



**Auditor of State
Betty Montgomery**

**CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

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INDEPENDENT ACCOUNTANTS' REPORT

Canton Local School District
Stark County
4526 Ridge Avenue S.E.
Canton, Ohio 44707

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Canton Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Canton Local School District as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2003, 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. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As discussed in Note 3 to the general purpose financial statements, certain errors resulting in the understatement of previously reported general fixed assets and Enterprise Fund fixed assets were discovered during a reappraisal. In addition, the District increased the fixed assets capitalization threshold and eliminated textbook and library books from fixed assets. Accordingly, Enterprise Fund retained earnings and fixed assets and the General Fixed Assets Account balances have been restated as of July 1, 2001 to correct for these errors and changes in District policies.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for 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. We subjected this information to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

January 27, 2003

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CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

	Governmental Fund Types			Proprietary Fund Type
	General	Special Revenue	Capital Projects	Enterprise
ASSETS AND OTHER DEBITS				
ASSETS:				
Equity in pooled cash and cash equivalents	\$ 4,921,193	\$ 161,711	\$ 107,930	\$ 114,160
Receivables (net of allowances of uncollectibles):				
Property taxes - current & delinquent	12,767,325	-	317,385	-
Accounts	37,369	-	-	-
Accrued interest	9,712	-	-	-
Interfund loan receivable	47,528	-	-	-
Due from other governments	10,890	51,376	-	40,074
Inventory held for resale	-	-	-	5,489
Advances to other funds	-	-	14,051	-
Prepayments	7,403	-	-	-
Restricted assets:				
Equity in pooled cash and cash equivalents	93,425	-	-	-
Property, plant and equipment (net of accumulated depreciation where applicable)	-	-	-	175,927
OTHER DEBITS:				
Amount to be provided for retirement of general long-term obligations	-	-	-	-
Total assets and other debits	\$ 17,894,845	\$ 213,087	\$ 439,366	\$ 335,650
LIABILITIES, EQUITY AND OTHER CREDITS				
LIABILITIES:				
Accounts payable	\$ 83,754	\$ 7,238	\$ 17,749	\$ 1,293
Accrued wages and benefits	2,056,472	42,399	129	60,761
Compensated absences payable	108,899	-	-	38,328
Pension obligation payable	369,486	1,807	-	32,792
Interfund loan payable	-	43,528	4,000	-
Deferred revenue	12,618,507	31,223	312,635	1,176
Due to other governments	253,629	3,038	1	1,468
Due to students	-	-	-	-
Undistributed monies	-	-	-	-
Advances from other funds	-	-	-	14,051
Early retirement incentive payable	-	-	-	-
Capital lease obligation	-	-	-	-
Total liabilities	15,490,747	129,233	334,514	149,869
EQUITY AND OTHER CREDITS:				
Investment in general fixed assets	-	-	-	-
Retained earnings: unreserved	-	-	-	185,781
Fund balances (deficit):				
Reserved for encumbrances	463,734	40,542	90,181	-
Reserved for advances	-	-	14,051	-
Reserved for prepayments	7,403	-	-	-
Reserved for tax revenue unavailable for appropriation	158,530	-	4,750	-
Reserved for BWC refunds	93,425	-	-	-
Unreserved-undesignated	1,681,006	43,312	(4,130)	-
Total equity and other credits	2,404,098	83,854	104,852	185,781
Total liabilities, equity and other credits	\$ 17,894,845	\$ 213,087	\$ 439,366	\$ 335,650

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

Fiduciary Fund Types	Account Groups		Total (Memorandum Only)
	Trust and Agency	General Fixed Assets	
\$ 146,491	\$ -	\$ -	\$ 5,451,485
-	-	-	13,084,710
-	-	-	37,369
-	-	-	9,712
-	-	-	47,528
-	-	-	102,340
-	-	-	5,489
-	-	-	14,051
-	-	-	7,403
-	-	-	93,425
-	16,089,969	-	16,265,896
-	-	1,925,736	1,925,736
<u>\$ 146,491</u>	<u>\$ 16,089,969</u>	<u>\$ 1,925,736</u>	<u>\$ 37,045,144</u>
\$ -	\$ -	\$ -	\$ 110,034
-	-	-	2,159,761
-	-	1,617,995	1,765,222
-	-	139,926	544,011
-	-	-	47,528
-	-	-	12,963,541
-	-	-	258,136
38,348	-	-	38,348
19,535	-	-	19,535
-	-	-	14,051
-	-	30,000	30,000
-	-	137,815	137,815
<u>57,883</u>	<u>-</u>	<u>1,925,736</u>	<u>18,087,982</u>
-	16,089,969	-	16,089,969
-	-	-	185,781
-	-	-	594,457
-	-	-	14,051
-	-	-	7,403
-	-	-	163,280
-	-	-	93,425
88,608	-	-	1,808,796
<u>88,608</u>	<u>16,089,969</u>	<u>-</u>	<u>18,957,162</u>
<u>\$ 146,491</u>	<u>\$ 16,089,969</u>	<u>\$ 1,925,736</u>	<u>\$ 37,045,144</u>

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CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Governmental Fund Types			Fiduciary Fund Type	Total (Memorandum Only)
	General	Special Revenue	Capital Projects	Expendable Trust	
Revenues:					
From local sources:					
Taxes	\$ 10,936,527	\$ -	\$ 101,137	\$ -	\$ 11,037,664
Tuition	245,571	-	-	-	245,571
Earnings on investments	191,186	436	-	2,330	193,952
Extracurricular	-	163,215	-	-	163,215
Other local revenues	80,838	20,146	19,604	14,798	135,386
Intergovernmental - State	8,116,794	152,451	11,835	-	8,281,080
Intergovernmental - Federal	22,590	751,501	-	-	774,091
Total revenue	19,593,506	1,087,749	132,576	17,128	20,830,959
Expenditures:					
Current:					
Instruction:					
Regular	7,645,252	261,880	597	-	7,907,729
Special	1,952,416	326,314	-	-	2,278,730
Vocational	1,324,729	43,217	4,115	-	1,372,061
Other	2,252	-	-	8,499	10,751
Support services:					
Pupil	971,821	124,744	-	-	1,096,565
Instructional staff	926,356	91,627	130	-	1,018,113
Board of Education	40,619	-	-	-	40,619
Administration	1,279,205	112,606	-	-	1,391,811
Fiscal	196,417	-	-	-	196,417
Business	339,688	-	-	-	339,688
Operations and maintenance	1,685,844	2,549	-	-	1,688,393
Pupil transportation	854,538	-	-	-	854,538
Central	199,586	36,110	13,369	-	249,065
Community services	2,438	7,159	-	3,529	13,126
Extracurricular activities	320,816	122,186	-	-	443,002
Facilities acquisition and construction	127,861	17,553	65,508	-	210,922
Debt service:					
Principal retirement	17,402	-	-	-	17,402
Interest and fiscal charges	7,705	-	-	-	7,705
Total expenditures	17,894,945	1,145,945	83,719	12,028	19,136,637
Excess (deficiency) of revenues over (under) expenditures	1,698,561	(58,196)	48,857	5,100	1,694,322
Other financing sources (uses):					
Operating transfers in	-	12,475	-	-	12,475
Operating transfers out	(49,072)	-	-	-	(49,072)
Proceeds from sale of fixed assets	3,325	-	-	-	3,325
Total other financing sources (uses)	(45,747)	12,475	-	-	(33,272)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	1,652,814	(45,721)	48,857	5,100	1,661,050
Fund balances, July 1	751,284	129,575	55,995	83,508	1,020,362
Fund balances, June 30	\$ 2,404,098	\$ 83,854	\$ 104,852	\$ 88,608	\$ 2,681,412

