

Mary Taylor, CPA
Auditor of State

**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

Canton City School District
Stark County
1312 5th Street S.W.
Canton, Ohio 44707

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Canton City School District, Stark County, Ohio, (the District), as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Canton City School District, Stark County, Ohio, as of June 30, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 18, the District was placed in fiscal caution by the Ohio Department of Education on March 22, 2007. The note also discloses management's plan to alleviate this condition.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2010, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The Federal Awards Receipts and Expenditures Schedule is 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 basic financial statements. We subjected the Federal Awards Receipts and Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Mary Taylor, CPA
Auditor of State

February 26, 2010

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

The management's discussion and analysis of Canton City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2009. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2009 are as follows:

- In total, net assets increased \$4.854 million. Net assets of governmental activities increased \$5.020 million, which represents a 3.07% increase from 2008. Net assets of business-type activities decreased \$.166 million or 7.27% from 2008.
- General revenues for governmental activities accounted for \$93.638 million in revenue or 73.17% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$34.331 million or 26.83% of total governmental activities revenues of \$127.969 million.
- The District had \$122.949 million in expenses related to governmental activities; only \$34.331 million of these expenses were offset by program specific charges for services or grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$93.638 million were adequate to provide for these programs.
- The District's major governmental funds are the general fund, debt service fund, classroom facilities fund and permanent improvement fund. The general fund had \$96.909 million in revenues and other financing sources and \$94.712 million in expenditures and other financing uses. The general fund's fund balance increased \$2.137 million from a deficit of \$.279 million to a balance of \$1.858 million.
- The debt service fund had \$4.599 million in revenues and other financing sources and \$3.425 million in expenditures. The debt service fund's fund balance increased \$1.174 million from \$10.948 million to \$12.122 million.
- The classroom facilities fund had \$.412 million in revenues and \$1.395 million in expenditures. The classroom facilities fund's fund balance decreased \$.983 million from \$4.897 million to \$3.914 million.
- The permanent improvement fund had \$1.514 million in revenues and other financing sources and \$1.779 million in expenditures and other financing uses. The permanent improvement fund's fund balance decreased \$.265 million from \$7.805 million to \$7.540 million.
- The District's two nonmajor enterprise funds are the food service fund and adult education fund. The food service fund had \$4.893 million in revenues and \$5.181 million in expenses. The food services fund net assets decreased \$.288 million from \$1.921 million to \$1.633 million.
- The District's other nonmajor enterprise fund is the adult education fund. The adult education fund had \$1.401 million in revenues and \$1.279 million in expenses. The adult education fund net assets increased \$.122 million from \$.362 million to \$.484 million.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Using the Basic Financial Statements (BFS)

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

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

Reporting the District as a Whole

Statement of net assets and the statement of activities

While this document contains the large number of funds used by the District to provide programs and activities, the view of the District as a whole looks at all financial transactions and asks the question, "How did we do financially during 2009?" The statement of net assets and the statement of activities answer this question. These statements include *all assets, liabilities, revenues and expenses* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

In the statement of net assets and the statement of activities, the District is divided into two distinct kinds of activities:

Governmental Activities - Most of the District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation and extracurricular activities.

Business-Type Activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The District's adult education programs and food service operations are reported as business-type activities.

The District's statement of net assets and statement of activities can be found on pages 15-17 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 10. Fund financial reports provide detailed information about the District's major funds. The District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the District's most significant funds. The District's major governmental funds are the general fund, debt service fund, classroom facilities fund and permanent improvement fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund statements provide a detailed *short-term* view of the District's general governmental operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* are reconciled in the financial statements. The basic governmental fund financial statements can be found on pages 18-23 of this report.

Proprietary Funds

Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match information provided in the statements for the District as a whole. The basic proprietary fund financial statements can be found on pages 24-27 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private purpose-trust fund. The District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in two agency funds. The District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 28 and 29. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 31-66 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

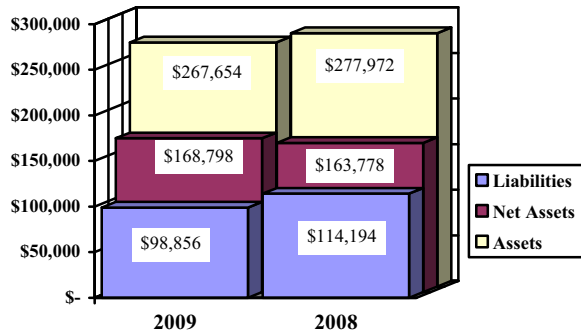
The District as a Whole

The statement of net assets provides the perspective of the District as a whole. The table below provides a summary of the District's net assets for 2009 and 2008.

