fund are included in governmental activities in the statement of net position.		777,185
Accrued interest payable is not due and payable in the current period and therefore not reported in the funds.		(93,869)
The net pension liability and net OPEB liability are not due and payable in the current period, therefore, the liability and related deferred inflows/outflows are not reported in governmental funds.		
Net OPEB Asset	10,616,496	
Deferred Outflows - Pension	36,451,717	
Deferred Outflows - OPEB	4,841,377	
Net Pension Liability	(86,633,400)	
Net OPEB Liability	(11,685,874)	
Deferred Inflows - Pension	(73,995,871)	
Deferred Inflows - OPEB	(19,701,034)	(140,106,589)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(6,040,000)	
Unamortized Bond Premium	(75,237)	
Bus Acquisition Bonds	(688,000)	
Energy Conservation Bonds	(6,728,636)	
Tax Anticipation Notes	(2,707,000)	
Healthcare Termination Benefits	(1,265,408)	
Compensated Absences*	(6,298,611)	(23,802,892)
<i>Net Position of Governmental Activities</i>		\$ (131,426)

*Net of Internal Service Fund portion of \$3,319

See accompanying notes to the basic financial statements.

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, 2022

	General	ESSER Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 33,427,212	\$ -	\$ 3,273,982	\$ 36,701,194
Intergovernmental	91,032,097	13,737,267	26,206,940	130,976,304
Investment Income	(269,060)	-	41,806	(227,254)
Tuition and Fees	1,570,286	-	-	1,570,286
Extracurricular Activities	55,782	-	412,891	468,673
Charges for Services	79,014	-	467,680	546,694
Rent	190,033	-	-	190,033
Contributions and Donations	22,650	-	116,658	139,308
Miscellaneous	236,002	-	232,003	468,005
<i>Total Revenues</i>	<u>126,344,016</u>	<u>13,737,267</u>	<u>30,751,960</u>	<u>170,833,243</u>
Expenditures				
Current:				
Instruction:				
Regular	44,873,877	8,478,532	471,724	53,824,133
Special	13,822,355	-	5,562,485	19,384,840
Vocational	4,616,524	-	68,810	4,685,334
Adult/Continuing	838,919	-	302,322	1,141,241
Other	655,747	-	467,908	1,123,655
Support Services:				
Pupils	10,339,040	1,998,194	2,510,384	14,847,618
Instructional Staff	2,275,354	2,948,032	5,078,156	10,301,542
Board of Education	29,609	-	-	29,609
Administration	10,876,657	579,571	1,304,232	12,760,460
Fiscal	1,431,233	117,509	655,727	2,204,469
Business	464,954	-	-	464,954
Operation and Maintenance of Plant	11,629,419	453,633	743,469	12,826,521
Pupil Transportation	6,286,389	137,692	50,246	6,474,327
Central	3,019,137	-	1,065,685	4,084,822
Operation of Non-Instructional/Shared Services:				
Food Service Operations	-	-	6,343,063	6,343,063
Community Services	188,166	310,908	1,987,078	2,486,152
Other	870	-	-	870
Extracurricular Activities	1,723,812	-	1,418,391	3,142,203
Capital Outlay	3,562,206	2,795,157	795,502	7,152,865
Debt Service				
Principal Retirement	-	-	3,400,000	3,400,000
Interest and Fiscal Charges	-	-	697,272	697,272
<i>Total Expenditures</i>	<u>116,634,268</u>	<u>17,819,228</u>	<u>32,922,454</u>	<u>167,375,950</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>9,709,748</u>	<u>(4,081,961)</u>	<u>(2,170,494)</u>	<u>3,457,293</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	-	-	20,495	20,495
Transfers In	-	-	1,993,370	1,993,370
Transfers Out	(1,380,823)	-	(612,547)	(1,993,370)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,380,823)</u>	<u>-</u>	<u>1,401,318</u>	<u>20,495</u>
<i>Net Change in Fund Balances</i>	8,328,925	(4,081,961)	(769,176)	3,477,788
<i>Fund Balances Beginning of Year</i>	<u>10,603,330</u>	<u>(625,272)</u>	<u>18,177,089</u>	<u>28,155,147</u>
<i>Fund Balances End of Year</i>	<u>\$ 18,932,255</u>	<u>\$ (4,707,233)</u>	<u>\$ 17,407,913</u>	<u>\$ 31,632,935</u>

See accompanying notes to the basic financial statements.

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, 2022

Net Change in Fund Balances - Total Governmental Funds		\$ 3,477,788
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
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	\$ 13,369,978	
Current Year Depreciation	<u>(6,191,737)</u>	7,178,241
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(3,348)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Intergovernmental	(1,974,784)	
Property Taxes	<u>126,164</u>	(1,848,620)
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	2,880,000	
Bus Acquisition Bonds	220,000	
Tax Anticipation Notes	<u>300,000</u>	3,400,000
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	(27,392)	
Amortization of Premium on Bonds	<u>48,713</u>	21,321
Contractually required pension/OPEB contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	12,391,024	
OPEB	<u>401,717</u>	12,792,741
Except for amount reported as deferred inflows/outflows, changes in the net pension/OPEB liability are reported as pension/OPEB expense in the statement of activities.		
Pension	1,158,042	
OPEB	<u>812,862</u>	1,970,904
The internal service fund used by management to charge the costs of insurance to individual funds is not reported in the statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.		399,791
Some expenses reported in the statement of activities, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Healthcare Termination Benefits	38,006	
Compensated Absences	<u>(978,033)</u>	(940,027)
<i>Change in Net Position of Governmental Activities</i>		<u><u>\$ 26,448,791</u></u>

* Excludes \$243 reported in the Internal Service Fund.

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
General Fund
For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues and Other Financing Sources	\$ 128,511,799	\$ 128,511,799	\$ 124,961,277	\$ (3,550,522)
Expenditures and Other Financing Uses	<u>124,496,185</u>	<u>124,496,185</u>	<u>120,303,270</u>	<u>4,192,915</u>
Net Change in Fund Balance	4,015,614	4,015,614	4,658,007	642,393
<i>Fund Balance Beginning of Year</i>	16,216,494	16,216,494	16,216,494	-
Prior Year Encumbrances Appropriated	<u>4,033,488</u>	<u>4,033,488</u>	<u>4,033,488</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ 24,265,596</u>	<u>\$ 24,265,596</u>	<u>\$ 24,907,989</u>	<u>\$ 642,393</u>

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual (Budget Basis)
ESSER Fund
For the Fiscal Year Ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues and Other Financing Sources	\$ 91,386,488	\$ 92,380,222	\$ 13,470,075	\$ (78,910,147)
Expenditures and Other Financing Uses	<u>91,254,797</u>	<u>92,248,531</u>	<u>20,237,374</u>	<u>72,011,157</u>
Net Change in Fund Balance	131,691	131,691	(6,767,299)	(6,898,990)
<i>Fund Balance Beginning of Year</i>	(177,846)	(177,846)	(177,846)	-
Prior Year Encumbrances Appropriated	<u>46,155</u>	<u>46,155</u>	<u>46,155</u>	<u>-</u>
<i>Fund Balance End of Year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (6,898,990)</u>	<u>\$ (6,898,990)</u>

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Statement of Fund Net Position
Proprietary Funds
June 30, 2022

	Governmental Activities
	Internal Service Funds
Assets	
<i>Current Assets:</i>	
Equity in Pooled Cash and Investments	\$ 1,065,867
<i>Total Current Assets</i>	1,065,867
 <i>Current Liabilities:</i>	
Accounts Payable	106,879
Accrued Wages and Benefits	1,221
Intergovernmental Payable	828
Claims Payable	176,435
<i>Total Current Liabilities</i>	285,363
 <i>Long-Term Liabilities:</i>	
Compensated Absences Payable	3,319
<i>Total Liabilities</i>	288,682
 Net Position	
Unrestricted	777,185
<i>Total Net Position</i>	\$ 777,185

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	Governmental Activities
	Internal Service Funds
Operating Revenues	
Charges for Services	\$ 823,267
Other	67,568
<i>Total Operating Revenues</i>	890,835
Operating Expenses	
Salaries	31,746
Fringe Benefits	12,015
Purchased Services	422,633
Materials and Supplies	119,554
Change in Workers Comp Estimate	(110,811)
Claims	15,907
<i>Total Operating Expenses</i>	491,044
<i>Operating Income (Loss)</i>	399,791
<i>Net Position Beginning of Year</i>	377,394
<i>Net Position End of Year</i>	\$ 777,185

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2022

	Governmental Activities
	Internal Service Funds
Cash Flows from Operating Activities	
Cash Received from Interfund Services Provided	\$ 823,267
Cash Received from Other Operating Receipts	67,568
Cash Payments to Suppliers for Goods and Services	(82,070)
Cash Payments to Employees for Services and Benefits	(43,335)
Cash Payments for Contractual Services	(412,956)
Cash Payments for Claims	(7,987)
<i>Net Cash Provided by Operating Activities</i>	344,487
<i>Net Increase (Decrease) in Cash and Investments</i>	344,487
<i>Cash and Investments Beginning of Year</i>	721,380
<i>Cash and Investments End of Year</i>	\$ 1,065,867
 Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities	
Operating Income (Loss)	\$ 399,791
Adjustments:	
Increase (Decrease) in Liabilities and Deferred Inflows:	
Accounts Payable	47,161
Accrued Wages	33
Intergovernmental Payable	150
Claims Payable	(102,891)
Compensated Absences Payable	243
<i>Net Cash Provided by (Used For) Operating Activities</i>	\$ 344,487

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Statement of Fiduciary Net Position
Fiduciary Fund
June 30, 2022

	<u>Custodial</u>
Assets	<u>\$ -</u>
Liabilities	\$ -
Net Position	
Net Position for Restricted for Individuals, Organizations, and Other Governments	<u><u>\$ -</u></u>

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Fiscal Year Ended June 30, 2022

	Custodial
Additions	
Extracurricular Amounts Collected for Other Governments	71,924
<i>Total Additions</i>	71,924
 Deductions	
Distributions to OHSAA	71,924
<i>Total Deductions</i>	71,924
<i>Change in Net Position</i>	-
<i>Net Position Beginning of Year</i>	-
<i>Net Position End of Year</i>	\$ -

See accompanying notes to the basic financial statements.

