

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 1999

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REPORT OF INDEPENDENT ACCOUNTANTS

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

To the Board of Education:

We have audited the accompanying general purpose financial statements of North Canton City School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of North Canton City School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and similar fiduciary funds for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 14, 2000 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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



Jim Petro
Auditor of State

January 14, 2000

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 1999

GOVERNMENTAL FUND TYPES

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>	<u>CAPITAL PROJECTS</u>
<u>Assets and Other Debits</u>				
Cash, cash equivalents and investments	\$ 3,763,425	\$ 708,679	\$ 1,223,534	\$ 603,916
Receivable (Net allowances for uncollectables)				
Taxes - current	13,824,223	0	1,864,740	0
Taxes - delinquent	136,395	0	18,586	0
Accounts	10,267	0	0	0
Due from other governments	2,576	12,467	0	0
Accrued interest	51,718	0	0	0
Interfund	680	0	0	0
Inventory held for resale	0	0	0	0
Materials and supplies inventory	2,955	0	0	0
Restricted Assets:				
Cash, cash equivalents and investments	329,648	0	0	0
Property, plant and equipment (Net of accumulated depreciation)	0	0	0	0
Amount available in Debt Service Fund	0	0	0	0
Amount to be provided for retirement of general long-term obligations	0	0	0	0
Total Assets and Other Debits	\$ 18,121,887	\$ 721,146	\$ 3,106,860	\$ 603,916

The notes to the general purpose financial statements are an integral part of this statement.

PROPRIETARY FUND TYPES		FIDUCIARY FUNDS	ACCOUNT GROUPS		TOTALS
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	(MEMO-RANDOM ONLY)
\$ 155,780	\$ 670	\$ 167,291	\$ 0	\$ 0	\$ 6,623,295
0	0	0	0	0	15,688,963
0	0	0	0	0	154,981
1,545	0	760	0	0	12,572
20,104	0	0	0	0	35,147
0	0	0	0	0	51,718
0	0	0	0	0	680
7,929	0	0	0	0	7,929
3,499	0	0	0	0	6,454
0	0	0	0	0	329,648
116,796	0	0	45,842,990	0	45,959,786
0	0	0	0	1,325,834	1,325,834
0	0	0	0	23,121,059	23,121,059
\$ 305,653	\$ 670	\$ 168,051	\$ 45,842,990	\$ 24,446,893	\$ 93,318,066

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 1999
(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>Liabilities, Equity and Other Credits</u>				
<u>Liabilities</u>				
Accounts payable	\$ 50,644	\$ 6,288	\$ 0	\$ 25,501
Accrued wages and benefits	2,638,713	59,517	0	0
Compensated absences payable	3,407	0	0	0
Interfund Payable	0	0	0	0
Due to other governments	425,094	9,512	0	0
Deferred revenue	13,303,058	0	1,781,026	0
Due to students	0	0	0	0
General Obligation Bonds Payable	0	0	0	0
Energy Conservation Bonds Payable	0	0	0	0
Total Liabilities	16,420,916	75,317	1,781,026	25,501
<u>Equity and Other Credits</u>				
Investment in general fixed assets	0	0	0	0
Retained earnings : unreserved	0	0	0	0
Fund balances:				
Reserved for encumbrances	0	4,478	0	115,311
Reserved for budget stabilization	329,648	0	0	0
Reserved for inventory	2,955	0	0	0
Reserved for property taxes	657,560	0	102,300	0
Reserved for Endowment	0	0	0	0
Designated for Budget Stabilization	166,911	0	0	0
Unreserved - Undesignated	543,897	641,351	1,223,534	463,104
Total Equity and Other Credits	1,700,971	645,829	1,325,834	578,415
Total Liabilities, Equity and Other Credits	\$ 18,121,887	\$ 721,146	\$ 3,106,860	\$ 603,916

The notes to the general purpose financial statements are an integral part of this statement.

PROPRIETARY FUND TYPES		FIDUCIARY FUNDS	ACCOUNT GROUPS		TOTALS
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	(MEMORANDUM ONLY)
\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 82,433
37,882	0	0	0	0	2,736,112
27,637	0	0	0	1,240,357	1,271,401
680	0	0	0	0	680
27,536	0	0	0	246,536	708,678
2,727	0	0	0	0	15,086,811
0	0	90,583	0	0	90,583
0	0	0	0	21,570,000	21,570,000
0	0	0	0	1,390,000	1,390,000
96,462	0	90,583	0	24,446,893	42,936,698
0	0	0	45,842,990	0	45,842,990
209,191	670	0	0	0	209,861
0	0	0	0	0	119,789
0	0	0	0	0	329,648
0	0	0	0	0	2,955
0	0	0	0	0	759,860
0	0	43,313	0	0	43,313
0	0	0	0	0	166,911
0	0	34,155	0	0	2,906,041
209,191	670	77,468	45,842,990	0	50,381,368
\$ 305,653	\$ 670	\$ 168,051	\$ 45,842,990	\$ 24,446,893	\$ 93,318,066

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Revenues				
Taxes	\$ 13,885,259	\$ 0	\$ 1,972,677	\$ 0
Tuition and fees	183,593	218,976	0	0
Earnings on investments	339,605	10,466	0	393,594
Intergovernmental	9,664,841	1,133,466	237,821	0
Extracurricular activities	4,700	210,446	0	0
Miscellaneous	668,647	50,847	0	6,875
Total Revenues	24,746,645	1,624,201	2,210,498	400,469
Expenditures				
Instruction:				
Regular	12,500,369	989	0	0
Special	1,870,686	221,676	0	0
Vocational	971,901	39,971	0	17,663
Adult/Continuing	23,087	238	0	0
Support Services:				
Pupils	958,254	77,808	0	0
Instructional staff	1,231,873	321,770	0	0
Board of education	26,297	0	0	0
Administration	1,738,028	267,729	0	0
Fiscal	630,443	0	61,727	0
Business	33,141	0	0	252,527
Operations and maintenance	2,498,162	0	0	0
Pupil transportation	1,207,386	0	0	0
Central	132,427	2,666	0	0
Extracurricular activities	548,375	207,545	0	0
Facilities acquisition	330,786	0	0	484,944
Operation of non-instructional services	130,974	297,652	0	0
Debt Service:				
Principal retirement	0	0	905,000	0
Interest and fiscal charges	0	0	1,210,789	0
Total Expenditures	\$ 24,832,189	\$ 1,438,044	\$ 2,177,516	\$ 755,134

The notes to the general purpose financial statements are an integral part of this statement.