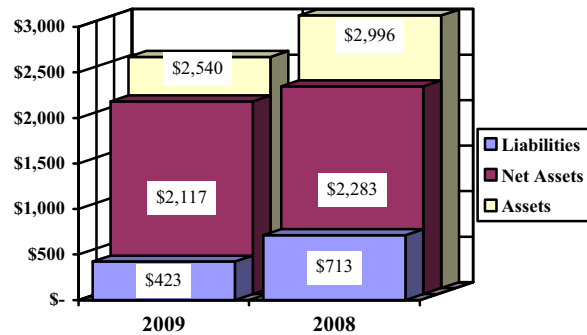
	Net Assets (Amounts in 000's)					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
<u>Assets</u>						
Current assets	\$ 67,120	\$ 79,143	\$ 2,323	\$ 2,744	\$ 69,443	\$ 81,887
Restricted assets	11,210	9,901	-	-	11,210	9,901
Capital assets	189,324	188,928	217	252	189,541	189,180
Total assets	<u>267,654</u>	<u>277,972</u>	<u>2,540</u>	<u>2,996</u>	<u>270,194</u>	<u>280,968</u>
<u>Liabilities</u>						
Current liabilities	38,879	51,838	287	587	39,166	52,425
Long-term liabilities	59,977	62,356	136	126	60,113	62,482
Total liabilities	<u>98,856</u>	<u>114,194</u>	<u>423</u>	<u>713</u>	<u>99,279</u>	<u>114,907</u>
<u>Net Assets</u>						
Invested in capital assets, net of debt	144,576	144,490	217	252	144,793	144,742
Restricted	26,017	26,282	-	-	26,017	26,282
Unrestricted	(1,795)	(6,994)	1,900	2,031	105	(4,963)
Total net assets	<u>\$ 168,798</u>	<u>\$ 163,778</u>	<u>\$ 2,117</u>	<u>\$ 2,283</u>	<u>\$ 170,915</u>	<u>\$ 166,061</u>

Total net assets of the District increased by \$4.854 million, governmental activities net assets increased \$5.020 million and business-type activities net assets decreased \$.166 million. Total assets of the District's governmental activities decreased \$10.318 million from June 30, 2008.

Governmental – Net Assets (Amounts in 000's)



Business-Type – Net Assets (Amounts in 000's)



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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The table below shows the changes in net assets for fiscal year 2009 and 2008. Intergovernmental expenses have been reclassified to other non-instructional services to conform to the 2009 presentation.

Change in Net Assets (Amounts in 000's)

Revenues	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	2009	2008	2009	2008	2009	2008
Program revenues:						
Charges for services and sales	\$ 2,140	\$ 2,684	\$ 1,699	\$ 1,537	\$ 3,839	\$ 4,221
Operating grants and contributions	31,035	32,404	4,501	4,401	35,536	36,805
Capital grants and contributions	1,156	1,078	-	-	1,156	1,078
General revenues:						
Property taxes	28,907	31,947	-	-	28,907	31,947
Grants and entitlements	62,673	57,163	-	-	62,673	57,163
Investment earnings	1,168	2,182	94	72	1,262	2,254
Other	890	768	-	-	890	768
Total revenues	<u>127,969</u>	<u>128,226</u>	<u>6,294</u>	<u>6,010</u>	<u>134,263</u>	<u>134,236</u>
 Expenses						
Program expenses:						
Instruction:						
Regular	45,335	42,844	-	-	45,335	42,844
Special	15,491	14,006	-	-	15,491	14,006
Vocational	1,831	1,677	-	-	1,831	1,677
Adult/continuing	691	714	-	-	691	714
Other	10,280	14,212	-	-	10,280	14,212
Support services:						
Pupil	6,808	6,926	-	-	6,808	6,926
Instructional staff	6,809	6,684	-	-	6,809	6,684
Board of Education	26	20	-	-	26	20
Administration	8,211	8,167	-	-	8,211	8,167
Fiscal	1,707	1,391	-	-	1,707	1,391
Business	531	603	-	-	531	603
Operations and maintenance	11,858	11,962	-	-	11,858	11,962
Pupil transportation	2,997	2,966	-	-	2,997	2,966
Central	3,666	3,678	-	-	3,666	3,678
Operation of non-instructional services	2,580	1,436	-	-	2,580	1,436
Extracurricular activities	2,254	2,258	-	-	2,254	2,258
Interest and fiscal charges	1,874	1,848	-	-	1,874	1,848
Food service	-	-	5,181	4,917	5,181	4,917
Adult education	-	-	1,279	1,711	1,279	1,711
Total expenses	<u>122,949</u>	<u>121,392</u>	<u>6,460</u>	<u>6,628</u>	<u>129,409</u>	<u>128,020</u>
 Special Item						
Net assets to Canton City School District upon dissolution of component units	-	2,369	-	-	-	2,369
Changes in net assets	5,020	9,203	(166)	(618)	4,854	8,585
Net assets at beginning of year	163,778	154,575	2,283	2,901	166,061	157,476
Net assets at end of year	<u>\$ 168,798</u>	<u>\$ 163,778</u>	<u>\$ 2,117</u>	<u>\$ 2,283</u>	<u>\$ 170,915</u>	<u>\$ 166,061</u>