Canton City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Canton City School District (the “School District”) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The School District operates under a locally elected five-member Board of Education and is responsible for the provision of public education to residents of the School District. The Board oversees the operations of the School District’s twenty-four instructional/support facilities.

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 School District. For the School District, this includes general operations, food service, and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s Governing Board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization’s resources; or (3) the School 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 School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School 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 School District has no component units. The basic financial statements of the reporting entity include only those of the School District (the primary government).

The following organization is described due to its relationship to the School District:

PUBLIC ENTITY RISK POOL

The Stark County Schools Council of Government (the “COG”) 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 as the Board of Directors. The assembly exercises control over the operation of the COG. All COG’s revenues are generated from charges for services. The COG has a Health Benefits Program, which is a shared risk pool comprised of various entities, most of which are school districts.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Canton City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

A. Fund Accounting

The School District uses funds to report its financial position and the results of its operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain school district activities or functions. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category is divided into separate fund types.

Governmental Funds Governmental funds focus on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

The following are the School District's major governmental funds:

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.

ESSER fund The ESSER fund accounts for monies received through the Coronavirus Aid, Relief, and Economic Security (CARES) Act and Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) which provide relief grants to school districts related to the COVID-19 pandemic. Expenditures include, but are not limited to, preparedness and response, training of staff, and purchasing technology.

Other governmental funds of the School 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 and (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects.

Proprietary Fund Type Proprietary funds are used to account for the School District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. The School District has no enterprise funds. The following is a description of the School District's internal service funds.

Internal service funds - The internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the School District, or to other governments, on a cost-reimbursement basis. The internal service funds of the School District are used to account for workers' compensation and warehouse service programs.

Fiduciary Fund Type Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into the following four classifications: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangements that has certain characteristics. The School District's fiduciary fund is a custodial fund. The custodial fund is used to account for assets held by the School District for Ohio High School Athletics Association.

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For the Fiscal Year Ended June 30, 2022

B. Basis of Presentation

Government-wide Financial Statements - The statement of net position and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid “doubling up” revenues and expenses.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund 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 government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the School District’s governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the 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 which are not classified as program revenues are presented as general revenues of the School District. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements - Fund financial statements report detailed information about the School 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. Non-major funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets and deferred outflows of resources, current liabilities and deferred inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its proprietary activities.

The statement of changes in fiduciary net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of changes in fiduciary net position reports additions to and deductions from custodial funds.

Canton City School District
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For the Fiscal Year Ended June 30, 2022

C. 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 on the fund financial statements. Proprietary and 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 is 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 School District, available means expected to be received within sixty days of fiscal year end.

Non-exchange transactions, in which the School 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 5). 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 School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange 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 Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 12 and 13.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, leases, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2022, but which were levied to finance fiscal year 2023 operations. Leases represents leases receivable. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, grants and entitlements and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 12 and 13).

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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 statement of revenues, expenditures and changes in fund balances as an expenditure with a like amount reported as intergovernmental revenue.

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.

D. 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 alternate 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 custodial funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the fund level. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

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

Estimated Resources By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the School 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 School District Treasurer. The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts in the certificate of estimated resources when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts in the final amended certificate of estimated resources in effect when the 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 School District. The appropriation resolution, at the fund level, 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.

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.

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

E. Cash and Investments

To improve cash management, cash received by the School District is pooled. Monies for all funds, including proprietary and fiduciary funds, are maintained in this pool. Individual fund integrity is maintained through the School District's records. Each fund's interest in the pool is presented as "equity in pooled cash and investments" on the financial statements.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2022 amounted to \$(269,060), which includes \$(123,750) assigned from other School District funds. General fund interest revenue includes a credit to adjust for fair market value. Investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the School 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 School District's investment account at fiscal year-end is provided in Note 3.

F. Capital Assets

General capital assets are those assets specifically related to governmental activities. These assets generally 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 acquisition cost at the date of donation. The School District maintains a capitalization threshold of \$5,000 for its general capital assets.

The School District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except land and construction in progress 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:

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Description	Estimated Lives
Land Improvements	20 years
Buildings/Improvements	25 - 50 Years
Furniture/Equipment	5 - 20 Years
Vehicles	6 - 10 Years

G. Interfund Balances

Short-term interfund loans used to cover negative cash balances in funds are classified as “Interfund Receivables/Payables.” These amounts are eliminated in the governmental column of the Statement of Net Position.

H. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2022 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

I. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities, and long-term obligations payable from proprietary funds are reported on the proprietary fund 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, 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 fiscal year. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan’s fiduciary net position is not sufficient for payment of those benefits.

Canton City School District
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For the Fiscal Year Ended June 30, 2022

J. Pensions and Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liability, deferred outflows of resources and deferred inflows of resources related to pension/OPEB, and pension/OPEB expense; information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

K. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the School 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.

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 School District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the School 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 School 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 School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year’s appropriated budget.

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 School 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.

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L. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. The net position component “net investment in capital assets,” consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of 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 its use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

M. Parochial Schools

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

N. 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.

O. 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. See Note 8 for further detail on restricted assets related to the energy conservation bond sinking fund deposits with escrow agent.

P. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services and fees for workers’ compensation and warehouse service programs. Operating expenses are necessary costs incurred to provide the goods or services that are the primary activity of the fund. All revenues not related to operating activities have been reported as nonoperating revenue.

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.

Canton City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2022, the School District did not have extraordinary or special items.

S. Bond Premiums

Bond premiums are 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. On the governmental fund financial statements, bond premiums are recognized in the year of issuance.

T. Implementation of New Accounting Principles

For the fiscal year ended June 30, 2022, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, certain provisions of GASB Statement No. 93, *Replacement of Interbank Offered Rates*, certain provisions of GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32* and certain provisions in GASB Statement No. 99, *Omnibus 2022*.

GASB Statement No. 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. These changes were incorporated in the School District's financial statements; however, there was no effect on beginning net position/fund balance.

GASB Statement No. 93 addresses accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The implementation of paragraphs 11b, 13 and 14 of GASB Statement No. 93 did not have an effect on the financial statements of the School District.

GASB Statement No. 97 requirements that are related to a) the accounting and financial reporting for Section 457 plans and b) determining whether a primary government is financially accountable for a potential component unit were implemented for fiscal year 2022. The implementation of GASB Statement No. 97 did not have an effect on the financial statements of the School District.

GASB Statement No. 99 enhances comparability in the application of accounting and financial reporting requirements and will improve consistency of authoritative literature. The implementation of certain provisions of GASB Statement No. 99 did not have an effect on the financial statements of the School District.

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NOTE 3 - DEPOSITS AND INVESTMENTS

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

Active deposits are public deposits necessary to meet the current demands on the treasury. Such monies must be maintained either as cash in the School 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 School District has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal 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 (STAR Ohio);

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7. Certain banker's acceptance and commercial paper notes for a period not to exceed two hundred seventy days and one hundred and eighty days, respectively, from the purchase date in an amount not to exceed forty percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate note interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within 5 years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

According to State law, public depositories must give security for all public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within 5 years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During fiscal year 2022, the School District and public depositories complied with the provisions of these statutes.

Cash and Investments with Escrow Agent

At fiscal year-end, \$4,934,333 was invested with an escrow agent for required sinking fund deposits relating to the School District's energy conservation bonds. These funds are not included in "deposits with financial institutions" or "investments" below.

Deposits - At year-end, \$28,797,410 of the School District's bank balance of \$29,297,410 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

Custodial Credit Risk Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

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- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Investments

As of June 30, 2022, the School District had the following investments and maturities:

S&P Global Ratings	Investment Type	Measurement Value	Investment Maturities			Percent of Total
			12 Months or Less	12 to 36 Months	More Than 36 Months	
	Net Asset Value (NAV):					
AAAm	Money Market	\$ 3,759,600	\$ 3,759,600	\$ -	\$ -	22.93%
	Fair Value:					
AA+	Federal Farm Credit	741,023	244,123	361,157	135,743	4.52%
AA+	Federal Home Loan Bank Notes	2,564,407	-	2,004,640	559,767	15.64%
AA+	FAMC	98,381	98,381	-	-	0.59%
AA+	Federal Home Loan Mortgage Notes	306,158	-	306,158	-	1.87%
AAA	Corporate Bonds	715,071	248,129	235,026	231,916	4.36%
N/A	US Treasury Notes	4,327,209	144,671	2,310,628	1,871,910	26.39%
N/A	Negotiable Certificates of Deposit	3,887,155	993,678	2,893,477	-	23.70%
	Total Investments	\$ 16,399,004	\$ 5,488,582	\$ 8,111,086	\$ 2,799,336	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2022. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

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 School District's investment policy requires that operating funds be invested primarily in short-term investments maturing within one year from the date of purchase and that the School District's investment portfolio be structured so that the securities mature to meet cash requirements for ongoing operations and/or long-term debt payments. The stated intent of the policy is to avoid the need to sell securities prior to maturity.

Concentration of Credit Risk The School District places no limit on the amount the School District may invest in any one issuer. The previous table includes the percentage to total of each investment type held by the School District at June 30, 2022.

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For the Fiscal Year Ended June 30, 2022

NOTE 4 - INTERFUND TRANSACTIONS

A. Interfund Transfers

During the fiscal year, the School District had the following transfers:

	<u>Transfers Out</u>	<u>Transfers In</u>
General Fund	\$ 1,380,823	\$ -
Nonmajor Governmental Funds	612,547	1,993,370
Total	<u>\$ 1,993,370</u>	<u>\$ 1,993,370</u>

The general fund and the permanent improvement fund made transfers to the bond retirement fund to provide additional resources for debt payments. The general fund also made a transfer to the district managed athletic fund and several other nonmajor governmental funds to provide additional resources for current operations. The workers compensation internal service fund made transfers to the general funds and the nonmajor governmental funds to reduce a surplus in the fund. Interfund transfers between governmental funds are eliminated in the statement of activities.