<u>FIDUCIARY FUND</u> <u>EXPENDABLE</u> <u>TRUST</u>	<u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>
\$ 0	\$ 15,857,936
0	402,569
5,240	748,905
0	11,036,128
0	215,146
0	726,369
<hr/>	<hr/>
5,240	28,987,053
<hr/>	<hr/>
0	12,501,358
0	2,092,362
0	1,029,535
0	23,325
0	1,036,062
226	1,553,869
0	26,297
1,054	2,006,811
0	692,170
0	285,668
0	2,498,162
0	1,207,386
3,156	138,249
0	755,920
0	815,730
0	428,626
0	905,000
0	1,210,789
<hr/>	<hr/>
\$ 4,436	\$ 29,207,319

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (85,544)	\$ 186,157	\$ 32,982	\$ (354,665)
<u>Other Financing Sources/ (Uses)</u>				
Sale of assets	9,953	0	0	0
Operating transfers in	0	0	283,079	50,000
Operating transfers out	(333,079)	0	0	0
Refund of prior year receipts	(30)	(662)	0	0
Refund of prior year expenditures	9,001	0	0	0
Total Other Financing Sources/ (Uses)	(314,155)	(662)	283,079	50,000
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	(399,699)	185,495	316,061	(304,665)
Fund Balances - July 1, 1998	2,114,957	460,334	1,009,773	883,080
Decrease in Reserve for Inventory	(14,287)	0	0	0
Fund Balances - June 30, 1999	\$ 1,700,971	\$ 645,829	\$ 1,325,834	\$ 578,415

The notes to the general purpose financial statements are an integral part of this statement.

FIDUCIARY FUND TYPE	TOTALS (MEMORANDUM ONLY)
<u>\$ 804</u>	<u>\$ (220,266)</u>
0	9,953
0	333,079
0	(333,079)
0	(692)
0	9,001
<u>0</u>	<u>18,262</u>
804	(202,004)
<u>6,459</u>	<u>4,474,603</u>
<u>0</u>	<u>(14,287)</u>
<u>\$ 7,263</u>	<u>\$ 4,258,312</u>

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / UNFAVORABLE)
Revenues			
Taxes	\$ 13,896,859	\$ 13,896,859	\$ 0
Intergovernmental	9,800,069	9,800,069	0
Tuition and fees	210,049	210,049	0
Earnings on investments	430,226	430,226	0
Extracurricular activities	4,700	4,700	0
Miscellaneous	664,902	664,902	0
Total Revenues	25,006,805	25,006,805	0
Expenditures			
Instruction:			
Regular	12,405,959	12,405,533	426
Special	1,842,686	1,842,609	77
Vocational	975,392	975,305	87
Other	23,705	23,705	0
Support Services:			
Pupils	935,717	935,639	78
Instructional staff	1,223,679	1,223,582	97
Board of education	26,299	26,297	2
Administration	1,731,417	1,731,266	151
Fiscal	600,084	600,044	40
Business	33,145	33,141	4
Operations and maintenance	2,493,426	2,493,245	181
Pupil transportation	1,205,384	1,205,290	94
Central	139,234	139,219	15
Operation of non-instructional services	116,758	116,757	1
Extracurricular activities	555,130	555,080	50
Facilities acquisition	330,795	330,784	11
Debt Service:			
Principal retirement	0	0	0
Interest and fiscal charges	0	0	0
Total Expenditures	\$ 24,638,810	\$ 24,637,496	\$ 1,314

The notes to the general purpose financial statements are an integral part of these statement.

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE/ (UNFAVORABLE)
\$ 0	\$ 0	\$ 0	\$ 1,973,866	\$ 1,973,866	\$ 0
1,194,989	1,133,464	(61,525)	229,959	229,959	0
209,976	209,976	0	0	0	0
6,881	6,881	0	0	0	0
210,445	210,445	0	0	0	0
47,379	47,379	0	0	0	0
1,669,670	1,608,145	(61,525)	2,203,825	2,203,825	0
1,200	988	212	0	0	0
342,650	224,796	117,854	0	0	0
54,293	40,800	13,493	0	0	0
237	237	0	0	0	0
104,627	82,212	22,415	0	0	0
449,868	322,473	127,395	0	0	0
0	0	0	0	0	0
288,126	267,625	20,501	0	0	0
0	0	0	61,735	61,727	8
0	0	0	0	0	0
820	0	820	0	0	0
0	0	0	0	0	0
56,519	2,666	53,853	0	0	0
0	0	0	0	0	0
568,051	508,290	59,761	0	0	0
0	0	0	0	0	0
0	0	0	905,000	905,000	0
0	0	0	1,210,789	1,210,789	0
\$ 1,866,391	\$ 1,450,087	\$ 416,304	\$ 2,177,524	\$ 2,177,516	\$ 8

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / UNFAVORABLE
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 367,995	\$ 369,309	\$ 1,314
<u>Other Financing Sources/ (Uses)</u>			
Advances in	0	18,503	18,503
Advances out	0	0	0
Sale of assets	9,952	9,952	0
Refund of prior year expenditures	31,170	31,170	0
Refund of prior year receipts	(30)	(30)	0
Operating transfers in	0	0	0
Operating transfers out	(333,078)	(333,078)	0
Total Other Financing Sources/ (Uses)	(291,986)	(273,483)	18,503
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	76,009	95,826	19,817
Fund Balances - July 1, 1998	4,079,457	4,079,457	0
Fund Balances - June 30, 1999	\$ 4,155,466	\$ 4,175,283	\$ 19,817

The notes to the general purpose financial statements are an integral part of these statement.