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

CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL COMPARISON (NON-GAAP BUDGETARY BASIS)
 ALL GOVERNMENTAL FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	General			Special Revenue		
	Revised Budget	Actual	Variance: Favorable (Unfavorable)	Revised Budget	Actual	Variance: Favorable (Unfavorable)
Revenues:						
From local sources:						
Taxes	\$ 10,892,668	\$ 10,940,904	\$ 48,236	\$ -	\$ -	\$ -
Tuition	251,000	245,571	(5,429)	-	-	-
Earnings on investments	240,000	182,158	(57,842)	1,000	436	(564)
Extracurricular	-	-	-	154,088	163,215	9,127
Other local revenues	8,000	25,501	17,501	17,200	20,145	2,945
Intergovernmental - State	8,115,539	8,116,794	1,255	146,413	152,451	6,038
Intergovernmental - Federal	25,000	25,870	870	775,002	755,715	(19,287)
Total revenues	<u>19,532,207</u>	<u>19,536,798</u>	<u>4,591</u>	<u>1,093,703</u>	<u>1,091,962</u>	<u>(1,741)</u>
Expenditures:						
Current:						
Instruction:						
Regular	7,486,792	7,428,060	58,732	313,342	287,316	26,026
Special	2,021,399	1,968,103	53,296	341,720	341,720	-
Vocational	1,350,002	1,380,606	(30,604)	43,560	43,569	(9)
Other	-	2,241	(2,241)	-	-	-
Support services:						
Pupil	969,127	964,244	4,883	139,226	139,226	-
Instructional staff	985,318	972,001	13,317	131,613	103,500	28,113
Board of Education	50,366	44,969	5,397	-	-	-
Administration	1,214,052	1,246,942	(32,890)	132,559	122,376	10,183
Fiscal	237,990	244,053	(6,063)	-	-	-
Business	366,147	347,006	19,141	-	-	-
Operations and maintenance	1,797,929	1,749,866	48,063	1,000	2,549	(1,549)
Pupil transportation	807,608	859,128	(51,520)	-	-	-
Central	256,153	244,782	11,371	36,599	36,667	(68)
Community services	5,500	2,484	3,016	12,235	7,478	4,757
Extracurricular activities	365,275	354,603	10,672	121,920	123,702	(1,782)
Facilities acquisition and construction	112,196	146,436	(34,240)	56,077	51,966	4,111
Total expenditures	<u>18,025,854</u>	<u>17,955,524</u>	<u>70,330</u>	<u>1,329,851</u>	<u>1,260,069</u>	<u>69,782</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,506,353</u>	<u>1,581,274</u>	<u>74,921</u>	<u>(236,148)</u>	<u>(168,107)</u>	<u>68,041</u>
Other financing sources (uses):						
Advances in	57,832	57,832	-	24,285	43,498	19,213
Advances out	(65,000)	(47,498)	17,502	-	(7,761)	(7,761)
Operating transfers in	5,500	-	(5,500)	18,257	12,475	(5,782)
Operating transfers out	(45,000)	(49,072)	(4,072)	-	-	-
Proceeds from sale of fixed assets	8,000	3,325	(4,675)	-	-	-
Refund of prior year's receipts	(3,000)	-	3,000	-	-	-
Refund of prior year expenditure	10,000	17,510	7,510	-	-	-
Total other financing sources (uses)	<u>(31,668)</u>	<u>(17,903)</u>	<u>13,765</u>	<u>42,542</u>	<u>48,212</u>	<u>5,670</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing (uses)	<u>1,474,685</u>	<u>1,563,371</u>	<u>88,686</u>	<u>(193,606)</u>	<u>(119,895)</u>	<u>73,711</u>
Fund balances, July 1	2,711,189	2,711,189	-	125,408	125,408	-
Prior year encumbrances appropriated	<u>265,055</u>	<u>265,055</u>	<u>-</u>	<u>100,191</u>	<u>100,191</u>	<u>-</u>
Fund balances, June 30	<u>\$ 4,450,929</u>	<u>\$ 4,539,615</u>	<u>\$ 88,686</u>	<u>\$ 31,993</u>	<u>\$ 105,704</u>	<u>\$ 73,711</u>