B. Interfund Receivable/Payable

Interfund balances at June 30, 2022 consist of the following individual fund receivables and payables:

	<u>Interfund Payable</u>	<u>Interfund Receivable</u>
		<u>General</u>
ESSER Grant		\$ 406,656
Nonmajor Special Revenue Funds:		
Public Preschool		40,952
Adult Basic Education		18,752
21st Century		73,911
IDEA, Part B		46,026
Vocational Education		13,941
Title III		7,461
Title I Disadvantaged		317,191
Drug Free School		132,082
IDEA, Preschool		999
Title II-A		62,030
Miscellaneous Federal Grants		304,681
ARP HEERF Grant		54,274
Total		<u>\$ 1,478,956</u>

The primary purpose of the interfund balance is to cover costs in the fund where revenues were not received by June 30. This interfund balance will be repaid once the anticipated revenues are received. These advances are expected to be repaid within one year. Interfund loans between governmental activities are eliminated on the statement of net position.

Canton City School District
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NOTE 5 - PROPERTY TAXES

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2022 represents collections of calendar year 2021 taxes. Real property taxes received in calendar year 2022 were levied after April 1, 2021, on the assessed value listed as of January 1, 2021, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. 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 revenue received in calendar year 2022 represents collections of calendar year 2021 taxes. Public utility real and tangible personal property taxes received in calendar year 2022 became a lien December 31, 2020, were levied after April 1, 2021 and are collected in 2022 with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

The School District receives property taxes from Stark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2022, are available to finance fiscal year 2022 operations. 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, 2022, 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 of resources.

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 of resources.

The assessed values upon which the fiscal year 2022 taxes were collected are:

	2021 Second- Half Collections		2022 First- Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 569,076,680	87%	\$ 657,847,120	90%
Public Utility Personal Property	85,345,660	13%	69,566,030	10%
Total	<u>\$ 654,422,340</u>	<u>100%</u>	<u>\$ 727,413,150</u>	<u>100%</u>
Full Tax Rate per \$1,000 of assessed valuation	<u>\$ 80.00</u>		<u>\$ 82.90</u>	

Canton City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

NOTE 6 - RECEIVABLES

Receivables at June 30, 2022 consisted of leases, property taxes, interfund, and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, lease contractual obligations, the stable condition of State programs and the current fiscal year guarantee of Federal funds. All receivables, except property taxes, are expected to be collected within one year. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

NOTE 7 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2022, was as follows:

	Balance 6/30/2021	Additions	Reductions	Balance 6/30/2022
Governmental Activities				
<i>Capital Assets, not Being Depreciated</i>				
Land	\$ 5,836,700	\$ 69,522	\$ -	\$ 5,906,222
Construction in Progress	1,723,533	11,144,192	(10,667,095)	2,200,630
<i>Total Capital Assets, not Being Depreciated</i>	<u>7,560,233</u>	<u>11,213,714</u>	<u>(10,667,095)</u>	<u>8,106,852</u>
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	2,457,211	2,797,239	-	5,254,450
Buildings/Improvements	189,864,373	9,190,991	-	199,055,364
Furniture/Equipment	4,256,712	716,807	-	4,973,519
Vehicles	8,610,316	118,322	(269,640)	8,458,998
<i>Total Capital Assets, Being Depreciated</i>	<u>205,188,612</u>	<u>12,823,359</u>	<u>(269,640)</u>	<u>217,742,331</u>
Less: Accumulated Depreciation				
Land Improvements	(1,567,684)	(143,790)	-	(1,711,474)
Buildings/Improvements	(98,491,851)	(4,951,148)	-	(103,442,999)
Furniture/Equipment	(2,262,399)	(415,156)	-	(2,677,555)
Vehicles	(5,879,662)	(681,643)	266,292	(6,295,013)
<i>Total Accumulated Depreciation</i>	<u>(108,201,596)</u>	<u>(6,191,737)</u>	<u>266,292</u>	<u>(114,127,041)</u>
<i>Total Capital Assets Being Depreciated, Net</i>	<u>96,987,016</u>	<u>6,631,622</u>	<u>(3,348)</u>	<u>103,615,290</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 104,547,249</u>	<u>\$ 17,845,336</u>	<u>\$ (10,670,443)</u>	<u>\$ 111,722,142</u>

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Canton City School District
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*Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 2,647,685
Special	850,176
Vocational	132,670
Adult/Continuing	15,702
Support Services:	
Pupil	116,963
Instructional Staff	204,536
Administration	196,468
Fiscal	200
Business	8,779
Operation and Maintenance of Plant	457,738
Pupil Transportation	615,164
Central	28,898
Operation of Non-Instructional Services	
Food Service Operations	498,370
Community Services	80,622
Extracurricular Activities	337,766
<i>Total Depreciation</i>	<u>\$ 6,191,737</u>

NOTE 8 - LONG-TERM OBLIGATIONS

The changes in the School District's long-term obligations during the fiscal year consist of the following:

	Outstanding 6/30/2021	Additions	Reductions	Outstanding 6/30/2022	Amounts Due in One Year
Governmental Activities:					
<i>General Obligation Bonds</i>					
Serial Refunding Bonds, Series 2015	\$ 8,920,000	\$ -	\$ (2,880,000)	\$ 6,040,000	\$2,970,000
Unamortized Bond Premium	123,950	-	(48,713)	75,237	-
<i>Total General Obligation Bonds</i>	9,043,950	-	(2,928,713)	6,115,237	2,970,000
<i>Direct Placements</i>					
Energy Conservation Bonds	6,728,636	-	-	6,728,636	-
Bus Acquisition Bond, Series 2020	908,000	-	(220,000)	688,000	225,000
Tax Anticipation Note, Series 2020	3,007,000	-	(300,000)	2,707,000	309,000
<i>Total Direct Placements</i>	10,643,636	-	(520,000)	10,123,636	534,000
<i>Net Pension/OPEB Liability</i>					
Pension	162,767,823	-	(76,134,423)	86,633,400	-
OPEB	12,703,402	-	(1,017,528)	11,685,874	-
<i>Total Net Pension/OPEB Liability</i>	175,471,225	-	(77,151,951)	98,319,274	-
Healthcare Reimbursement Arrangement Payable	1,303,414	-	(38,006)	1,265,408	104,893
Compensated Absences	5,323,652	1,956,277	(977,999)	6,301,930	1,039,626
<i>Total Governmental Activities</i>	\$201,785,877	\$1,956,277	\$(81,616,669)	\$ 122,125,485	\$4,648,519
<i>Long-Term Liabilities</i>	\$201,785,877	\$1,956,277	\$(81,616,669)	\$ 122,125,485	\$4,648,519

Canton City School District
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Compensated absences will be paid from the fund from which the employee is paid which, for the School District, is primarily the general fund and the food service fund (a non-major governmental fund). The healthcare reimbursement arrangement payable will be paid from the general fund. There is no repayment schedule for the net pension liability and net OPEB asset/liability; however, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension liability and net OPEB asset/liability see Notes 12 and 13. The general obligation and energy conservation bonds will be paid from the bond retirement fund. The note will be retired from the capital projects fund.

Series 2015 General Obligation Refunding Bonds On April 17, 2015 the School District issued Series 2015 general obligation refunding bonds in the amount of \$8,950,000 to refund \$9,005,000 of the Series 2005 current interest bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net position. The refunded bonds were called on June 1, 2015.

The refunding issue is comprised of serial bonds, par value \$8,950,000. The average interest rate on the current interest bonds is 5.00 percent.

These refunding bonds were issued with a premium of \$426,647, which was recorded as revenue. The issuance resulted in a difference between the cash flows required to service the old debt and the cash flows required to service the new debt of \$1,484,599. The issuance resulted in an economic gain of \$1,347,934.

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

Bus Acquisition Bond, Series 2020 On April 17, 2020 the School District issued bus acquisition bonds in the amount of \$1,120,000 to purchase school buses and related equipment used in transporting students. The bonds carry an interest rate of 2.14 percent and a final maturity date of June 1, 2025.

Energy Conservation Bonds On December 14, 2010, the School District issued \$6,728,636 in energy conservation bonds (federally taxable qualified school construction bonds). The proceeds of these bonds were used for building improvements intended to increase the energy efficiency of the School District's buildings. These bonds bear an annual interest rate of 5.43 percent, mature on December 1, 2025 and will be paid from the debt service fund. The School District is required to make mandatory sinking fund deposits (consisting of cash and/or U.S. Treasury obligations) on December 1, in the following years and in the following amounts (in each case equal to the value of any cash deposits, plus the stated principal value at maturity of any U.S. Treasury obligations plus any interest to be paid thereon through and including the maturity date):

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December 1 of year	Amount Due	Amount Deposited
2011	\$ 448,576	\$ 448,576
2012	448,575	448,575
2013	448,575	448,575
2014	448,575	448,575
2015	448,575	448,576
2016	448,576	448,576
2017	448,576	448,576
2018	448,576	448,576
2019	448,576	448,576
2020	448,576	448,576
2021	448,576	448,576
2022	448,576	-
2023	448,576	-
2024	448,576	-
2025	448,576	-
	<u>\$6,728,636</u>	<u>\$4,934,333</u>

The amount deposited is reported as a restricted asset on the basic financial statements.

The School District receives a reimbursement from the United States Treasury equal to 100 percent of the lesser of the interest payments on the energy conservation bonds or the federal tax credits that would have otherwise been available to the holders of the energy conservation bonds. The School District records this reimbursement as federal intergovernmental revenue in the debt service fund.