SPECIAL REVENUE FUNDS			DEBT SERVICE FUND		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ (196,721)	\$ 158,058	\$ 354,779	\$ 26,301	\$ 26,309	\$ 8
0	0	0	0	0	0
0	(18,933)	(18,933)	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	(663)	(663)	0	0	0
0	0	0	283,078	283,078	0
0	0	0	0	0	0
0	(19,596)	(19,596)	283,078	283,078	0
(196,721)	138,462	335,183	309,379	309,387	8
570,218	570,218	0	914,144	914,144	0
\$ 373,497	\$ 708,680	\$ 335,183	\$ 1,223,523	\$ 1,223,531	\$ 8

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

(Continued)

	<u>CAPITAL PROJECTS FUNDS</u>		
	<u>REVISED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE FAVORABLE / (UNFAVORABLE)</u>
<u>Revenues</u>			
Taxes	\$ 0	\$ 0	\$ 0
Intergovernmental	393,593	393,593	0
Tuition and fees	0	0	0
Earnings on investments	0	0	0
Extracurricular activities	0	0	0
Miscellaneous	0	0	0
Total Revenues	393,593	393,593	0
<u>Expenditures</u>			
Instruction:			
Regular	0	0	0
Special	0	0	0
Vocational	24,926	17,662	7,264
Other	0	0	0
Support Services:			
Pupils	0	0	0
Instructional staff	0	0	0
Board of education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	474,488	252,526	221,962
Operations and maintenance	0	0	0
Pupil transportation	0	0	0
Central	0	0	0
Operation of non-instructional services	0	0	0
Extracurricular activities	0	0	0
Facilities acquisition	782,055	610,999	171,056
Debt Service:			
Principal retirement	0	0	0
Interest and fiscal charges	0	0	0
Total Expenditures	\$ 1,281,469	\$ 881,187	\$ 400,282

The notes to the general purpose financial statements are an integral part of these statement.

EXPENDABLE TRUST FUND				TOTALS (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	
\$ 0	\$ 0	\$ 0	\$ 15,870,725	\$ 15,870,725	\$ 0	
0	0	0	11,618,610	11,557,085	(61,525)	
0	0	0	420,025	420,025	0	
5,240	5,240	0	442,347	442,347	0	
0	0	0	215,145	215,145	0	
0	0	0	712,281	712,281	0	
5,240	5,240	0	29,279,133	29,217,608	(61,525)	
0	0	0	12,407,159	12,406,521	638	
0	0	0	2,185,336	2,067,405	117,931	
0	0	0	1,054,611	1,033,767	20,844	
0	0	0	23,942	23,942	0	
0	0	0	1,040,344	1,017,851	22,493	
226	226	0	1,673,773	1,546,281	127,492	
0	0	0	26,299	26,297	2	
1,053	1,053	0	2,020,596	1,999,944	20,652	
0	0	0	661,819	661,771	48	
0	0	0	507,633	285,667	221,966	
0	0	0	2,494,246	2,493,245	1,001	
0	0	0	1,205,384	1,205,290	94	
3,175	3,157	18	198,928	145,042	53,886	
0	0	0	116,758	116,757	1	
0	0	0	1,123,181	1,063,370	59,811	
0	0	0	1,112,850	941,783	171,067	
0	0	0	905,000	905,000	0	
0	0	0	1,210,789	1,210,789	0	
\$ 4,454	\$ 4,436	\$ 18	\$ 29,968,648	\$ 29,150,722	\$ 817,926	

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (NON-GAAP BUDGETARY BASIS)
ALL GOVERNMENTAL FUND TYPES AND SIMILAR FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 1999

(Continued)

	CAPITAL PROJECTS FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (887,876)	\$ (487,594)	\$ 400,282
<u>Other Financing Sources/ (Uses)</u>			
Advances in	0	0	0
Advances out	0	0	0
Sale of assets	0	0	0
Refund of prior year expenditures	0	0	0
Refund of prior year receipts	0	0	0
Operating transfers in	50,000	50,000	0
Operating transfers out	0	0	0
Total Other Financing Sources/ (Uses)	50,000	50,000	0
Excess (deficit) of revenues and other financing sources over (under) expenditures and other financing uses	(837,876)	(437,594)	400,282
Fund Balances - July 1, 1998	900,703	900,703	0
Fund Balances - June 30, 1999	\$ 62,827	\$ 463,109	\$ 400,282

The notes to the general purpose financial statements are an integral part of these statement.

EXPENDABLE TRUST FUND				TOTALS (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	
\$ 786	\$ 804	\$ 18	\$ (689,515)	\$ 66,886	\$ 756,401	
0	0	0	0	18,503	18,503	
0	0	0	0	(18,933)	(18,933)	
0	0	0	9,952	9,952	0	
0	0	0	31,170	31,170	0	
0	0	0	(30)	(693)	(663)	
0	0	0	333,078	333,078	0	
0	0	0	(333,078)	(333,078)	0	
0	0	0	41,092	39,999	(1,093)	
786	804	18	(648,423)	106,885	755,308	
6,461	6,461	0	6,470,983	6,470,983	0	
\$ 7,247	\$ 7,265	\$ 18	\$ 5,822,560	\$ 6,577,868	\$ 755,308	