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

Capital Projects			Total (Memorandum only)		
Budget Revised	Actual	Variance: Favorable (Unfavorable)	Budget Revised	Actual	Variance: Favorable (Unfavorable)
\$ 98,130	\$ 98,130	\$ -	\$ 10,990,798	\$ 11,039,034	\$ 48,236
-	-	-	251,000	245,571	(5,429)
-	-	-	241,000	182,594	(58,406)
-	-	-	154,088	163,215	9,127
19,604	19,604	-	44,804	65,250	20,446
11,834	11,834	-	8,273,786	8,281,079	7,293
-	-	-	800,002	781,585	(18,417)
<u>129,568</u>	<u>129,568</u>	<u>-</u>	<u>20,755,478</u>	<u>20,758,328</u>	<u>2,850</u>
1,642	1,642	-	7,801,776	7,717,018	84,758
-	-	-	2,363,119	2,309,823	53,296
4,000	4,000	-	1,397,562	1,428,175	(30,613)
-	-	-	-	2,241	(2,241)
-	-	-	1,108,353	1,103,470	4,883
-	-	-	1,116,931	1,075,501	41,430
-	-	-	50,366	44,969	5,397
-	-	-	1,346,611	1,369,318	(22,707)
-	-	-	237,990	244,053	(6,063)
-	-	-	366,147	347,006	19,141
2,000	2,000	-	1,800,929	1,754,415	46,514
-	-	-	807,608	859,128	(51,520)
14,500	14,500	-	307,252	295,949	11,303
-	-	-	17,735	9,962	7,773
-	-	-	487,195	478,305	8,890
<u>153,689</u>	<u>153,689</u>	<u>-</u>	<u>321,962</u>	<u>352,091</u>	<u>(30,129)</u>
<u>175,831</u>	<u>175,831</u>	<u>-</u>	<u>19,531,536</u>	<u>19,391,424</u>	<u>140,112</u>
<u>(46,263)</u>	<u>(46,263)</u>	<u>-</u>	<u>1,223,942</u>	<u>1,366,904</u>	<u>142,962</u>
4,000	4,000	-	86,117	105,330	19,213
-	(19,604)	(19,604)	(65,000)	(74,863)	(9,863)
-	-	-	23,757	12,475	(11,282)
-	-	-	(45,000)	(49,072)	(4,072)
-	-	-	8,000	3,325	(4,675)
-	-	-	(3,000)	-	3,000
<u>7,000</u>	<u>7,000</u>	<u>-</u>	<u>17,000</u>	<u>24,510</u>	<u>7,510</u>
<u>11,000</u>	<u>(8,604)</u>	<u>(19,604)</u>	<u>21,874</u>	<u>21,705</u>	<u>(169)</u>
(35,263)	(54,867)	(19,604)	1,245,816	1,388,609	142,793
32,001	32,001	-	2,868,598	2,868,598	-
<u>22,866</u>	<u>22,866</u>	<u>-</u>	<u>388,112</u>	<u>388,112</u>	<u>-</u>
\$ 19,604	\$ -	\$ (19,604)	\$ 4,502,526	\$ 4,645,319	\$ 142,793

CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
 COMBINED STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN RETAINED EARNINGS
 ALL PROPRIETARY FUND TYPES
 FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	<u>Proprietary Fund Types</u>		Total (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Tuition and fees	\$ 48,726	\$ 8,863	\$ 57,589
Sales/charges for services	533,356	-	533,356
Other	<u>-</u>	<u>7,694</u>	<u>7,694</u>
Total operating revenues	<u>582,082</u>	<u>16,557</u>	<u>598,639</u>
Operating expenses:			
Personal services	397,349	-	397,349
Contract services	9,597	-	9,597
Materials and supplies	128,646	-	128,646
Cost of sales	305,641	-	305,641
Depreciation	35,871	-	35,871
Other	<u>330</u>	<u>-</u>	<u>330</u>
Total operating expenses	<u>877,434</u>	<u>-</u>	<u>877,434</u>
Operating income (loss)	<u>(295,352)</u>	<u>16,557</u>	<u>(278,795)</u>
Nonoperating revenues:			
Operating grants	290,137	-	290,137
Federal commodities	52,960	-	52,960
Interest revenue	2,363	-	2,363
Gain on sale of capital assets	<u>1,500</u>	<u>-</u>	<u>1,500</u>
Total nonoperating revenues	<u>346,960</u>	<u>-</u>	<u>346,960</u>
Net income before operating transfers	51,608	16,557	68,165
Operating transfers in	<u>36,597</u>	<u>-</u>	<u>36,597</u>
Net income	88,205	16,557	104,762
Retained earnings, July 1 (restated)	<u>97,576</u>	<u>(16,557)</u>	<u>81,019</u>
Retained earnings, June 30	<u>\$ 185,781</u>	<u>\$ -</u>	<u>\$ 185,781</u>

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

CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO
COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

	Proprietary Fund Types		Total (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from tuition and fees	\$ 48,726	\$ 35,431	\$ 84,157
Cash received from sales/service charges	533,356	-	533,356
Cash payments for personal services	(425,293)	(13,229)	(438,522)
Cash payments for contract services	(9,597)	-	(9,597)
Cash payments for materials and supplies	(127,501)	-	(127,501)
Cash payments for cost of goods sold	(251,784)	-	(251,784)
Cash payments for other expenses	(330)	-	(330)
Net cash provided by (used in) operating activities	(232,423)	22,202	(210,221)
Cash flows from noncapital financing activities:			
Cash received from operating grants	285,953	-	285,953
Cash received from operating transfers in	36,597	-	36,597
Cash payments used in repayment of interfund loans	(14,921)	(22,202)	(37,123)
Net cash provided by (used in) noncapital financing activities	307,629	(22,202)	285,427
Cash flows from capital and related financing activities:			
Proceeds from sale of capital assets	1,500	-	1,500
Acquisition of capital assets	(18,195)	-	(18,195)
Net cash used in capital and related financing activities	(16,695)	-	(16,695)
Cash flows from investing activities:			
Interest received	2,363	-	2,363
Net cash provided by investing activities	2,363	-	2,363
Net increase in cash and cash equivalents	60,874	-	60,874
Cash and cash equivalents at beginning of year	53,286	-	53,286
Cash and cash equivalents at end of year	\$ 114,160	\$ -	\$ 114,160
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:			
Operating income (loss)	\$ (295,352)	\$ 16,557	\$ (278,795)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	35,871	-	35,871
Federal donated commodities	52,960	-	52,960
Changes in assets and liabilities:			
Decrease inventory held for resale	1,811	-	1,811
Decrease in due from other governments	-	26,568	26,568
Increase in accounts payable	1,145	-	1,145
Increase (decrease) in accrued wages and benefits	1,218	(17,617)	(16,399)
Decrease in compensated absences payable	(1,798)	-	(1,798)
Decrease in pension obligation payable/due to other governments	(27,364)	(3,306)	(30,670)
Decrease in deferred revenue	(914)	-	(914)
Net cash used in operating activities	\$ (232,423)	\$ 22,202	\$ (210,221)

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Canton Local 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 a local district as defined by Section 3311.03 of the Ohio Revised Code. The District is governed by a five-member board of education (the Board) elected by its citizens, which is responsible for the provision of public education to residents of the District.

The District ranks as the 196th largest by total revenue among the 705 public and community school districts in the State, and 11th largest in Stark County. The District employs 118 non-certified and 179 certified employees to provide services to approximately 2,500 students in grades K through 12 and various community groups. The District is located in Canton Township, Stark County, Ohio and serves an area of approximately 25 square miles. The District operates three elementary schools, one middle school, and a high school.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The general purpose financial statements (GPFS) of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989 to its proprietary activities unless those pronouncements conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

A reporting entity is comprised of the primary government, component units, and other organizations that are included to insure that the financial statements of the District are not misleading. The primary government consists of all funds, departments, boards, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, student related activities of the District, and care and upkeep of grounds and buildings.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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 has no component units. The following organizations are described due to their relationship to the District.