Tax Anticipation Note Series 2020 On February 12, 2020, the School District received \$3,300,000 for the purpose of improving the School District’s C.T. Branin Natatorium at an interest rate of 2.6 percent. The note was issued for a 10 year period with final maturity on December 1, 2029.

Principal and interest requirements to retire the debt outstanding at June 30, 2022 are as follows:

Fiscal Year	General Obligation Bonds		Energy Conservation Bond		Bus Acquisition Bonds		Tax Anticipation Note		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2023	\$ 2,970,000	\$ 145,760	\$ -	\$ 365,365	\$ 225,000	\$ 13,525	\$ 309,000	\$ 66,365	\$ 3,504,000	\$ 591,015
2024	3,070,000	49,120	-	365,365	229,000	8,688	317,000	58,227	3,616,000	481,400
2025	-	-	-	365,365	234,000	3,767	325,000	49,881	559,000	419,013
2026	-	-	6,728,636	182,682	-	-	333,000	41,327	7,061,636	224,009
2027	-	-	-	-	-	-	342,000	32,552	342,000	32,552
2028-2030	-	-	-	-	-	-	1,081,000	42,653	1,081,000	42,653
	<u>\$ 6,040,000</u>	<u>\$ 194,880</u>	<u>\$ 6,728,636</u>	<u>\$ 1,278,777</u>	<u>\$ 688,000</u>	<u>\$ 25,980</u>	<u>\$ 2,707,000</u>	<u>\$ 291,005</u>	<u>\$ 16,163,636</u>	<u>\$ 1,790,642</u>

Retirement Incentive Program and Health Care Reimbursement Arrangement The School District has offered a retirement incentive plan (RIP) to certified teaching staff. Severance payments for teachers electing to retire under the RIP shall be paid in two equal installments with each installment paid on or about January 15 of the first and second calendar years following the retirement. A liability for severance payments due under the RIP has been recorded on the fund financial statements as a component of “compensated absences payable” and on the government-wide statement of net position as a component of “long-term liabilities.”

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In addition to severance payments, employees electing to retire under the RIP are entitled to a health care reimbursement arrangement (HRA) established by the School District for the benefit of the retiring teachers and their spouses. Under the HRA, retiring teachers will receive payments, by year, in varying amounts between \$500 to \$5,300 which will be deposited by the School District into a separate account established for the retired employee and their spouse. The HRA is effective until the retiree and his or her spouse become deceased. The amounts deposited to a retiree’s account may be carried forward over to subsequent years and shall not be subject to forfeiture, except upon the death of both the retiree and his or her spouse. The remainder of the liability has been recorded on the government-wide statement of net position as a component of “long-term liabilities.” The total HRA liability was calculated based upon required payments under the HRA for each applicable employee.

NOTE 9 - LEASES

The School District entered into leases with the Hall of Fame (HOF) Village on November 30, 2020 to lease a stadium, parking lot and youth football fields located at 1835 Harrison Avenue NW; Canton, Ohio to the HOF Village. The value of the lease is being reflected as leases receivable and deferred inflows in the general fund. The money received has been recorded as a deferred inflow in the School District’s financial statements and will be amortized over the life of the lease using the straight-line method.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ -	\$ 311,900	\$ 311,900
2024	-	311,900	311,900
2025	-	311,900	311,900
2026	-	311,900	311,900
2027	-	311,900	311,900
2028 - 2032	-	1,687,030	1,687,030
2033 - 2037	-	1,701,200	1,701,200
2038 - 2042	-	1,721,720	1,721,720
2043 - 2047	-	1,724,000	1,724,000
2048 - 2052	-	1,879,700	1,879,700
2053 - 2057	-	1,897,000	1,897,000
2058 - 2062	-	2,067,100	2,067,100
2063 - 2067	-	2,086,000	2,086,000
2068 - 2072	-	2,274,100	2,274,100
2073 - 2077	-	2,295,000	2,295,000
2078 - 2082	-	2,501,550	2,501,550
2083 - 2087	-	2,524,500	2,524,500
2088 - 2092	-	2,751,750	2,751,750
2093 - 2097	-	2,777,000	2,777,000
2098 - 2102	294,481	2,732,269	3,026,750
2103 - 2107	1,585,342	1,469,158	3,054,500
2108 - 2112	2,489,515	840,385	3,329,900
2113 - 2115	1,409,584	107,936	1,517,520
	<u>\$ 5,778,924</u>	<u>\$ 36,596,897</u>	<u>\$ 42,375,820</u>

Canton City School District
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NOTE 10 - RISK MANAGEMENT

The School 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.

A. Comprehensive

The School District maintains comprehensive insurance coverage with private carriers for liability, including data and cyber security, real property, building contents, crime and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 100 percent coinsured. The School District has obtained coverage from commercial insurance carriers.

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

B. Shared Risk Pool

The School District is a participant in the Stark County Schools Council of Government (the “COG”) for the purpose of obtaining benefits at a reduced premium for health care benefits. The School District’s insurance program for health care, through the COG, is administered by Mutual Health Services Company. Payments are made to the COG for monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal agent of the COG is the Stark County Educational Service Center. The Treasurer of the Stark County Educational Service Center pays Mutual Health Services monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges.

C. Workers’ Compensation Program

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

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

	Balance at Beginning of Year	Claims	Payments	Balance at End of Year
2021	\$ 271,406	\$ 20,228	\$ 12,308	\$ 279,326
2022	\$ 279,326	\$ (94,904)	\$ 7,987	\$ 176,435

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The Ohio Bureau of Workers' Compensation uses the Micro Insurance Reserving Analysis (MIRA) to estimate the reserves (liability) for future costs. The MIRA reserve (liability) can vary between years as it is based upon numerous factors which estimate the future cost of a particular claim at that point in time. The previous table includes the change in estimate recorded at June 30, 2022.

NOTE 11 - COMPENSATED ABSENCES

Employees earn vacation at rates specified under State of Ohio law and based on credited service. Teachers and some administrators do not earn vacation time. Administrators, clerical, technical, and maintenance and operations employees with one or more years of service are entitled to vacation ranging from 5 to 30 days. Employees with less than one year of service earn one vacation day per month worked, not to exceed 10 days. Unused vacation is not cumulative to the next year.

All employees are entitled to a sick leave credit equal to one and one-quarter days for each month of service (earned on a pro rata basis for less than full-time employees) up to 15 days per year. This sick leave will either be absorbed by time off due to illness or injury or, within certain limitations, be paid to the employee upon retirement. The amount paid to an employee upon retirement is limited to one-quarter of the accumulated sick leave for the first 120 days, one-fifth of sick leave for days between 121 - 285 and an additional 2 days for an employee with greater than 285 days accumulated.

NOTE 12 - DEFINED BENEFIT PENSION PLANS

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability/Net OPEB Liability (Asset)

Pensions and OPEB are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions/OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period.

The net pension/OPEB liability (asset) represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions/OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities (assets) within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally

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enforceable. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension/OPEB liability (asset)* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

The remainder of this note includes the required pension disclosures. See Note 13 for the required OPEB disclosures.

Plan Description - School Employees Retirement System (SERS)

Plan Description – School District non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at www.ohsers.org under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire before August 1, 2017 *	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

* Members with 25 years of service credit as of August 1, 2017, may be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

An individual whose benefit effective date is before April 1, 2018, is eligible for a cost of living adjustment (COLA) on the first anniversary date of the benefit. New benefit recipients must wait until the fourth anniversary of their benefit for COLA eligibility. The COLA is added each year to the base benefit amount on the anniversary date of the benefit. The COLA is indexed to the percentage increase in the CPIW, not to exceed 2.5 percent and with a floor of 0 percent. A three-year COLA suspension was in effect for all benefit recipients for calendar years 2018, 2019, and 2020. SERS approved a 0.5 percent COLA for calendar year 2021.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2022, the allocation to pension, death benefits, and Medicare B was 14.0 percent. SERS did not allocate employer contributions to the Health Care Fund for fiscal year 2022.

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The School District's contractually required contribution to SERS was \$3,210,376 for fiscal year 2022. Of this amount, \$376,014 is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS' fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at www.strsoh.org.

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan, and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307.

The DB Plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation is 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. Effective August 1, 2017 – July 1, 2019, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2019 – July 1, 2021, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 28 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in until August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Eligibility changes for actuarially reduced benefits will be phased in until August 1, 2026, when retirement eligibility will be five years of qualifying service credit and age 60, or 30 years of service credit at any age.

The DC Plan allows members to place all their member contributions and 9.53 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit plan unfunded liability. A member is eligible to receive a monthly 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 DB Plan and the DC Plan. In the Combined plan, 12 percent of the 14 percent member rate is deposited into the member's DC account and the remaining 2 percent is applied to the DB Plan. Member contributions to the DC Plan are allocated among investment choices by the member, and contributions to the DB Plan from the employer and the member are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined plan payment is payable to a member on or after age 60 with five years of service. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50 and after termination of employment.

New members who choose the DC Plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

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A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. New members must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC plan who become disabled are entitled only to their account balance. Eligible survivors of members who die before service retirement may qualify for monthly benefits. 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 – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory employer rate is 14 percent and the statutory member rate is 14 percent of covered payroll. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The 2022 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$9,180,648 for fiscal year 2022. Of this amount, \$1,562,147 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District’s proportion of the net pension liability was based on the employer’s share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

	<u>SERS</u>	<u>STRS</u>	<u>Total</u>
Proportion of the Net Pension Liability:			
Current Measurement Date	0.60310230%	0.50352873%	
Prior Measurement Date	<u>0.56902760%</u>	<u>0.51714686%</u>	
Change in Proportionate Share	<u>0.03407470%</u>	<u>-0.01361813%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 22,252,726	\$ 64,380,674	\$ 86,633,400
Pension Expense	\$ (106,635)	\$ (1,051,407)	\$ (1,158,042)

Other than contributions made subsequent to the measurement date and differences between projected and actual earnings on investments; deferred inflows/outflows of resources are recognized in pension expense beginning in the current period, using a straight line method over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions, determined as of the beginning of the measurement period. Net deferred inflows/outflows of resources pertaining to the differences between projected and actual investment earnings are similarly recognized over a closed five year period.