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 1999

	PROPRIETARY FUND TYPES		FIDUCIARY
	ENTERPRISE FUNDS	INTERNAL	FUND TYPE
		SERVICE FUND	NON- EXPENDABLE TRUST FUND
<u>Operating Revenues</u>			
Tuition and fees	\$ 47,087	\$ 0	\$ 0
Food services	720,951	0	0
Classroom materials and supplies	107,814	0	0
Extracurricular	5,842	0	0
Other operating	20,473	0	46,219
Total Operating Revenues	902,167	0	46,219
<u>Operating Expenses</u>			
Salaries	379,998	0	0
Fringe benefits	152,053	8,770	0
Purchased services	29,367	0	0
Materials and supplies	492,801	0	0
Depreciation	19,309	0	0
Other operating	4,148	0	3,584
Total Operating Expenses	1,077,676	8,770	3,584
Operating Income (loss)	(175,509)	(8,770)	42,635
<u>Nonoperating Revenues/(Expenses)</u>			
Intergovernmental	124,850	0	0
Federal Donated Commodities	38,297	0	0
Interest Income	4,419	0	0
Total Nonoperating Revenues/(Expenses)	167,566	0	0
Net Income (Loss)	(7,943)	(8,770)	42,635
Retained Earnings restated (See Note 16) - July 1, 1998	217,134	9,440	27,570
Retained Earnings - June 30, 1999	\$ 209,191	\$ 670	\$ 70,205

The notes to the general purpose financial statements are an integral part of this statement.

TOTALS
(MEMORANDUM
ONLY)

\$ 47,087
720,951
107,814
5,842
66,692

948,386

379,998
160,823
29,367
492,801
19,309
7,732

1,090,030

(141,644)

124,850
38,297
4,419

167,566

25,922

254,144

\$ 280,066

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES AND SIMILAR FIDUCIARY FUND
FOR THE YEAR ENDED JUNE 30, 1999

	PROPRIETARY FUNDS TYPES		FIDUCIARY
	ENTERPRISE FUND	INTERNAL SERVICE FUND	NON- EXPENDABLE TRUST FUND
<u>Cash Flows from Operating Activities</u>			
Operating Income (loss)	\$ (175,509)	\$ (8,770)	\$ 42,635
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation Expense	19,309	0	0
<i>(Increase) decrease in assets:</i>			
Materials and supplies inventory	1,701	0	0
Accounts receivable	(827)	0	0
Due from other governments	(19,263)	0	0
<i>Increase (decrease) in liabilities:</i>			
Accounts payable	(59)	0	0
Accrued salaries and benefits payable	753	0	0
Compensated absences payable	6,316	0	0
Deferred revenues	(1,607)	0	0
Interfund payable	430	0	0
Due to other governments	2,992	0	0
Total Adjustments	9,745	0	0
Net cash provided by (used in) operating activities	(165,764)	(8,770)	42,635
<u>Cash Flows from Noncapital</u>			
<u>Financing Activities</u>			
Intergovernmental	124,850	0	0
Federal Donated Commodities	38,297	0	0
Interest Income	4,419	0	0
Net cash provided by noncapital financing activities	167,566	0	0
Net increase (decrease) in cash and cash equivalents	1,802	(8,770)	42,635
Cash and cash equivalents - July 1, 1998	153,978	9,440	27,570
Cash and cash equivalents - June 30, 1999	\$ 155,780	\$ 670	\$ 70,205

**Reconciliation of Cash, Cash Equivalents and Investments
to the Balance Sheet:**

Trust and Agency	\$167,291
Less: Expendable Trust and Agency Funds	(97,086)
Nonexpendable Trust Fund	<u>\$70,205</u>

The notes to the general purpose financial statements are an integral part of this statement.

TOTALS
(MEMORANDUM
ONLY)

\$ (141,644)

19,309

1,701
(827)
(19,263)

(59)
753
6,316
(1,607)
430
2,992
9,745

(131,899)

124,850
38,297
4,419

167,566

35,667

190,988

\$ 226,655

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

1. Description of the School District and Reporting Entity

The North Canton City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a five-member board of education (the Board) elected by its citizens. The Board controls the District's eight school buildings, bus garage, warehouse, and administration building staffed by administrators, teachers, and non-certified personnel providing educational opportunities to its students.

The Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the general purpose financial statements of the District are not misleading.

The primary government consists of all funds, agencies, departments and offices that are not legally separate from the District. The primary government consists of general operations, food service and student related activities of the District.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The following organizations are not part of the reporting entity and are excluded from the accompanying financial statements:

City of North Canton - The City is a separate politic and corporate body. City officials are elected independent of any relationship with the District and administer the provisions of traditional City Services. The City Council acts as the taxing and budgetary authority for the services provided in the City.

Non-Public School - Within the District's boundaries, St. Paul Elementary is operated by religious organizations. Current state legislation provides

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

1. Description of the School District and Reporting Entity (Continued)

The Reporting Entity (Continued)

funding to this school. Monies are received and disbursed on behalf of the non-public school by the Treasurer of the District. The accounting of these state monies are reflected as part of the District's Special Revenue Funds.

2. Summary of Significant Accounting Policies

The general purpose financial statements of the District have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as it applies to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the guidelines of Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting*, the District has elected not to apply Financial Accounting Standards Board (FASB) Statements and interpretations issued after November 30, 1989, to its proprietary activities.

The District's significant accounting policies are described below.

A. Basis of Presentation

Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available resources. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Governmental Fund Types

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

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects that are legally restricted to expenditure for specified purposes.

Debt Service Fund

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

Capital Projects Funds

The Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds or Trust Funds.

Proprietary Fund Types

Proprietary Funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's Proprietary Fund types:

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Proprietary Fund Types (Continued)

Enterprise Funds

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

Internal Service Fund

The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a reimbursement basis.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets not owned by the District, but held for a separate entity.

Trust Fund

Trust Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. For the District, these include both Expendable Trust and Non-Expendable Trust Funds.

Agency Funds

Agency Funds are used to account for assets held by the District as an agent. Agency Funds are custodial in nature (Assets equal Liabilities) and do not involve measurement of results of operations

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Account Groups

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

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the Proprietary Funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary Funds.