JOINTLY GOVERNED ORGANIZATIONS

Stark/Portage Area Computer Consortium (SPARCC)

SPARCC is a jointly governed organization created as a regional council of governments pursuant to State Statutes made up of public school districts and county boards of education from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC.

SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the Consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the District's continued participation and no equity interest exists. The District paid \$35,630 to SPARCC during fiscal year 2002 for services. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38th Street NW, Canton, Ohio 44709.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

Stark County Tax Incentive Review Council (SCTIRC)

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

PUBLIC ENTITY RISK POOLS

Risk Sharing Pool

The Stark County Schools Council of Governments Health Benefit Plan is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services.

Insurance Purchasing Pool

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

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

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

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

PROPRIETARY FUNDS

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

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

Internal Service Fund - The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the District on a cost reimbursement basis.

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. These include an expendable trust fund and agency funds. The expendable trust fund is accounted for in the same manner as governmental funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Agency funds are reported on a cash basis, with note disclosure regarding items which, in other fund types, would be subject to accrual.

ACCOUNT GROUPS

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

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

C. Measurement Focus/Basis of Accounting

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

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

The modified accrual basis of accounting is followed for governmental, expendable trust, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when they become both measurable and available to finance expenditures of the current period, which for the District is 60 days after the June 30 year-end. Revenues accrued at the end of the year include taxes, (to the extent they are intended to finance the current fiscal year), interest, and accounts (student fees and tuition). Current property taxes measurable as of June 30, 2002, and which are intended to finance fiscal 2003 operations, have been recorded as deferred revenues. Delinquent property taxes measurable and available (received within 60 days) are recognized as revenue. In proprietary funds, unused donated commodities are reported as deferred revenue.

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

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

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

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

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

D. Budgets

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

1. Prior to January 15 of the preceding year, 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.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

2. By no later than January 20, the Board-adopted budget is filed with the Stark County Budget Commission for tax rate determination.
3. Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's Certificate of Estimated Resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the Certificate of Estimated Resources. The revised budget then serves as a basis for the appropriation measure. On or about July 1, the Certificate is amended to include any unencumbered balances from the preceding year as reported by the District Treasurer. The Certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statement reflect the amounts set forth in the final Amended Certificate issued for fiscal year 2002.
4. By July 1, the annual Appropriation Resolution is legally enacted by the Board of Education at the fund level of expenditures, which is the legal level of budgetary control. State statute permits a temporary appropriation to be effective until no later than October 1 of each year. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present budgetary statement comparisons at the fund and function level of expenditures. Resolution appropriations by fund must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation total.
5. Any revisions that alter the total of any fund appropriation must be approved by the Board of Education.
6. Formal budgetary integration is employed as a management control device during the year for all funds consistent with the general obligation bond indenture and other statutory provisions. All funds completed the year within the amount of their legally authorized cash basis appropriation.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

7. Appropriation amounts are as originally adopted, or as amended by the Board of Education through the year by supplemental appropriations, which either reallocated or increased the original appropriated amounts. All supplemental appropriations were legally enacted by the Board during fiscal 2002. The amounts reported in the budgetary statement reflect the original appropriations plus all modifications legally enacted by the Board.
8. Unencumbered appropriations lapse at year-end. Encumbered appropriations are carried forward to the succeeding fiscal year and need not be reappropriated. Expenditures plus encumbrances may not legally exceed budgeted appropriations at the fund level.

Encumbrance accounting is utilized with District funds in the normal course of operations for purchase orders and contract related expenditures. An encumbrance is a reserve on the available spending authority due to commitment for a future expenditure and does not represent a liability. For governmental fund types, encumbrances outstanding at year-end appear as a reserve to the fund balance on a GAAP basis and as the equivalent of expenditures on a non-GAAP budgetary basis in order to demonstrate legal compliance. For enterprise funds, encumbrances outstanding at year-end appear as a footnote disclosure in Note 14. Note 17 provides a reconciliation of the budgetary and GAAP basis of accounting and disclosure of the encumbrances outstanding for governmental fund types at fiscal year-end.

E. Cash and Investments

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

During fiscal year 2002, investments were limited to federal agency securities, repurchase agreements, investments in the State Asset Treasury Reserve of Ohio (STAR Ohio), nonnegotiable certificates of deposit and Victory Federal money market mutual funds. Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit and repurchase agreements, are reported at cost.

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

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

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2002.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal 2002 amounted to \$191,186, which includes \$18,995 assigned from other District funds.

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

An analysis of the District's investment account at year-end is provided in Note 5.

F. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventories of proprietary funds consist of food, purchased food, and school supplies held for resale and are expensed when used. Donated commodities on hand at year-end are recorded as deferred revenue.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

G. Fixed Assets and Depreciation

General Fixed Assets Account Group

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 enterprise fund is capitalized in the respective fund. 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 two thousand dollars. The District does not possess 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. Interest incurred during the construction of general fixed assets is also not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of fund fixed assets.

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture, fixtures, and equipment in the proprietary fund type is computed using the straight-line method over an estimated useful life of five to twenty years.

H. 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. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the District's past experience of making termination payments.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

For governmental funds, the current portion of unpaid compensation absences is the amount expected to be paid using expendable available resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees who have accumulated unpaid leave 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.

I. 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. Payments made more than sixty days after fiscal year-end are generally considered not to have been paid with current available financial resources. Capital leases 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 in the appropriate funds.

J. Fund Reserves

Reserved fund balances indicate that portion of fund equity which is not available for current appropriation or is legally segregated for a specific use. Fund balances are reserved for encumbrances, advances, prepayments, Bureau of Workers' Compensation (BWC) refunds and tax advance unavailable for appropriation. The unreserved portions of fund equity reflected for the governmental funds are available for use within the specific purposes of those funds. The reserve for tax revenue unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriations under State statute.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

K. Interfund Transactions

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

1. Transfers of resources from one fund to another fund. The resources transferred are to be expended for operations by the receiving fund and are recorded as operating transfers, with the exception of agency funds, which do not show transfers of resources as operating transfers.
2. Reimbursements from one fund to another are treated as expenditures/expenses in the reimbursing fund and a reduction in expenditures/expenses in the reimbursed fund. Quasi-external transactions are accounted for as revenues, expenditures or expenses.
3. Short-term interfund loans and accrued interfund reimbursements and accrued operating transfers are reflected as "interfund loans receivable or payable". The District had short-term interfund loans receivable and payable at June 30, 2002.
4. Long-term interfund loans that will not be repaid within the next year are termed "advances" and are shown as reservations of fund balances on the combined balance sheet for those funds that report advances to other funds as assets because they are not spendable, available resources. The District had long-term advances receivable and payable at June 30, 2002.