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 2,148	\$ 1,989,053	\$ 1,991,201
Changes of Assumptions	468,577	17,860,353	18,328,930
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	1,308,582	2,431,980	3,740,562
School District Contributions Subsequent to the Measurement Date	3,210,376	9,180,648	12,391,024
Total Deferred Outflows of Resources	\$ 4,989,683	\$ 31,462,034	\$ 36,451,717
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 577,104	\$ 403,535	\$ 980,639
Net Difference between Projected and Actual Earnings on Pension Plan Investments	11,460,803	55,483,818	66,944,621
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	326,060	5,744,551	6,070,611
Total Deferred Inflows of Resources	\$ 12,363,967	\$ 61,631,904	\$ 73,995,871

\$12,391,024 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year Ending June 30:	SERS	STRS	Total
2023	\$ (2,324,949)	\$ (9,505,127)	\$ (11,830,076)
2024	(2,016,975)	(8,233,195)	(10,250,170)
2025	(2,724,966)	(10,027,007)	(12,751,973)
2026	(3,517,770)	(11,585,189)	(15,102,959)
Total	\$ (10,584,660)	\$ (39,350,518)	\$ (49,935,178)

Actuarial Assumptions - SERS

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations. Future benefits for all current plan members were projected through 2132.

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Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2021, are presented below:

Actuarial Cost Method	Entry Age Normal (Level Percentage of Payroll, Closed)
Inflation	2.40 percent
Future Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent, net of investment expense, including inflation
COLA or Ad Hoc COLA	2.00 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term return expectation for the investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategies	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

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Discount Rate Total pension liability was calculated using the discount rate of 7.00 percent. The discount rate determination does not use a municipal bond rate. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 23-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.00 percent). Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefits to determine the total pension liability. The annual money-weighted rate of return, calculated as the internal rate of return on pension plan investments was 28.18 percent.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District’s proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the School District’s net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent), or one percentage point higher (8.00 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 37,023,071	\$ 22,252,726	\$ 9,796,249

Actuarial Assumptions - STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation, are presented below:

Inflation	2.50 percent
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Cost-of-Living Adjustments	0.00 percent

Post-retirement mortality rates for healthy retirees are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. Pre-retirement mortality rates are based on RP-2014 Employee Mortality Tables, projected forward generationally using mortality improvement scale MP-2016. Post-retirement disabled mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2021 valuation, were based on the results of the latest available actuarial experience study, which is for the period July 1, 2011, through June 30, 2016. An actuarial experience study is done on a quinquennial basis.

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STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate. The discount rate used to measure the total pension liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2021. Therefore, the long-term expected rate of return on investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table represents the School District's proportionate share of the net pension liability measured as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 120,560,908	\$ 64,380,674	\$ 16,908,498

Assumption and Benefit Changes since the Prior Measurement Date The discount rate was adjusted to 7.00 percent from 7.45 percent for the June 30, 2021 valuation.

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NOTE 13 - DEFINED BENEFIT OPEB PLANS

See Note 12 for a description of the net OPEB liability (asset).

Plan Description - School Employees Retirement System (SERS)

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Annual Comprehensive Financial Report which can be obtained on SERS' website at www.ohsers.org under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established 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.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For the fiscal year ended June 30, 2022, SERS did not allocate any employer contributions 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 if less than a full year of service credit was earned. For fiscal year 2022, this amount was \$25,000. 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 total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2022, the School District's surcharge obligation was \$401,717, which is reported as an intergovernmental payable.

Plan Description - State Teachers Retirement System (STRS)

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B partial premium reimbursements will be continued indefinitely. The Plan is included in the report of STRS which can be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

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Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2022, STRS did not allocate any employer contributions to post-employment health care.

OPEB Liability (Asset), OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB

The net OPEB liability (asset) was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability (asset) was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB liability (asset) was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability (Asset):			
Current Measurement Date	0.61745700%	0.50352900%	
Prior Measurement Date	0.58451400%	0.51714700%	
Change in Proportionate Share	<u>0.03294300%</u>	<u>-0.01361800%</u>	
Proportionate Share of the Net			
OPEB Liability (Asset)	\$ 11,685,874	\$ (10,616,496)	
OPEB Expense	\$ (49,359)	\$ (763,503)	\$ (812,862)

At June 30, 2022, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
Deferred Outflows of Resources			
Differences between Expected and Actual Experience	\$ 124,562	\$ 378,028	\$ 502,590
Changes of Assumptions	1,833,239	678,134	2,511,373
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	1,350,604	75,093	1,425,697
School District Contributions Subsequent to the Measurement Date	401,717	-	401,717
Total Deferred Outflows of Resources	<u>\$ 3,710,122</u>	<u>\$ 1,131,255</u>	<u>\$ 4,841,377</u>
Deferred Inflows of Resources			
Differences between Expected and Actual Experience	\$ 5,820,095	\$ 1,945,143	\$ 7,765,238
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	253,881	2,942,707	3,196,588
Changes of Assumptions	1,600,283	6,333,532	7,933,815
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	620,332	185,061	805,393
Total Deferred Inflows of Resources	<u>\$ 8,294,591</u>	<u>\$ 11,406,443</u>	<u>\$ 19,701,034</u>

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\$401,717 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the fiscal year ending June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2023	\$ (1,121,863)	\$ (2,921,792)	\$ (4,043,655)
2024	(1,123,641)	(2,848,151)	(3,971,792)
2025	(1,157,984)	(2,809,698)	(3,967,682)
2026	(1,030,832)	(1,278,680)	(2,309,512)
2027	(467,812)	(425,388)	(893,200)
Thereafter	(84,054)	8,521	(75,533)
Total	\$ (4,986,186)	\$ (10,275,188)	\$ (15,261,374)

Actuarial Assumptions - SERS

The total OPEB liability is determined by SERS' actuaries in accordance with GASB Statement No. 74, as part of their annual actuarial valuation for each retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total OPEB liability in the latest actuarial valuation date of June 30, 2021, are presented below:

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Inflation	2.40 percent
Salary Increases, including inflation	3.25 percent to 13.58 percent
Investment Rate of Return	7.00 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	1.92 percent
Prior Measurement Date	2.45 percent
Single Equivalent Interest Rate	
Measurement Date	2.27 percent, net of plan investment expense, including price inflation
Prior Measurement Date	2.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Pre-Medicare	6.750 percent - 4.40 percent
Medicare	5.125 percent - 4.40 percent

Mortality rates were based on the PUB-2010 General Employee Amount Weight Below Median Healthy Retiree mortality table projected to 2017 with ages set forward 1 year and adjusted 94.20 percent for males and set forward two years and adjusted 81.35 percent for females. Mortality among disabled members were based upon the PUB-2010 General Disabled Retiree mortality table projected to 2017 with ages set forward five years and adjusted 103.3 percent for males and set forward three years and adjusted 106.8 percent for females. Future improvement in mortality rates is reflected by applying the MP-2020 projection scale generationally.

The most recent experience study was completed for the five year period ended June 30, 2020.

The long-term expected rate of return on plan assets is reviewed as part of the actuarial five-year experience study. The most recent study covers fiscal years 2016 through 2020, and was adopted by the Board on April 15, 2021. Several factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.00 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer time frame. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2020 five-year experience study, are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.00 %	(0.33) %
US Equity	24.75	5.72
Non-US Equity Developed	13.50	6.55
Non-US Equity Emerging	6.75	8.54
Fixed Income/Global Bonds	19.00	1.14
Private Equity	11.00	10.03
Real Estate/Real Assets	16.00	5.41
Multi-Asset Strategies	4.00	3.47
Private Debt/Private Credit	3.00	5.28
Total	<u>100.00 %</u>	

Canton City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Discount Rate The discount rate used to measure the total OPEB liability at June 30, 2021, was 2.27 percent. The discount rate used to measure total OPEB liability prior to June 30, 2021 was 2.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the plan at the contribution rate of 1.50 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and no contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make all projected future benefit payments of current System members by SERS actuaries. The Municipal Bond Index Rate is used in the determination of the SEIR for both the June 30, 2020 and the June 30, 2021 total OPEB liability. The Municipal Bond Index rate is the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by the long-term expected rate of return, and the present value determined by discounting those benefits after the date of depletion. The Municipal Bond Index Rate is 1.92 percent at June 30, 2021 and 2.45 percent at June 30, 2020.

Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.27 percent) and higher (3.27 percent) than the current discount rate (2.27 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percentage point lower (5.75 percent decreasing to 3.40 percent) and higher (7.75 percent decreasing to 5.40 percent) than the current rate (6.75 percent decreasing to 4.40 percent).

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 14,480,219	\$ 11,685,874	\$ 9,453,562
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability	\$ 8,997,170	\$ 11,685,874	\$ 15,277,171

Actuarial Assumptions – STRS

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2021, actuarial valuation are presented below:

Inflation	2.50 percent	
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65	
Payroll Increases	3.00 percent	
Investment Rate of Return	7.00 percent, net of investment expenses, including inflation	
Discount Rate of Return	7.00 percent	
Health Care Cost Trend Rates		
Medical	<u>Initial</u>	<u>Ultimate</u>
Pre-Medicare	5.00 percent	4.00 percent
Medicare	-16.18 percent	4.00 percent
Prescription Drug		
Pre-Medicare	6.50 percent	4.00 percent
Medicare	29.98 percent	4.00 percent

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

Canton City School District
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For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the June 30, 2021 valuation were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	100.00 %	

*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

Discount Rate The discount rate used to measure the total OPEB liability was 7.00 percent as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on health care plan investments of 7.00 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2021.