B. Measurement Focus and Basis of Accounting

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All Governmental Fund Types and the Expendable Trust Fund are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the combined balance sheet.

Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All Proprietary Fund Types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary and Non-Expendable Trust Funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the Governmental, Expendable Trust, and Agency Funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year.

The available period for the District is sixty days after fiscal year end. In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred 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 the Governmental Fund Types.

The accrual basis of accounting is utilized for reporting purposes by the Proprietary Fund types and Non-Expendable Trust Fund. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. Unused donated commodities in the Enterprise Funds at year end are reported as deferred revenue.

C. Budgetary Process

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

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

prepared are the Tax Budget, the Certificate of Estimated Resources, and the Appropriation Resolution, all of which are prepared on the budgetary basis of accounting. The Certificate of Estimated Resources and the Appropriations Resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified by the County Auditor.

All funds, other than Agency Funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final Amended Certificate issued during fiscal year 1999.

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 must be legally enacted by the Board of

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Appropriations (Continued)

Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the Annual Appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The Appropriation Resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

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

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Budgetary statements are not presented for Enterprise or Agency Fund types. As a result, total advances-in and advances-out do not agree.

Formal budgetary integration is employed as a management control device during the year for all District funds consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year end expenditures of Governmental Fund Types and Similar Fiduciary Funds.

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Lapsing of Appropriations

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

D. Cash and Investments

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

During fiscal year 1999, investments were limited to repurchase agreements and federal agency securities.

Except for investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase, investments are reported at fair value which is based on quoted market prices. Investment contracts and money market investments that had a remaining maturity of one year or less at the time of purchase are reported at cost or amortized cost.

Following Ohio Statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest credited to the General, Special Revenue, Capital Improvement Fund and Enterprise Funds during the fiscal year 1999 amounted to \$339,605, \$10,466, \$393,594 and \$4,419 respectively

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

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

E. Inventory

Inventories are valued at cost (first in, first out) and are determined by physical count. Inventories in Governmental Funds consist of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Inventory in Proprietary Funds consist of expendable supplies held for consumption and food service items held for resale. The cost has been recorded as an expense at the time individual inventory items were consumed.

F. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in Governmental Funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the Proprietary Funds are capitalized in those funds. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not have any infrastructure.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of Furniture, Fixtures, and Equipment in the Enterprise Funds is computed using the straight-line method over an estimated useful lives of eight to twenty years.

G. Intergovernmental Revenues

For Governmental Funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for Proprietary Fund operations are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable. The District currently participates in various state and federal programs categorized as follows:

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

G. Intergovernmental Revenues (Continued)

Entitlements

General Fund

State Foundation Program

State Property Tax Relief

Nonreimbursable Grants

Special Revenue Funds

Drug Free Grant

Title I

Title VI

Title VI-B

Preschool Grant

Eisenhower Math & Science Grant

Goals 2000 Grant

Capital Projects Fund

School Net

Reimbursable Grants

General Fund

School Bus Reimbursement

Telecommunications Act Grant

Special Revenue Fund

Vocational Education Equipment Fund

Enterprise Fund

National School Lunch Program

Government Donated Commodities

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

G. Intergovernmental Revenues (Continued)

Grants and entitlements amounted to approximately 38 percent of the District's operating and nonoperating revenue during the 1999 fiscal year.

H. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Interfund Receivable" or "Interfund Payable". Long-term interfund loans are recorded as reservation of fund balance to indicate that they do not constitute available expendable resources since they are not a component of net current assets. The District did not have any long-term advances at year end.

I. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the District will compensate the employees for the benefits through paid time off or some other means. Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's severance policy.

For Governmental Funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for both classified and certified employees once they meet the eligibility requirements for retirement from one of the State retirement systems. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees are paid. The remainder is reported in the General Long-Term Obligations Account Group. In Proprietary Funds, the entire amount of compensated absences is reported as a fund liability.

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

J. Accrued Liabilities and Long-Term Obligations

In general, Governmental Fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from Governmental Funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due. Long-term debt and other obligations financed by Proprietary Funds are reported as liabilities of those funds.

K. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/ expenses initially made from it that are properly applicable to another fund are recorded as expenditures/ expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Designations represent tentative plans for future use of financial resources. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for encumbrances, property taxes, budget stabilization, endowment and materials and supplies inventory. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for endowment is the amount of the original contribution or investment principal that is stipulated, by legal agreement, to be invested; only the earned interest can be used for purposes set forth in the legal agreement.

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

M. Total Columns on General Purpose Financial Statements (Continued)

Total columns on the general purpose financial statements are captioned "Totals (Memorandum Only)" to indicate that they are presented only to facilitate financial analysis.

Data in these columns do not present financial position, results of operations, or cash flows in conformity with Generally Accepted Accounting Principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

N. Restricted Assets

Restricted assets in the General Fund represents cash, cash equivalents and investments set aside to establish a budget stabilization reserve. This reserve is required by the State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established.

O. Estimates

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

3. Budgetary Basis of Accounting

While the District is reporting financial position, results of operations and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Budget -Actual (Non GAAP Budgetary Basis) - All Governmental Fund Types and Similar Fiduciary Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the Budgetary basis and GAAP basis are that:

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

3. Budgetary Basis of Accounting (Continued)

1. Revenues are recorded when received in cash (Budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (Budgetary basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditure equivalents for all funds (Budgetary basis) rather than as a reservation of fund balance for Governmental Fund Types (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the Budgetary and GAAP basis statements by fund type.

Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$95,826	\$138,462	\$309,387	\$(437,594)	\$804
Adjustments for Revenue Accruals	(300,840)	16,051	6,674	6,875	-
Adjustments for Expenditure Accruals	(194,685)	30,982	0	(14,758)	-
Adjustments for Encumbrances	0	0	0	140,812	0
GAAP Basis	<u>\$(399,699)</u>	<u>\$185,495</u>	<u>\$316,061</u>	<u>\$(304,665)</u>	<u>\$804</u>

4. Deposits and Investments

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

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

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

4. Deposits and Investments (Continued)

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two year period of designation of depositories. Inactive deposits must either be evidenced by Certificates of Deposit maturing no 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 District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Treasurer by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan.

Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

4. Deposits and Investments (Continued)

4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At year end, the carrying amount of the District's deposits was \$238,160 and the bank balance was \$626,467. Of the bank balance, \$100,000 was covered by federal depository insurance and \$526,467 was covered by collateral held by the depository, or by their trust department agent, but not in the District's name.

Investments: The District's investments are categorized to give an indication of the level of custodial credit risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes insured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

4. Deposits and Investments (Continued)

Investments at June 30, 1999 consisted of:

	<u>Category 2</u>	<u>Category 3</u>	<u>Fair Value</u>
Key Bank Sweep Repurchase Agreement	\$ -	\$1,673,724	\$1,673,724
Federal Agency Securities:			
Key-Bank Federal Home Loan due 12/21/01	1,011,609	-	1,011,609
Key Bank Federal Home Loan due 9/18/00	1,526,992	-	1,526,992
Key-Bank Federal Farm Credit due 3/24/00	1,500,000	-	1,500,000
FNMA Investment due 11/2/00	<u>1,002,458</u>	<u>-</u>	<u>1,002,458</u>
Total Investments	<u>\$5,041,059</u>	<u>\$1,673,724</u>	<u>\$6,714,783</u>

The classification of cash and cash equivalents, and investments on the combined financial statements is based on criteria set forth in GASB Statement No. 9. A reconciliation between the classifications of the cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash	
	<u>Equivalents</u>	<u>Investments</u>
Per GASB Statement No. 9	\$6,952,943	\$ -
Investments which are part of the Cash Management Pool:		
Sweep Repurchase Agreement	(1,673,724)	1,673,724
Federal Agency Securities	<u>(5,041,059)</u>	<u>5,041,059</u>
Per GASB Statement No. 3	<u>\$238,160</u>	<u>\$6,714,783</u>

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

5. Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied after April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to a deferred revenue for that portion not intended to finance current year operations. The amount available to the District as an advance at June 30, 1999, was \$657,560 and \$102,300 in the General and Debt Service Fund, respectively.

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

6. Fixed Assets

A summary of the changes in the General Fixed Asset Account Group during the fiscal year is as follows:

	Balance 7/1/98	Additions	Disposals	Balance 6/30/99
Land and Land Improvements	1,998,823	\$ -	\$118,543	\$1,880,280
Buildings and Building Improvements	34,797,831	-	771,808	34,026,023
Furniture, Fixtures, and Equipment	8,869,245	114,856	567,516	8,416,585
Textbooks and Library Books	1,380,698	139,404	-	1,520,102
Totals	<u>\$47,046,597</u>	<u>\$254,260</u>	<u>\$1,457,867</u>	<u>\$45,842,990</u>

A summary of the Enterprise Funds' fixed assets at June 30, 1999 is as follows:

	Restated Balance 7/1/98	Additions	Disposals	Balance 6/30/99
Furniture, Fixtures, and Equipment	\$ 510,932	\$ -	\$(11,036)	\$ 499,896
Less: Accumulated Depreciation	<u>374,827</u>	<u>19,309</u>	<u>(11,036)</u>	<u>383,100</u>
Net Fixed Assets	<u>\$ 136,105</u>	<u>\$ 19,309</u>	<u>\$ -</u>	<u>\$ 116,796</u>

7. Long-Term Debt and Other Obligations

Debt outstanding at June 30, 1999 consisted of the following:

General Obligation Bonds

Principal Outstanding	\$21,570,000
Interest Rate	6.38 %

General Obligation Bonds (Energy Conservation)

Principal Outstanding	\$1,390,000
Interest Rate	5.71%

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

7. Long-Term Debt and Other Obligations (Continued)

Outstanding Energy Conservation and General Obligation Bonds consist of school building construction and renovation issues. Energy Conservation and General Obligation Bonds are direct obligations of the District for which its full faith, credit and resources are pledged and are payable from taxes levied on all taxable property in the District.

The District issued Energy Conservation Bonds for the purpose of paying costs of installation, modifications, and remodeling of school buildings to conserve energy.

The District issued the General Obligation Bonds in the principal amount of \$22,953,000 for the purpose of improving Hoover High School (North Campus) to provide a one-site high school for the District, as well as converting the existing Hoover High School (South Campus) to a middle school and improving the Clearmont, Greentown, Northwood, and Orchard Hill Elementary Schools. It also included the Portage Building and Mary L. Evans Kindergarten Center. The District levied a tax outside of the 10-mill limitation imposed by state statutes to pay the debt charges on the bonds and any anticipatory securities.

The annual requirements to amortize all bonded debt outstanding as of June 30, 1999, including interest payments of \$17,643,683 are as follows:

<u>Year Ending</u> <u>June 30</u>	<u>Energy Conservation</u> <u>Bonds</u>	<u>General Obligation</u> <u>Bonds</u>
2000	\$ 283,076	\$ 1,809,395
2001	280,106	1,833,335
2002	274,156	1,858,494
2003	269,655	1,860,290
2004	271,435	1,840,330
Thereafter	<u>267,280</u>	<u>29,756,131</u>
Total	<u>\$ 1,645,708</u>	<u>\$ 38,957,975</u>

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

7. Long-Term Debt and Other Obligations (Continued)

The following changes occurred in the General Long-Term Obligations Account Group during the year ended June 30, 1999:

	Balance 7/1/98	Additions	Reductions	Balance 6/30/99
G.O. Bonds Payable	\$22,280,000	\$ -	\$ 710,000	\$21,570,000
Energy Conservation Bonds Payable	1,585,000	-	195,000	1,390,000
Compensated Absences Payable	1,304,084	-	63,727	1,240,357
Due to Other Governments	245,327	1,209	-	246,536
Total	<u>\$25,414,411</u>	<u>\$ 1,209</u>	<u>\$968,727</u>	<u>\$24,446,893</u>

8. Compensated Absences

The criteria for determining vacation and sick leave components derives from negotiated agreements and State laws. Classified employees earn ten to twenty days of vacation per fiscal year, depending upon the length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 260 days for all personnel. Upon completion of ten or more years of service to the District, State, or other political subdivision, and retirement from the profession, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 57 days. Additionally, \$10 is paid for each day of sick leave accumulated above 200 days, up to the maximum allowed.