An analysis of interfund transactions is presented in Note 6.

L. Estimates

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

M. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents that are restricted in use by State statute. A fund balance reserve has also been established. See Note 19 for details.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

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

N. Prepaids

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

O. Memorandum Only - Total Columns

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

NOTE 3 -PRIOR PERIOD ADJUSTMENTS/RESTATEMENT

During fiscal year 2002, the District had a reappraisal of fixed assets performed, increased the fixed asset capitalization threshold from \$1,000 to \$2,000, and modified policies to exclude textbooks and library books from general fixed assets. These changes had the following effects on Investment in General Fixed Assets and Retained Earnings:

	General Fixed Assets	Enterprise Fund
Investment to General Fixed Assets/Retained		
Earnings, as previously reported at June 30, 2001	\$16,092,200	\$55,836
Correction of errors due to reappraisal	2,853,233	41,740
Change in capitalization policy	(2,256,716)	-
Change in textbook/library book policy	(848,089)	-
Restated Investment in General Fixed		
Assets/Retained Earnings at July 1, 2001	\$15,840,628	\$97,576

The effect on Enterprise Fund net income for the year ended June 30, 2001 was not material.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 3 - PRIOR PERIOD ADJUSTMENTS/RESTATEMENT - (Continued)

The adjustments had the following effect on the general fixed asset balances as previously reported:

<u>Asset Category</u>	<u>Balance as previously reported at June 30, 2001</u>	<u>Restatement adjustments</u>	<u>Restated balance at July 1, 2001</u>
Land, buildings and improvements	\$ 9,392,656	\$ 3,509,734	\$12,902,390
Furniture, fixtures and equipment	4,818,207	(3,402,990)	1,415,217
Vehicles	302,904	1,220,117	1,523,021
Textbooks and library books	<u>1,578,433</u>	<u>(1,578,433)</u>	<u>-</u>
Totals	<u>\$16,092,200</u>	<u>\$ (251,572)</u>	<u>\$15,840,628</u>

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE

A. Deficit Fund Balances

Fund balance at June 30, 2002 included the following individual fund deficits:

<u>Special Revenue Funds</u>	<u>Deficit Balance</u>
Title VI-B	\$ 6,964
Vocational Education	7,780
Disadvantaged Pupil Impact Aid	83
Class Size Reduction	14,545
Title I	34,795
 <u>Capital Projects Fund</u>	
Vocational Equipment	4,130

Each of these funds complied with Ohio state law, which does not permit a cash basis deficit at year-end.

The deficit balances in the Title VI-B and Disadvantaged Pupil Impact Aid special revenue funds are caused by the application of GAAP, namely in the reporting of a liability for accrued wages and benefits attributable to the fiscal year. These deficits will be eliminated as revenues become available to cover these costs as they are incurred.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 4 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

The deficit balances in the Vocational Education, Title I and Class Size Reduction special revenue funds and the Vocational Equipment capital projects fund are caused by the application of GAAP, namely in the reporting of a liability for short-term interfund loans received and for accrued wages attributable to the fiscal year. These deficit balances will be eliminated as revenues become available to repay the short-term interfund loans and to cover the costs of the wages as they are incurred.

B. Agency Funds

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

LIABILITIES

Accounts payable	\$117
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NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS

The District maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the combined balance sheet as "Equity in Pooled Cash and Cash Equivalents". Statutes require the classification of monies held by the District into three categories:

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

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

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

Interim monies may be invested or deposited 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 2% and be marked to market daily, and that the term of the agreement must not exceed 30 days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed 180 days in an amount not to exceed 25% of the interim monies available for investment at any one time; and

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

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

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

The following information classifies deposits and investments by categories of custodial 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 \$(308,376) and the bank balance was \$90,160. Each of these amounts include \$80,000 in nonnegotiable certificates of deposit. A liability was not recorded for the negative carrying amount of deposits because there was no actual overdraft, due to the "zero-balance" nature of the District's bank accounts. The negative carrying amount of deposits is primarily due to the sweeping of monies into overnight repurchase agreements, which are reported as "investments". The entire bank balance was covered by federal depository insurance.

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

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 5 - EQUITY IN POOLED CASH AND INVESTMENTS - (Continued)

	Category <u>2</u>	Category <u>3</u>	Reported Amount	Fair Value
Federal agency securities	\$4,058,275	\$ -	\$4,058,275	\$4,058,275
Repurchase agreement	-	280,000	280,000	280,000
Investment in STAR Ohio	-	-	1,476,462	1,476,462
Victory Federal money market mutual fund	<u>-</u>	<u>-</u>	<u>38,237</u>	<u>38,237</u>
Total investments	<u>\$4,058,275</u>	<u>\$280,000</u>	<u>\$5,852,974</u>	<u>\$5,852,974</u>

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

A reconciliation between the classifications of equity in pooled cash and cash equivalents on the Combined Balance Sheet (per GASB Statement No. 9) and the classifications of deposits and investments presented above per GASB Statement No. 3 is as follows:

	Cash and Cash Equivalents/Deposits	Investments
GASB Statement No. 9	\$ 5,544,910	\$ -
Investments of the cash management pool:		
Federal agency securities	(4,058,275)	4,058,275
Repurchase agreement	(280,000)	280,000
Victory Federal money market mutual fund	(38,237)	38,237
Investment in STAR Ohio	(1,476,462)	1,476,462
Cash on hand	<u>(312)</u>	<u>-</u>
GASB Statement No. 3	<u>\$ (308,376)</u>	<u>\$5,852,974</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 6 - INTERFUND TRANSACTIONS

- A. Interfund balances at June 30, 2002, consist of the following individual interfund loans receivable and payable:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>	<u>Advances to Other Funds</u>	<u>Advances from Other Funds</u>
General Fund	\$47,528	\$ -	\$ -	\$ -
<u>Special Revenue Funds</u>				
Title I	-	31,978	-	-
Vocational Education	-	10,580	-	-
Title VI-B	-	30	-	-
Class Size Reduction	-	940	-	-
<u>Capital Projects Funds</u>				
Permanent Improvement	-	-	14,051	-
Vocational Education	-	4,000	-	-
<u>Enterprise Funds</u>				
Food Service	-	-	-	14,051
Totals	<u>\$47,528</u>	<u>\$47,528</u>	<u>\$14,051</u>	<u>\$14,051</u>

The Permanent Improvement capital projects fund loaned \$28,051 to the food service enterprise fund to help purchase the pizza system for Canton South High School cafeteria. The loan is to be repaid within four years. \$7,000 was repaid during fiscal year 2002.