Sensitivity of the School District's Proportionate Share of the Net OPEB Asset to Changes in the Discount Rate and Health Care Cost Trend Rate The following table represents the net OPEB asset as of June 30, 2021, calculated using the current period discount rate assumption of 7.00 percent, as well as what the net OPEB asset would be if it were calculated using a discount rate that is one percentage point lower (6.00 percent) or one percentage point higher (8.00 percent) than the current assumption. Also shown is the net OPEB asset as of June 30, 2021, calculated using health care cost trend rates that are one percentage point lower and one percentage point higher than the current health care cost trend rates.

Canton City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (8,958,682)	\$ (10,616,496)	\$ (12,001,352)
	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability (Asset)	\$ (11,945,239)	\$ (10,616,496)	\$ (8,973,385)

Assumption Changes Since the Prior Measurement Date The discount rate was adjusted to 7.00 percent from 7.45 percent for the June 30, 2021 valuation.

Benefit Term Changes Since the Prior Measurement Date The non-Medicare subsidy percentage was increased effective January 1, 2022 from 2.055 percent to 2.100 percent. The non-Medicare frozen subsidy base premium was increased effective January 1, 2022. The Medicare Part D subsidy was updated to reflect it is expected to be negative in calendar year 2022. The Part B monthly reimbursement elimination date was postponed indefinitely.

NOTE 14 - BUDGETARY BASIS OF ACCOUNTING

While the School District is 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, disbursements, and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non GAAP Basis) and Actual - general and the ESSER funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures (budget basis) rather than as restricted, committed or assigned fund balance (GAAP basis).
4. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

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

Canton City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Net Change in Fund Balance

	General	ESSER
GAAP Basis	\$ 8,328,925	\$(4,081,961)
Net Adjustment for Revenue Accruals	229,302	(267,192)
Net Adjustment for Expenditure Accruals	867,811	4,074,187
Funds Budgeted Elsewhere **	(172,346)	-
Adjustment for Encumbrances	(4,595,685)	(6,492,333)
Budget Basis	\$ 4,658,007	\$ (6,767,299)

** As part of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 trust, rotary, adult education, natatorium recreation program, public school support and pell grant funds.

NOTE 15 - FUND BALANCE

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

	General	ESSER	Other Governmental Funds	Total
Nonspendable for:				
Unclaimed Monies	\$ 40,445	\$ -	\$ -	\$ 40,445
Restricted for:				
Debt Service	-	-	7,503,567	7,503,567
Food Service Operations	-	-	4,060,597	4,060,597
Facilities Maintenance	-	-	5,047,633	5,047,633
Other Purposes	-	-	3,284,790	3,284,790
Total Restricted	-	-	19,896,587	19,896,587
Assigned for:				
Encumbrances:				
Instruction	2,758,526	-	-	2,758,526
Support Services	699,063	-	-	699,063
Capital Outlay	190,804	-	-	190,804
Other Purposes	370,561	-	-	370,561
Adult Education	1,250,037	-	-	1,250,037
Total Assigned	5,268,991	-	-	5,268,991
Unassigned	13,622,819	(4,707,233)	(2,488,674)	6,426,912
Total Fund Balance	\$18,932,255	\$ (4,707,233)	\$ 17,407,913	\$ 31,632,935

Canton City School District
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Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

Fund Deficits

The following funds had a deficit fund balance as of June 30, 2022:

	Deficit
ESSER	4,707,233
<i>Non-Major Governmental Funds</i>	
Public Preschool	175,617
Adult Basic Education	30,091
Vocational Education	61,201
Title III	3,204
Title I, Disadvantaged Children	1,473,473
Drug Free School	248,870
IDEA Preschool	1,226
Improving Teacher Quality	100,283
Miscellaneous Federal Grants	369,220
ARP HEERF	25,489
Total	\$7,195,907

The general fund is liable for any deficits in the non-major governmental funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities. The deficits in the non-major governmental funds will be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

NOTE 16 - SET-ASIDES

The School 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.

	Capital Improvements
Set-aside Restricted Balance as of June 30, 2021	\$ 0
Current Year Set-aside Requirement	1,374,888
Current Year Offsets	(1,221,810)
Prior Year Offset from Bond Proceeds	(153,078)
Totals	\$ 0
Balance Carried Forward to Fiscal Year 2023	\$ 0
Set-aside Restricted Balance as of June 30, 2022	\$ 0

Canton City School District
Stark County, Ohio
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2022

During fiscal year 2001, the School District issued \$46,705,413 in capital related school improvement bonds. During fiscal year 2011, the School District issued \$6,728,636 in capital related energy conservation bonds. These proceeds may be used to reduce the capital improvements set-aside to zero for future years. The School District is responsible for tracking the amount of the bond proceeds that may be used as an offset in future periods, which was \$38,207,172 at June 30, 2022.

NOTE 16 – CONTINGENCIES AND COMMITMENTS

Grants

The School 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 general fund or other applicable funds; however, in the opinion of management, any such disallowed claims will not have a material effect on the financial position of the School District at June 30, 2022.

Litigation

The School District is a party to legal proceedings seeking damages or injunctive relief generally incidental to its operations and spending projects. The School District management is of the opinion that disposition of the claim and legal proceedings will not have a material effect, if any, on the financial condition of the School District.

Encumbrances

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

<u>Fund</u>	<u>Amount</u>
General	\$ 3,728,624
ESSER	4,596,599
Nonmajor Governmental	<u>1,950,012</u>
	<u>\$ 10,275,235</u>

NOTE 17 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June, 2021 while the national state of emergency continues. During fiscal year 2022, the School District received COVID-19 funding. The financial impact of COVID-19 and the continuing recovery measures will impact subsequent periods of the School District. The impact on the School District's future operating costs, revenues, and additional recovery from funding, either federal or state, cannot be estimated.

The School District's investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

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Canton City School District
Stark County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net Pension Liability
Last Nine Fiscal Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>School Employees Retirement System (SERS)</i>				
School District's Proportion of the Net Pension Liability	0.60310230%	0.56902760%	0.59509280%	0.57970830%
School District's Proportionate Share of the Net Pension Liability	\$ 22,252,726	\$ 37,636,684	\$ 35,605,446	\$ 33,200,968
School District's Covered Payroll	\$ 21,039,486	\$ 20,769,521	\$ 20,454,015	\$ 19,270,356
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	105.77%	181.21%	174.08%	172.29%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.86%	68.55%	70.85%	71.36%
<i>State Teachers Retirement System (STRS)</i>				
School District's Proportion of the Net Pension Liability	0.50352873%	0.51714686%	0.54410810%	0.51369915%
School District's Proportionate Share of the Net Pension Liability	\$ 64,380,674	\$ 125,131,139	\$ 120,326,236	\$ 112,950,909
School District's Covered Payroll	\$ 62,959,557	\$ 62,113,821	\$ 63,457,543	\$ 60,201,279
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	102.26%	201.45%	189.62%	187.62%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	87.80%	75.50%	77.40%	77.31%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

2018	2017	2016	2015	2014
0.56745170%	0.52725930%	0.53716880%	0.53571000%	0.53571000%
\$ 33,903,986	\$ 38,590,516	\$ 30,651,372	\$ 27,111,978	\$ 31,856,954
\$ 18,238,557	\$ 17,366,100	\$ 18,086,442	\$ 17,929,300	\$ 14,267,919
185.89%	222.22%	169.47%	151.22%	223.28%
69.50%	62.98%	69.16%	71.70%	65.52%
0.51027508%	0.50935338%	0.52570477%	0.53179434%	0.53179434%
\$ 121,216,939	\$ 170,495,930	\$ 145,289,422	\$ 129,350,788	\$ 154,081,812
\$ 56,425,443	\$ 54,094,986	\$ 55,545,800	\$ 55,075,962	\$ 54,048,638
214.83%	315.18%	261.57%	234.86%	285.08%
75.30%	66.80%	72.10%	74.70%	69.30%

See accompanying notes to the required supplementary information.

Canton City School District
Stark County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - Pension
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution	\$ 3,210,376	\$ 2,945,528	\$ 2,907,733	\$ 2,761,292
Contributions in Relation to the Contractually Required Contribution	<u>(3,210,376)</u>	<u>(2,945,528)</u>	<u>(2,907,733)</u>	<u>(2,761,292)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 22,931,257	\$ 21,039,486	\$ 20,769,521	\$ 20,454,015
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	13.50%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ 9,180,648	\$ 8,814,338	\$ 8,695,935	\$ 8,884,056
Contributions in Relation to the Contractually Required Contribution	<u>(9,180,648)</u>	<u>(8,814,338)</u>	<u>(8,695,935)</u>	<u>(8,884,056)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 65,576,057	\$ 62,959,557	\$ 62,113,821	\$ 63,457,543
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 2,601,498	\$ 2,553,398	\$ 2,431,254	\$ 2,383,793	\$ 2,485,001	\$ 1,974,680
<u>(2,601,498)</u>	<u>(2,553,398)</u>	<u>(2,431,254)</u>	<u>(2,383,793)</u>	<u>(2,485,001)</u>	<u>(1,974,680)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 19,270,356	\$ 18,238,557	\$ 17,366,100	\$ 18,086,442	\$ 17,929,300	\$ 14,267,919
13.50%	14.00%	14.00%	13.18%	13.86%	13.84%
\$ 8,428,179	\$ 7,899,562	\$ 7,573,298	\$ 7,776,412	\$ 7,159,875	\$ 7,026,323
<u>(8,428,179)</u>	<u>(7,899,562)</u>	<u>(7,573,298)</u>	<u>(7,776,412)</u>	<u>(7,159,875)</u>	<u>(7,026,323)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 60,201,279	\$ 56,425,443	\$ 54,094,986	\$ 55,545,800	\$ 55,075,962	\$ 54,048,638
14.00%	14.00%	14.00%	14.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

Canton City School District
Stark County, Ohio
Required Supplementary Information
Schedule of the School District's Proportionate Share of the Net OPEB Asset/Liability
Last Six Fiscal Years (1)

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>School Employees Retirement System (SERS)</i>				
School District's Proportion of the Net OPEB Liability	0.617457%	0.58451400%	0.61042600%	0.59092050%
School District's Proportionate Share of the Net OPEB Liability	\$ 11,685,874	\$ 12,703,402	\$ 15,350,925	\$ 16,393,731
School District's Covered Payroll	\$ 21,039,486	\$ 20,769,521	\$ 20,454,015	\$ 19,270,356
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	55.54%	61.16%	75.05%	85.07%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24.08%	18.17%	15.57%	13.57%
<i>State Teachers Retirement System (STRS)</i>				
School District's Proportion of the Net OPEB Liability	0.503529%	0.517147%	0.54410800%	0.51369915%
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (10,616,496)	\$ (9,088,848)	\$ (9,011,734)	\$ (8,254,621)
School District's Covered Payroll	\$ 62,959,557	\$ 62,113,821	\$ 63,457,543	\$ 60,201,279
School District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-16.86%	-14.63%	-14.20%	-13.71%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	174.73%	182.10%	174.70%	176.00%

(1) Information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

See accompanying notes to the required supplementary information.