9. Risk Management

Comprehensive - The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the District contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by this carrier is as follows:

Building and Contents-replacement cost (\$5,000 deductible) \$72,072,202

Inland Marine Coverage (\$100 deductible) Coverage based on items listed.

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

9. Risk Management (Continued)

Automobile Liability - \$2,000,000

Uninsured Motorists - \$1,000,000 (\$100 deductible - comprehensive; \$250 deductible - collision)

General Liability - \$2,000,000/ each occurrence \$5,000,000/ aggregate

There has not been a significant reduction in coverage from the prior year. Settled claims have not exceeded this commercial coverage in any of the past three years.

Workers Compensation - For fiscal year 1999, the District participated in a program with the Stark County Educational Service Center to obtain workers' compensation coverage. This program is administered by CompManagement, Inc. The experience of each of the participating school districts is calculated as one experience rate and applied to all participants in the program. Each participant pays its workers' compensation premium to the State's Bureau of Workers' Compensation based on this calculation. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the program. A participant will then either receive money from or be required to contribute to the program. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the program is limited to school districts that can meet its selection criteria.

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

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

10. Defined Benefit Pension Plans

A. School Employees Retirement System

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

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The contribution rate is 14 percent of annual covered payroll. For fiscal year 1999, 9.79 percent was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998 and 1997 were \$471,229, \$519,042, and \$498,756, respectively; 42 percent has been contributed for the fiscal year 1999 and 100 percent for fiscal years 1998 and 1997. \$278,580 representing the unpaid contribution for the fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District also contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

10. Defined Benefit Pension Plans (Continued)

B. State Teachers Retirement System (Continued)

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent; 10.5 percent was the portion used to fund pension obligations. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers.

The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$1,914,604, \$1,779,508, and \$1,707,528, respectively. 82% has been contributed for the fiscal year 1999 and 100% for the fiscal years 1998 and 1997. \$344,448 representing the unpaid contribution for the fiscal year 1999, is recorded as a liability within the respective funds.

11. Post Employment Benefits

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

The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care costs in the form of a monthly premium. By Ohio law, the cost of coverage paid from the STRS funds shall be included in the employer contributions rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 1999, the STRS Board allocated employer contributions equal to 8 percent of covered payroll to the Health Care Reserve Fund, an increase from 3.5 percent for fiscal year 1998.

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

11. Post Employment Benefits (Continued)

STRS pays health care benefits from the Health Care Reserve Fund. The balance in the Health Care Reserve Fund at year end was \$2.156 million. For the fiscal year ended June 30, 1998 (the latest information available), eligible benefit recipients totaled 91,999 and net health care costs paid by STRS were \$219,224,000

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

For this fiscal year, employer contributions to fund health care benefits were 4.98 percent of covered payroll, an increase from 4.21 percent for fiscal year 1998. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1999, the minimum pay was established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 125 percent of annual health care expenses. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575 and the target level was \$139.9 million. Net assets available for payment as of June 30, 1998 by the Retirement System were \$160.3 million, at cost. The number of participants currently receiving health care benefits is approximately 50,000. The portion of the District's contributions that were used to fund postemployment benefits was \$251,257.

12. Segment Information For Enterprise Funds

The District maintains four Enterprise Funds to account for the operations of food service, uniform school supplies, adult education, and summer camp. The table on the following page reflects the more significant financial data relating to the Enterprise Funds of the District as of and for the fiscal year ended June 30, 1999.

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

12. Segment Information For Enterprise Funds (Continued)

	Food Service	School Supplies	Adult Education	Community Education	Total
Operating Revenues	\$727,345	\$76,422	\$25,107	\$73,293	\$902,167
Operating Expenses					
Before Depreciation	895,237	82,126	27,214	53,790	1,058,367
Depreciation Expense	19,309	-	-	-	19,309
Operating Income(Loss)	(173,582)	(5,705)	(2,107)	5,885	(175,509)
Nonoperating Revenues	165,889	-	1,677	-	167,566
Net Income (Loss)	(8,552)	(5,705)	429	5,885	(7,943)
Net Working Capital	9,971	9,675	4	72,745	92,395
Total Assets	223,229	9,675	4	72,745	305,653
Total Equity	126,767	9,675	4	72,745	209,191

13. Contingencies

Federal and State Assistance

During the fiscal year, the District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the Ohio General Assembly to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$7,983,403 of school foundation support.

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

13. Contingencies (Continued)

Since the Court's ruling, numerous pieces of legislation have been passed by the Ohio General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issue raised under the "thorough and efficient" clause of the Ohio Constitution. The State has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. As of the date of these statements, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school districts are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these general purpose financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future state funding under this program and on its financial operations.

14. Year 2000 Issue

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other equipment that may adversely affect the District's operations.

The District has completed an inventory of computer systems and other electronic equipment that maybe effected by the year 2000 issue and that are necessary to conducting District operations and has identified such systems as being financial reporting, payroll and employee benefits, and educational statistics reporting (through the State's Education Management and Information System (EMIS)).