- B. The following is a summarized breakdown of the District's operating transfers for fiscal year 2002:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$49,072
<u>Special Revenue Funds</u>		
Drug Free Schools	16	-
District Managed Student Activity	12,402	-
Title VI	57	-
<u>Enterprise Funds</u>		
Uniform School Supplies	36,597	-
Totals	<u>\$49,072</u>	<u>\$49,072</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 7 - PROPERTY TAXES

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

Property taxes include amounts levied against all real, public utility and tangible personal property located in the District. Property tax revenue received during calendar year 2002 for real and public utility property taxes represents collections of calendar year 2001 taxes. Property tax payments received during calendar year 2002 for tangible personal property (other than public utility property) is for calendar year 2002 taxes.

2002 real property taxes are levied after April 1, 2002, on the assessed value listed as of January 1, 2002, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2002 public utility property taxes became a lien December 31, 2002, are levied after April 1, 2002, and are collected in 2002 with real property taxes.

2002 tangible personal property taxes are levied after April 1, 2001, on the value as of December 31, 2001. Collections are made in 2002. Tangible personal property assessments are twenty-five percent of true value.

The assessed values upon which the fiscal year 2002 taxes were collected are:

	<u>2001 Second- Half Collections</u>		<u>2002 First- Half Collections</u>	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$185,324,890	57.51	\$189,751,590	58.42
Public utility personal	86,192,166	26.75	107,858,389	33.21
Tangible personal property	<u>50,751,400</u>	<u>15.74</u>	<u>27,182,480</u>	<u>8.37</u>
Total	<u>\$322,268,456</u>	<u>100.00</u>	<u>324,792,459</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation	\$47.80		\$45.20	

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 7 - PROPERTY TAXES - (Continued)

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

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes, which became measurable as of June 30, 2002. Although total property tax collections for the next fiscal year are measurable, they are not (exclusive of advances) intended to finance current year operations. The net receivable (total receivable less amount available intended to finance the current year) is therefore offset by a credit to deferred revenue. The amount of tax advance available at year-end was \$163,280 and has been recorded as revenue.

Taxes available for advance and recognized as revenue, but not received by the District prior to June 30, 2002, are reflected as a reservation of fund balance for future appropriations. The District is prohibited, by law, from appropriating this revenue in accordance with ORC Section 5705.35, since an advance of revenue was not requested or received prior to the fiscal year-end.

NOTE 8 - RECEIVABLES

Receivables at June 30, 2002 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest, interfund loans, and intergovernmental grants (to the extent eligibility requirements have been met by year-end). Intergovernmental grants receivable have been presented as "Due From Other Governments" on the combined balance sheet. Taxes and intergovernmental receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes and the stable condition of state programs.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 8 - RECEIVABLES - (Continued)

A summary of the principal items of receivables follows:

	<u>Amounts</u>
<u>General Fund</u>	
Taxes - current & delinquent	\$12,767,325
Accounts	37,369
Accrued interest	9,712
Interfund loans	47,528
<u>Special Revenue Fund</u>	
Due from other governments	51,376
<u>Capital Projects Fund</u>	
Taxes - current & delinquent	317,385
<u>Enterprise Fund</u>	
Due from other governments	40,074

NOTE 9 - FIXED ASSETS

A. General Fixed Assets

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

<u>Asset Category</u>	<u>Restated Balance July 1, 2001</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance June 30, 2002</u>
Land, buildings and improvements	\$12,902,390	\$ 42,618	\$ -	\$12,945,008
Furniture, fixtures and equipment	1,415,217	104,373	-	1,519,590
Vehicles	<u>1,523,021</u>	<u>102,350</u>	<u>-</u>	<u>1,625,371</u>
Total	<u>\$15,840,628</u>	<u>\$249,341</u>	<u>\$ -</u>	<u>\$16,089,969</u>

B. Proprietary Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2002, follows:

Furniture, fixtures, and equipment	\$ 558,437
Less: accumulated depreciation	<u>(382,510)</u>
Net fixed assets	<u>\$ 175,927</u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 10 - CAPITALIZED LEASES - LESSEE DISCLOSURE

During a previous year, the District entered into a capital leases for furniture, fixtures and equipment. The leases meet the criteria of a capital lease as defined by FASB Statement No. 13, “Accounting for Leases”, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee at the conclusion of the lease term. Capital lease payments have been reclassified and are reflected as debt service in the combined financial statements for the governmental funds. These expenditures are reflected as program/function expenditures on a budgetary basis. General fixed assets acquired by lease have been capitalized in the general fixed asset account group in an amount equal to the present value of the future minimum lease payments as of the date of their inception. A corresponding liability was recorded in the general long-term obligation account group. Principal payments totaled \$17,402 in fiscal year 2002. This amount is reflected as debt service principal in the general fund.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2002:

<u>Year Ending</u>	<u>General Long-Term Obligations</u>
2003	\$ 25,107
2004	25,107
2005	25,107
2006	25,107
2007	25,107
2008	25,107
2009	<u>12,551</u>
Total minimum lease payments	163,193
Less: amount representing interest	<u>(25,378)</u>
Present value of future minimum lease payments	<u><u>\$137,815</u></u>

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 11 - LONG-TERM OBLIGATIONS

The changes in the District's long-term obligations during fiscal year 2002 were as follows:

	Principal Outstanding <u>6/30/01</u>	<u>Additions</u>	<u>Deductions</u>	Principal Outstanding <u>6/30/02</u>
Compensated absences	\$1,641,568	\$ -	\$ (23,573)	\$1,617,995
Pension obligations	136,706	139,926	(136,706)	139,926
Capital leases	155,217	-	(17,402)	137,815
Early retirement incentive	<u>163,349</u>	<u>-</u>	<u>(133,349)</u>	<u>30,000</u>
Total	<u>\$2,096,840</u>	<u>\$139,926</u>	<u>\$(311,030)</u>	<u>\$1,925,736</u>

Compensated absences and the early retirement incentive are presented net of actual increases and decreases due to the impracticality of determining these values. Compensated absences and early retirement incentive will also be paid from the fund from which the employees' salaries are paid. The pension obligations represent amounts paid outside the available period. This liability will be paid from the fund from which the employees' salaries are paid. Capital lease obligations will be paid from the general fund because it utilizes the assets.