	<u>2018</u>	<u>2017</u>
	0.57467840%	0.53708883%
\$	15,422,858	\$ 15,309,018
\$	18,238,557	\$ 17,366,100
	84.56%	88.15%
	12.46%	11.49%
	0.51027508%	0.50935338%
\$	19,909,051	\$ 27,240,351
\$	56,425,443	\$ 54,094,986
	35.28%	50.36%
	47.10%	37.30%

See accompanying notes to the required supplementary information.

Canton City School District
Stark County, Ohio
Required Supplementary Information
Schedule of the School District's Contributions - OPEB
Last Ten Fiscal Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<i>School Employees Retirement System (SERS)</i>				
Contractually Required Contribution (1)	\$ 401,717	\$ 376,250	\$ 347,292	\$ 477,540
Contributions in Relation to the Contractually Required Contribution	<u>(401,717)</u>	<u>(376,250)</u>	<u>(347,292)</u>	<u>(477,540)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 22,931,257	\$ 21,039,486	\$ 20,769,521	\$ 20,454,015
OPEB Contributions as a Percentage of Covered Payroll (1)	1.75%	1.79%	1.67%	2.33%
<i>State Teachers Retirement System (STRS)</i>				
Contractually Required Contribution	\$ -	\$ -	\$ -	\$ -
Contributions in Relation to the Contractually Required Contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School District's Covered Payroll	\$ 65,576,057	\$ 62,959,557	\$ 62,113,821	\$ 63,457,543
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

See accompanying notes to the required supplementary information.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 428,056	\$ 331,704	\$ 283,651	\$ 421,212	\$ 274,728	\$ 238,000
<u>(428,056)</u>	<u>(331,704)</u>	<u>(283,651)</u>	<u>(421,212)</u>	<u>(274,728)</u>	<u>(238,000)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 19,270,356	\$ 18,238,557	\$ 17,366,100	\$ 18,086,442	\$ 17,929,300	\$ 14,267,919
2.22%	1.82%	1.63%	2.33%	1.53%	1.67%
\$ -	\$ -	\$ -	\$ -	\$ 550,760	\$ 540,486
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(550,760)</u>	<u>(540,486)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 60,201,279	\$ 56,425,443	\$ 54,094,986	\$ 55,545,800	\$ 55,075,962	\$ 54,048,638
0.00%	0.00%	0.00%	0.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

Canton City School District
Stark County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

NOTE 1 - NET PENSION LIABILITY

There were no changes in assumptions or benefit terms for the fiscal years reported unless otherwise stated below:

Changes in Assumptions - SERS

For fiscal year 2022, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.00 percent to 2.40 percent
- Payroll growth assumption was reduced from 3.50 percent to 1.75 percent
- Assumed real wage growth was reduced from 0.50 percent to 0.85 percent
- Discount rate was reduced from 7.50 percent to 7.00 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members, service retirees and beneficiaries, and disabled members were updated.

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

Changes in Benefit Terms - SERS

For fiscal year 2021, cost-of-living adjustments was reduced from 2.50 percent to 2.00 percent.

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

Changes in Assumptions – STRS

For fiscal year 2022, the long term expected rate of return was reduced from 7.45 percent to 7.00 percent.

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to

Canton City School District
Stark County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

Changes in Benefit Terms - STRS

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

NOTE 2 - NET OPEB LIABILITY (ASSET)

Changes in Assumptions – SERS

Amounts reported incorporate changes in key methods and assumptions used in calculating the total OPEB liability as presented as follows:

Municipal Bond Index Rate:

Fiscal year 2022	1.92 percent
Fiscal year 2021	2.45 percent
Fiscal year 2020	3.13 percent
Fiscal year 2019	3.62 percent
Fiscal year 2018	3.56 percent
Fiscal year 2017	2.92 percent

Single Equivalent Interest Rate, net of plan investment expense, including price inflation:

Fiscal year 2022	2.27 percent
Fiscal year 2021	2.63 percent
Fiscal year 2020	3.22 percent
Fiscal year 2019	3.70 percent
Fiscal year 2018	3.63 percent
Fiscal year 2017	2.98 percent

Pre-Medicare Trend Assumption

Fiscal year 2022	6.75 percent initially, decreasing to 4.40 percent
Fiscal year 2021	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2020	7.00 percent initially, decreasing to 4.75 percent
Fiscal year 2019	7.25 percent initially, decreasing to 4.75 percent
Fiscal year 2018	7.50 percent initially, decreasing to 4.00 percent

Medicare Trend Assumption

Fiscal year 2022	5.125 percent initially, decreasing to 4.40 percent
Fiscal year 2021	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2020	5.25 percent initially, decreasing to 4.75 percent
Fiscal year 2019	5.375 percent initially, decreasing to 4.75 percent
Fiscal year 2018	5.50 percent initially, decreasing to 5.00 percent

Canton City School District
Stark County, Ohio
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2022

Changes in Benefit Terms – SERS

There have been no changes to the benefit provisions.

Changes in Assumptions – STRS

For fiscal year 2021, valuation year per capita health care costs were updated. Health care cost trend rates ranged from -5.20 percent to 9.60 percent initially for fiscal year 2020 and changed for fiscal year 2021 to a range of -6.69 percent to 11.87 percent, initially.

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

Changes in Benefit Terms – STRS

For fiscal year 2021, there were no changes to the claims costs process. Claim curves were updated to reflect the projected fiscal year 2021 premium based on June 30, 2020 enrollment distribution. The non-Medicare subsidy percentage was increased effective January 1, 2021 from 1.984 percent to 2.055 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2021. The Medicare subsidy percentages were adjusted effective January 1, 2021 to .1 percent for the AMA Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed indefinitely.

For fiscal year 2020, there was no change to the claims costs process. Claim curves were trended to the fiscal year ending June 30, 2020 to reflect the current price renewals. The non-Medicare subsidy percentage was increased effective January 1, 2020 from 1.944 percent to 1.984 percent per year of service. The non-Medicare frozen subsidy base premium was increased effective January 1, 2020. The Medicare subsidy percentages were adjusted effective January 1, 2021 to 2.1 percent for the Medicare plan. The Medicare Part B monthly reimbursement elimination date was postponed to January 1, 2021

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. This was subsequently extended, see above paragraph.

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

To the Board of Education and Management
Canton City School District
Stark County, Ohio
1312 5th Street SW
Canton, OH 44707

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canton City School District, Stark County, Ohio (the “School District”) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School District’s basic financial statements, and have issued our report thereon dated January 30, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School District’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School District’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School District’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. *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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
January 30, 2023

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Education and Management
Canton City School District
Stark County, Ohio
1312 5th Street SW
Canton, OH 44707

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Canton City School District’s, Stark County, Ohio (the “School District”) compliance with the types of compliance requirements³ identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School District’s major federal programs for the year ended June 30, 2022. The School District’s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*⁴ issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School District’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the School District’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the School District's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rea & Associates, Inc.

Rea & Associates, Inc.
Medina, Ohio
January 30, 2023

Canton City School District
Stark County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal Grantor/ Sub Grantor/ Program Title	Federal ALN Number	Grant Year	Expenditures	Amounts Paid to Subrecipients
<u>U.S. Department of Education</u>				
(Direct)				
Student Financial Assistance Cluster:				
Federal Pell Grant Program	84.063	2022	320,456	0
Federal Direct Student Loans	84.268	2022	492,958	0
<i>Total Student Financial Assistance Cluster</i>			813,414	0
COVID-19 Ohio Higher Ed Coronavirus Relief Public Higher Education FIPSE	84.425N	2020	52,291	0
COVID-19 District - ACTE HEERF - Student Allocation	84.425E	2021	134,925	0
COVID-19 District - ACTE HEERF - Student Allocation	84.425E	2022	110,951	0
COVID-19 District - ACTE HEERF - Institutional Allocation	84.425F	2021	42,046	0
COVID-19 District - ACTE HEERF - Institutional Allocation	84.425F	2022	212,407	0
<i>Total Education Stabilization Fund (Direct)</i> (Passed through the Ohio Department of Education)			552,620	0
COVID-19 ESSER	84.425D	2021	1,006,436	0
COVID-19 ESSER II	84.425D	2022	9,551,408	0
COVID-19 ARP ESSER	84.425U	2022	3,169,096	0
COVID-19 RemotEDx OCER Department Match	84.425D	2021	7,617	0
COVID-19 ARP Homeless round 1	84.425W	2022	10,482	0
<i>Total Education Stabilization Fund (Passed through ODE)</i>			13,745,039	0
<i>Total Education Stabilization Fund</i> (Passed through the Ohio Department of Education)			14,297,659	0
Aspire Instructional	84.002A	2021	40,694	0
Aspire Instructional	84.002A	2022	369,531	0
IELCE/IET	84.002A	2021	2,101	0
IELCE/IET	84.002A	2022	65,600	0
<i>Total Adult Education - Basic Grants to States</i>			477,926	0
Title I-A Improving Basic Programs	84.010A	2021	1,526,539	0
Title I-A Improving Basic Programs	84.010A	2022	8,133,020	0
School Quality Improvement	84.010A	2021	668,426	0
School Quality Improvement	84.010A	2022	761,247	0
Expanding Opportunities for Each Child Non-Competitive Grant	84.010A	2021	1,178	0
Expanding Opportunities for Each Child Non-Competitive Grant	84.010A	2022	202,723	0
Title-I Non-competitive, Supplemental School Improvement	84.010A	2021	62,214	0
Title-I Non-competitive, Supplemental School Improvement	84.010A	2022	32,718	0
<i>Total Title I Grants to Local Educational Agencies</i>			11,388,065	0
Title I SIG 1003(g)	84.377A	2021	81,644	0
<i>Special Education Cluster:</i>				
IDEA-B Special Education	84.027A	2021	485,256	0
IDEA-B Special Education	84.027A	2022	1,566,735	0
Parent Mentor Project (Federal)	84.027A	2021	5,677	0
Parent Mentor Project (Federal)	84.027A	2022	20,801	0
Early Literacy SSIP (IDEA)	84.027A	2021	1,561	0
<i>Total Special Education Grants to States</i>			2,080,030	0