The State of Ohio distributes a substantial sum of money to the District in the form of "Foundation" and federal and state grant payments. Further, the State processes a significant amount of financial and nonfinancial information about the District through EMIS. The State is responsible for remediating these systems.

To the best of management's knowledge and belief, as of January 14, 2000, the District has experienced no interruption of operations or services related to the Year 2000 issue. However, because of the unprecedented nature of the Year 2000 issue, matters may arise, and parties with whom the District does business may also experience Year 2000 readiness issues that are as yet, unknown.

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 1999

15. Set Asides

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years. The District is also required to set aside money for budget stabilization. Set-aside requirements for fiscal year 1999 are as follows:

	<u>Textbooks</u>	<u>Capital Aquisition</u>	<u>Budget Stabilization</u>	<u>Totals</u>
Set-Aside Cash Balance as of June 30, 1998	\$0	\$0	\$141,997	-----
Current Year Set-Aside Requirement	375,301	375,301	187,651	-----
Current Year Offsets	0	0	0	-----
Qualifying Disbursements	<u>375,301</u>	<u>375,301</u>	<u>0</u>	-----
Total	<u>\$0</u>	<u>\$0</u>	<u>\$329,648</u>	-----
Cash Balance Carried Forward to FY 2000	<u>\$0</u>	<u>\$0</u>	<u>\$329,648</u>	<u>\$329,648</u>
Total Restricted Assets				<u>\$329,648</u>

The General Fund balance includes \$166,911 that has been designated for the amount of set-asides in excess of requirements.

16. Prior Period Adjustment

In prior years, Enterprise Fund fixed assets were overstated by \$66,149 due to errors. As a result of correcting this error, retained earnings in the Enterprise Funds was decreased from \$283,283 to \$217,134 at June 30, 1998.

North Canton City School District
Stark County

**Schedule of Federal Awards Receipts and Expenditures
For the Year ended June 30, 1999**

Federal Grantor/ Passed Through Grantor Program Title	Pass Through Grantor Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Education</u>						
Telecommunications Act Grant		84.xxx	\$7,254	\$0	\$7,254	\$0
(Passed through the State Department of Education)						
Title I Grants to Local Educational Agencies	044503-C1-S1-98 044503-C1-S1-98C 044503-C1-S1-99	84.010	63,925 29,796 189,104	0 0 0	54,697 29,796 167,528	0 0 0
Total Title I			282,825	0	252,021	0
Special Education Cluster:						
Grants to States	044503-6B-SF-98P 044503-6B-SF-99P	84.027	87,924 211,555	0 0	85,734 138,699	0 0
Total Grants to States			299,479	0	224,433	0
Pre-School Grants	044503-PG-S1-98P 044503-PG-S1-99P	84.173	0 25,857	0 0	19,382 16,207	0 0
Total Pre-School Grants			25,857	0	35,589	0
Total Special Education Cluster			325,336	0	260,022	0
Innovative Education Programs	044503-C2-S1-97C 044503-C2-S1-99	84.298	0 18,849	0 0	360 11,736	0 0
Total Innovative Education Programs			18,849	0	12,096	0
Eisenhower Professional Development State Grants	044503-MS-S1-97C	84.281	0	0	2,054	0
Goals 2000 - State and Local Education Systemic Improvement	044503-G2-S4-97C 044503-G2-S2-99	84.276	13,616 15,000	0 0	15,113 5,111	0 0
Total Goals 2000			28,616	0	20,224	0
Safe and Drug Free Schools and Community State Grants	044503-DR-S1-98 044503-DR-S1-99	84.186	18,137 23,152	0 0	10,845 13,960	0 0
Total Safe and Drug Free Schools Grant			41,289	0	24,805	0
Total U.S. Department of Education			704,169	0	578,476	0
<u>U.S. Department of Agriculture</u>						
(Passed through the State Department of Education)						
Child Nutrition Cluster:						
Food Distribution Program	N/A	10.550	0	36,691	0	38,297
National School Lunch Program	N/A	10.555	100,099	0	100,099	0
Total U.S. Department of Agriculture - Child Nutrition Cluster			100,099	36,691	100,099	38,297
Total			\$804,268	\$36,691	\$678,575	\$38,297

See the accompanying notes to the Schedule of Federal Awards Receipts and Expenditures.

**NOTES TO THE SCHEDULE OF FEDERAL AWARDS RECEIPTS AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1999**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards Receipts and Expenditures (Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 1999, the District had no significant food commodities in inventory.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

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

To the Board of Education:

We have audited the general purpose financial statements of North Canton City School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 1999, and have issued our report thereon dated January 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the District in a separate letter dated January 14, 2000.

North Canton City School District
Stark County
Report of Independent Accountants on Compliance and on
Internal Control Required by Government Auditing Standards
Page 2

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



Jim Petro
Auditor of State

January 14, 2000



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

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

To the Board of Education:

Compliance

We have audited the compliance of North Canton City School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

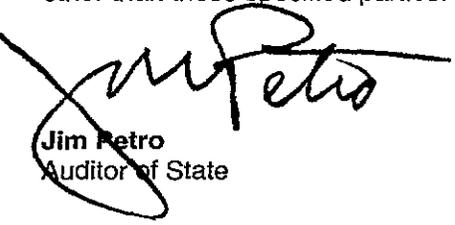
In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 1999.

Internal Control Over Compliance

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

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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



Jim Petro
Auditor of State

January 14, 2000

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505

JUNE 30, 1999

1. SUMMARY OF AUDITOR'S RESULTS
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(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Title VI-B - Special Education Grants to States CFDA #84.027; Title VI-B - Special Education - Preschool Grants CFDA #84.173.
(d)(1)(viii)	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505**

**JUNE 30, 1999
(Continued)**

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.



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NORTH CANTON CITY SCHOOL DISTRICT, STARK COUNTY

CLERK'S CERTIFICATION

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

By: *Susan Babbitt*
Clerk of the Bureau

Date: **MAR 14 2000**