NOTE 12 - RISK MANAGEMENT

A. Property and Liability Insurance

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions; injuries to employees and natural disasters. During fiscal year 2002, the District contracted with Great American Alliance Insurance for education liability policy and Indiana Insurance for commercial auto coverage and property, general and excess liability insurance. Indiana Insurance also covers boiler and machinery, inland marine, audio/visual equipment, and musical instruments. Coverages under these policies are as follows:

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 12 - RISK MANAGEMENT - (Continued)

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Indiana Insurance	Commercial Property	\$55,853,189
	Computers and Equipment	991,719
	Musical Instruments	310,413
	Commercial Auto - Garage Operations	1,000,000
	Non Auto - Garage Operations	1,000,000
	Uninsured Motorists Bodily Injury	1,000,000
	Uninsured Motorist Property Damage	7,500
Great American Alliance Insurance	General Liability, in aggregate	5,000,000
	General Liability, per occurrence	1,000,000
	Fire Damage	100,000
	Medical Expense	5,000

Settled claims have not exceeded this commercial coverage in any of the past three years and there have been no significant reductions in insurance coverage from last year.

B. Employee Health Benefits

The District has contracted with Stark County Schools Council of Government (a shared risk pool) (Note 2) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The District's Board of Education pays the entire cost of a monthly premium. For fiscal year 2002, the District cost for paid premium for medical and dental was \$613.94 for family coverage and \$252.29 for single coverage, per month.

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

C. OSBA Worker's Compensation Group Rating

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

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 12 - RISK MANAGEMENT - (Continued)

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contributed to the "Equity Pooling Fund". This "Equity Pooling Fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made to certified and classified employees for one-fourth of accrued, but unused sick leave credit up to a maximum 64 and 65 days, respectively.

B. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through Stark County Council of Governments Health Benefits Program. Coverage in the amount of \$50,000 is provided for all certified and classified employees.

C. Special Termination Benefit Payable

The District approved an Early Retirement Incentive Plan (ERIP), which runs from July 1, 1998 through June 30, 2002. Participation is open to all classified employees. Employees retiring from the District shall receive twenty days at their regular rate, payable the January following the employee's retirement. As of June 30, 2002, there is no liability for this ERIP as employees who took advantage of the ERIP were paid during fiscal 2002.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 13 - OTHER EMPLOYEE BENEFITS - (Continued)

The District also has an ERIP for certified employees. All employees who obtain thirty years of service may, upon election of the plan, receive a payment of \$15,000 if elected by June 30, 2002, or \$10,000 if elected by June 30, 2003. The payment is made one-half in the January following the retirement and one-half the next January. As of June 30, 2002, two employees elected the ERIP. The liability for the payments due are reported in the general long-term obligations account group.

NOTE 14 - SEGMENT INFORMATION - ENTERPRISE FUNDS

The District maintains three enterprise funds to account for the operations of Food Service, Uniform School Supplies and Vocational Rotary. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2002.

	<u>Food Service</u>	<u>Uniform School Supplies</u>	<u>Vocational Rotary</u>	<u>Total</u>
Operating revenue	\$ 501,121	\$ 48,726	\$ 32,235	\$ 582,082
Depreciation	23,795	-	12,076	35,871
Operating loss	(256,251)	(28,294)	(10,807)	(295,352)
Donated commodities	52,960	-	-	52,960
Operating grants	290,137	-	-	290,137
Net income/(loss)	90,709	(28,294)	(10,807)	51,608
Fixed asset additions	18,195	-	-	18,195
Long-term compensated absences	32,328	-	-	32,328
Net working capital	55,653	1,177	5,402	62,232
Total assets	343,321	1,177	40,389	384,887
Total equity	194,745	1,177	39,096	235,018
Encumbrances outstanding at June 30	2,119	1,177	1,905	5,201

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 15 - DEFINED BENEFIT PENSION PLANS

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing, multiple-employer defined benefit pension plan administered by the School Employees Retirement Board. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Columbus, Ohio 43215-3746, or by calling (614) 222-5853.

Plan members are required to contribute 9% of their annual covered salary and the District is required to contribute 14% for 2002; 5.46% was the portion to fund pension obligations. The contribution rates are not determined actuarially, but are established by the School Employees Retirement Board within the rates allowed by state statute. The adequacy of the contribution rates is determined annually. The District's required contributions to SERS for the fiscal years ended June 30, 2002, 2001 and 2000 were \$151,287, \$110,419, and \$117,894, respectively; 49.5% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$76,345, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

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

**CANTON LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 15 - DEFINED BENEFIT PENSION PLANS - (Continued)

Plan members are required to contribute 9.3% of their annual covered salary and the District is required to contribute 14% for 2002; 9.5% was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10% for members and 14% for employers. The District's required contributions to STRS for the fiscal years ended June 30, 2002, 2001, and 2000 were \$834,672, \$803,121, and \$482,760, respectively; 82.8% has been contributed for fiscal year 2002 and 100% for the fiscal years 2001 and 2000. \$143,173, representing the unpaid contribution for fiscal year 2002, is recorded as a liability within the respective funds.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by SERS or STRS have an option to choose Social Security or SERS/STRS. The Board's liability is 6.2% of wages paid.

NOTE 16 - POSTEMPLOYMENT BENEFITS

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

The State Teachers Retirement Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For this fiscal year, the State Teachers Retirement Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve fund. For the District, this amount equaled \$395,371 during fiscal 2002.

STRS pays health care benefits from the Health Care Reserve fund. The balance in the Health Care Reserve fund was \$3.256 billion at June 30, 2001 (the latest information available). For the fiscal year ended June 30, 2001 (the latest information available), net health care costs paid by STRS were \$300.772 million and STRS had 102,132 eligible benefit recipients.

**CANTON LOCAL SCHOOL DISTRICT
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NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 16 - POSTEMPLOYMENT BENEFITS - (Continued)

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

For this fiscal year, employer contributions to fund health care benefits were 8.54 percent of covered payroll. 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 2002, the minimum pay has been established at \$12,400. The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund.

The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care at June 30, 2001 (the latest information available), were \$161.440 million and the target level was \$242.2 million. At June 30, 2001 (the latest information available), SERS had net assets available for payment of health care benefits of \$315.7 million and SERS had approximately 50,000 participants receiving health care benefits. For the District, the amount to fund health care benefits, including surcharge, equaled \$270,657 during the 2002 fiscal year.

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING

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

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

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 17 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

(c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, encumbrances are recorded as the equivalent of an expenditure (budget basis) as opposed to a reservation of fund balance for governmental funds (GAAP basis).