CONTINUED

Canton City School District
Stark County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal Grantor/ Sub Grantor/ Program Title	Federal ALN Number	Grant Year	Expenditures	Amounts Paid to Subrecipients
IDEA Early Childhood Special Education	84.173A	2021	4,059	0
IDEA Early Childhood Special Education	84.173A	2022	27,406	0
<i>Total Special Education Preschool Grants</i>			31,465	0
<i>Total Special Education Cluster</i>			2,111,495	0
Carl D. Perkins Secondary	84.048A	2021	113,182	0
Carl D. Perkins Secondary	84.048A	2022	185,652	0
Carl D. Perkins Adult	84.048A	2021	5,344	0
Carl D. Perkins Adult	84.048A	2022	117,516	0
<i>Total Carl D. Perkins</i>			421,694	0
McKinney-Vento Homeless Assistance Program	84.196A	2021	37,440	0
McKinney-Vento Homeless Assistance Program	84.196A	2022	82,084	0
<i>Total Education for Homeless Children and Youth</i>			119,524	0
21st Century	84.287A	2021	96,663	0
21st Century	84.287A	2022	347,238	0
<i>Total Twenty-First Century Community Learning Centers</i>			443,901	0
Title II-A Supporting Effective Instruction	84.367A	2021	211,413	0
Title II-A Supporting Effective Instruction	84.367A	2022	593,177	0
Expanding Human Capital	84.367A	2021	13,815	0
<i>Total Title II-A Supporting Effective Instruction</i>			818,405	0
Title III Language Instruction for English Learners	84.365A	2021	6,120	0
Title III Language Instruction for English Learners	84.365A	2022	40,777	0
Title III Immigrant	84.365A	2021	4,355	0
Title III Immigrant	84.365A	2022	4,586	0
<i>Total English Language Acquisition State Grants</i>			55,838	0
Title IV-A Student Support and Academic Enrichment	84.424A	2021	131,235	0
Title IV-A Student Support and Academic Enrichment	84.424A	2022	537,562	0
<i>Total Title IV-A Student Support and Academic Enrichment</i>			668,797	0
Comprehensive Literacy State Development	84.371C	2021	1,112	0
Comprehensive Literacy State Development	84.371C	2022	107,477	0
<i>Total Comprehensive Literacy State Development</i>			108,589	0
SPDG Literacy	84.323A	2022	4,830	0
SPDG Parent, Community, and Educator Collaboration	84.323A	2022	9,952	0
<i>Total SPDG Literacy</i>			14,782	0
Total U.S. Department of Education			31,821,733	0

CONTINUED

Canton City School District
Stark County, Ohio
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2022

Federal Grantor/ Sub Grantor/ Program Title	Federal ALN Number	Grant Year	Expenditures	Amounts Paid to Subrecipients
<u>US Federal Communications Commission</u>				
(Direct)				
COVID-19 Emergency Connectivity Fund	32.009	2022	391,994	0
Total US Federal Communications Commission			<u>391,994</u>	<u>0</u>
<u>US Housing and Urban Development</u>				
(Passed thru the City of Canton)				
<i>CDBG Entitlement Grants Cluster:</i>				
CDBG - Stone Elementary	14.218	2022	3,906	0
CDBG - Volleyball	14.218	2022	28,217	0
<i>Total CDBG Entitlement Grants Cluster</i>			<u>32,123</u>	
Total US Housing and Urban Development			<u>32,123</u>	<u>0</u>
<u>US Department of the Treasury</u>				
(Passed through the Ohio Department of Education)				
COVID-19 Ohio Higher Ed Coronavirus Relief Public Higher Education	21.019	2020	464	0
COVID-19 Ohio Higher Ed Coronavirus Relief Public Higher Education Round 2	21.019	2020	988	0
COVID-19 BroadbandOhio Connectivity	21.019	2021	34,574	0
Total Coronavirus Relief Fund (Passed thru the State of Ohio)			<u>36,026</u>	<u>0</u>
(Passed through the City of Canton)				
Promotion of Education and Employment Project	21.027	2022	26,163	0
Total Coronavirus State and Local Fiscal Recovery(Passed through the City of Canton)			<u>26,163</u>	<u>0</u>
Total US Department of the Treasury			<u>62,189</u>	<u>0</u>
<u>U.S. Department of Agriculture</u>				
(Passed through the Ohio Department of Education)				
Child and Adult Care Food Program	10.558	2022	49,082	0
<i>Child Nutrition Cluster:</i>				
Non-Cash Assistance (Food Distribution)				
School Breakfast Program	10.553	2022	120,801	0
National School Lunch Program	10.555	2022	312,880	0
Cash Assistance				
School Breakfast Program	10.553	2022	1,747,214	0
National School Lunch Program	10.555	2022	3,893,840	0
COVID-19 National School Lunch Program	10.555	2021	631,498	0
<i>Total Child Nutrition Cluster</i>			<u>6,706,233</u>	<u>0</u>
COVID-19 Pandemic EBT Administrative Costs	10.649	2022	5,814	0
<i>Total Pandemic EBT Administrative Costs</i>			<u>5,814</u>	<u>0</u>
Total U.S. Department of Agriculture			<u>6,761,129</u>	<u>0</u>
Total			<u>\$ 39,069,168</u>	<u>\$ 0</u>

The accompanying notes are an integral part of this schedule

Canton City School District
Stark County, Ohio
Notes to the Schedule of Expenditures of Federal Awards
2 CFR 200.510(b)(6)
For the Year Ended June 30, 2022

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Canton City School District (the School District) under programs of the federal government for the year ended June 30, 2022. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School District.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The School District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - CHILD NUTRITION CLUSTER

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

NOTE E – FOOD DONATION PROGRAM

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

Canton City School District
Stark County, Ohio
Schedule of Findings and Questioned Costs
2 CFR Section 200.515
June 30, 2022

1. SUMMARY OF AUDITOR'S RESULTS
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(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weaknesses in internal control reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	None reported
(d) (1) (iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material control weaknesses in internal control reported for major federal programs?	No
(d) (1) (iv)	Were there any significant deficiencies in internal control reported for major federal programs?	Yes
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under 2 CFR § 200.516(a)?	Yes
(d) (1) (vii)	Major Programs (list): Title I Grants to Local Educational Agencies Title II-A Supporting Effective Instruction COVID-19 Education Stabilization Fund & COVID-19 Higher Education Emergency Relief Fund	ALN: 84.010A 84.367A 84.425D/84.425U/84.425N/ 84.425E/84.425F/84.425W
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$1,172,075 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None were noted.

Canton City School District
Stark County, Ohio
Schedule of Findings and Questioned Costs (Continued)
2 CFR Section 200.515
June 30, 2022

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS
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Finding Number	2022-001
CFDA Title and Number	Title I Grants to Local Educational Agencies – 84.010A
Federal Award Number / Year	2022
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Significant Deficiency – Allowable Costs/Cost Principles

Criteria: 2 C.F.R. § 3474.1 gives regulatory effect to the Department of Education for 2 C.F.R. § 200.430(a) which provides, in part, that costs of compensation are allowable to the extent that they satisfy the specific requirements of this part, and that the total compensation for individual employees is reasonable for the services rendered and conforms to the established written policy of the non-Federal entity consistently applied to both Federal and non-Federal activities. In addition, 2 C.F.R. § 200.430(h) (8)(i)(1)(i-iii) states, in part, charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; be incorporated into the official records of the non-Federal entity; and reasonably reflect the total activity for which the employee is compensated by the non-Federal entity.

Condition: We performed a test of controls over allowable costs/cost principles for payroll expenditures charged during fiscal year 2022. Through testing and risk assessment, it was noted that two employees paid from Title I funds that were not on the approved grants listing provided by the grants coordinator.

Cause: The School District did not implement policies and procedures to ensure complete and accurate standards for documentation of personnel expenses.

Effect: The result of this is an increased risk of non-compliance related to allowable costs and cost principles.

Recommendation: We recommend the School District evaluate applicable controls and determine why they were ineffective in preventing non-compliance. Rounds of revisions without clear and effective communication as to the changes made to the listing noted as an area that can be improved upon.

School District’s Response: See Corrective Action Plan.



Canton City School District
Stark County, Ohio
Corrective Action Plan
2 CFR Section 200.511(c)
For the Fiscal Year Ended June 30, 2022

Finding Number	Planned Corrective Action	Anticipated Completion Date	Responsible Contact Person
2022-001	Procedures will be reviewed over the payroll process to ensure after that documentation is maintained to support payment with federal funds.	June 30, 2023	Jeff Gruber, Treasurer

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OHIO AUDITOR OF STATE KEITH FABER



CANTON CITY SCHOOL DISTRICT

STARK COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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



Certified for Release 3/28/2023

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

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www.ohioauditor.gov