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

**Excess Deficiency and Other Financing Sources
Over/(Under) Expenditures and Other
Financing Uses**

	<u>Governmental Fund Types</u>		
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>
Budget basis	\$1,563,371	\$(119,895)	\$(54,867)
Net adjustment for revenue accruals	56,708	(4,213)	3,008
Net adjustment for expenditure accruals	(405,396)	58,117	(15,818)
Net adjustment for other financing sources/(uses)	(27,844)	(35,737)	8,604
Encumbrances (budget basis)	<u>465,975</u>	<u>56,007</u>	<u>107,930</u>
GAAP basis	<u>\$1,652,814</u>	<u>\$ (45,721)</u>	<u>\$ 48,857</u>

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

**NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002**

NOTE 18 - CONTINGENCIES

A. Grants

The District receives significant financial assistance from numerous federal, state and local agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the District at June 30, 2002.

B. Litigation

The District is party to legal proceedings. The District is of the opinion that ultimate disposition of claims will not have a material effect, if any, on the financial condition of the District.

C. State School Funding Decision

On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding plan is unconstitutional.

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient...". The District is currently unable to determine what effect, if any, this decision will have on its future State funding and its financial operations.

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

NOTES TO GENERAL PURPOSE FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2002

NOTE 19 - STATUTORY RESERVES

The District is required by State law to set-aside certain general fund revenue amounts, as defined by statute, into various reserves. These reserves are calculated and presented on a cash basis. During the fiscal year ended June 30, 2002, the reserve activity was as follows:

	<u>Textbooks</u>	<u>Capital Acquisition</u>	<u>Budget Stabilization</u>
Set-aside cash balance as of June 30, 2001	\$(159,269)	\$ -	\$93,425
Current year set-aside requirement	309,551	309,551	-
Qualifying disbursements	<u>(309,551)</u>	<u>(309,551)</u>	-
Total	<u>\$(159,269)</u>	<u>\$ -</u>	<u>\$93,425</u>
Cash balance carried forward to FY 2003	<u>\$(159,269)</u>	<u>\$ -</u>	<u>\$93,425</u>

Monies representing BWC refunds that were received prior to April 10, 2001 have been shown as a restricted asset and reserved fund balance in the general fund since allowable expenditures are restricted by state statute.

The amount of qualifying disbursements exceeding the set-aside requirement in the textbooks reserve may be carried forward to reduce the set-aside requirement for future years.

A schedule of the restricted assets at June 30, 2002 follows:

Amount restricted for BWC refunds	<u>\$93,425</u>
Total restricted assets	<u>\$93,425</u>

**CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
<i>Passed through the Ohio Department of Education:</i>						
Child Nutrition Cluster: Food Distribution	Not Applicable	10.550	\$0	\$51,749	\$0	\$52,960
School Breakfast Program	Not Applicable	10.553	44,007	0	44,007	0
National School Lunch Program	Not Applicable	10.555	<u>225,897</u>	<u>0</u>	<u>225,897</u>	<u>0</u>
Total U.S. Department of Agriculture - Child Nutrition Cluster			<u>269,904</u>	<u>51,749</u>	<u>269,904</u>	<u>52,960</u>
U.S. DEPARTMENT OF EDUCATION						
<i>Passed through the Ohio Department of Education:</i>						
Special Education Grants to States	049833-6B-SF-2002	84.027	218,774	0	215,752	0
Title I Grants to Local Educational Agencies	049833-C1-S1-2002	84.010	277,716	0	330,545	0
Eisenhower Professional Development State Grants	049833-MS-S1-2002	84.281	11,987	0	2,751	0
Innovative Education Program Strategies	049833-CR-S1-2002	84.298	12,685	0	12,742	0
Class Size Reduction	049833-CR-S1-2002	84.340	65,783	0	66,723	0
	049833-TF-V2-2000		<u>65,000</u>	<u>0</u>	<u>65,000</u>	<u>0</u>
Total Class Size Reduction			130,783	0	131,723	0
Goals 2000 State and Local Education Systemic Improvement Grants	049833-G2-S9-2001	84.276	15,000	0	12,713	0
Safe and Drug-Free Schools and Communities State Grants	049833-DR-S1-2002	84.186	9,654	0	5,613	0
Vocational Education Basic Grants to States	049833-2O-C1-2002	84.048	<u>79,117</u>	<u>0</u>	<u>96,797</u>	<u>0</u>
Total U.S. Department of Education			<u>755,716</u>	<u>0</u>	<u>808,636</u>	<u>0</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
<i>Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:</i>						
Medical Assistance Program	Not Applicable	93.778	<u>25,870</u>	<u>0</u>	<u>25,870</u>	<u>0</u>
Totals			<u><u>\$1,051,490</u></u>	<u><u>\$51,749</u></u>	<u><u>\$1,104,410</u></u>	<u><u>\$52,960</u></u>

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

**CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (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

Non-monetary 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, 2002, the District had no significant food commodities in inventory.



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Betty Montgomery**

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

Canton Local School District
Stark County
4526 Ridge Avenue S.E.
Canton, Ohio 44707

To the Board of Education:

We have audited the general purpose financial statements of the Canton Local School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2002, and have issued our report thereon dated January 27, 2003. Our report noted that certain errors were discovered in previously reported General fixed assets and Enterprise Fund fixed asset balances. Additionally, we noted changes in the District's policies for fixed asset capitalization threshold and treatment of textbooks and library books. These errors and changes resulted in a restatement of Enterprise Fund retained earnings and fixed assets in both the Enterprise Fund and General Fixed Assets Account Group. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted certain immaterial instances of noncompliance that we have reported to the management of the District in a separate letter dated January 27, 2003.

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 27, 2003.

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.

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

Betty Montgomery
Auditor of State

January 27, 2003



**Auditor of State
Betty Montgomery**

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

Canton Local School District
Stark County
4526 Ridge Avenue S.E.
Canton, Ohio 44707

To the Board of Education:

Compliance

We have audited the compliance of Canton Local 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 program for the year ended June 30, 2002. The District's major federal program is 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 program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of 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 program for the year ended June 30, 2002.

Internal Control Over Compliance

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



Betty Montgomery
Auditor of State

January 27, 2003

**CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 §.505
JUNE 30, 2002**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies-CFDA #84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2002**

<u>Finding Number</u>	<u>Finding Summary</u>	<u>Fully Corrected?</u>	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain:</i>
2001-11276-001	The District does not maintain a detailed master fixed asset listing.	Yes	N/A - Fully Corrected



**Auditor of State
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CANTON LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 13, 2003**