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

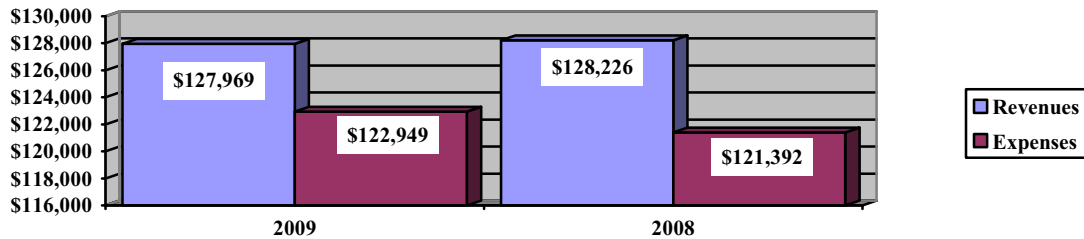
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Governmental Activities

The net assets of the District's governmental activities increased \$5.020 million. Total governmental expenses of \$122.949 million were offset by program revenues of \$34.331 million and general revenues of \$93.638 million. Program revenues supported 27.92% of the total governmental expenses. The increase in governmental activities net assets is primarily due to declining revenues still being more than increased expenses. The increase in expenses is due to the closing of the community schools in fiscal year 2008, these programs are still being offered and financed by the District. The District experienced a decrease in property tax revenue; however, this decrease was offset by an increase in grants and entitlements primarily due to the phase out of tangible personal property taxes which is being reimbursed by the State of Ohio (see Note 6).

The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These two revenue sources represent 71.56% of total governmental revenue. Real estate property is reappraised every six years. The graph below presents the District's governmental activities revenue and expenses for fiscal years 2009 and 2008.

**Governmental Activities - Revenues and Expenses
(Amounts in 000's)**



The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services for 2009 and 2008. Intergovernmental pass through expenses have been reclassified to other non-instructional services to conform to the 2009 presentation. It identifies the cost of services supported by tax revenue and restricted State grants and entitlements.

Governmental Activities (Amounts in 000's)

	Total Cost of Services 2009	Net Cost of Services 2009	Total Cost of Services 2008	Net Cost of Services 2008
Program expenses				
Instruction:				
Regular	\$ 45,335	\$ 34,597	\$ 42,844	\$ 34,862
Special	15,491	4,879	14,006	2,630
Vocational	1,831	936	1,677	763
Adult/continuing	691	12	714	52
Other	10,280	9,879	14,212	10,779

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

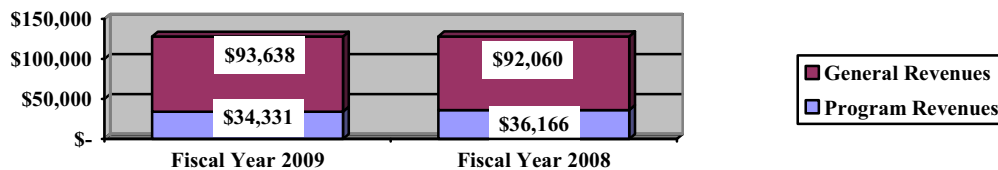
**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)**

	Total Cost of Services <u>2009</u>	Net Cost of Services <u>2009</u>	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>
Support services:				
Pupil	6,808	5,610	6,926	5,884
Instructional staff	6,809	2,298	6,684	2,225
Board of Education	26	26	20	20
Administration	8,211	7,324	8,167	7,068
Fiscal	1,707	1,498	1,391	1,323
Business	531	531	603	603
Operations and maintenance	11,858	10,892	11,962	9,127
Pupil transportation	2,997	2,334	2,966	2,412
Central	3,666	3,414	3,678	3,331
Operation of non-instructional services	2,580	890	1,436	551
Extracurricular activities	2,254	1,652	2,258	1,763
Interest and fiscal charges	1,874	1,846	1,848	1,833
Total expenses	\$ 122,949	\$ 88,618	\$ 121,392	\$ 85,226

The dependence upon general revenues during fiscal year 2009 for governmental activities is apparent, as 68.32% of 2009 instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 72.08% in 2009. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2009 and 2008.

**Governmental Activities - General and Program Revenues
(Amounts in 000's)**



Business-Type Activities

Business-type activities include adult education and the food service operation. These programs had revenues of \$6.294 million and expenses of \$6.460 million for fiscal year 2009. During fiscal year 2009, the District began evaluating measures to increase revenues and reduce expenses in these programs. The District's business-type activities receive no support from local or State tax revenues.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The District's Funds

The District's governmental funds (as presented on the balance sheet on page 18) reported a combined fund balance of \$28.789 million, which is above last year's total of \$27.669 million. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2009 and 2008 (amounts in 000's).

	Fund Balance <u>June 30, 2009</u>	Fund Balance (deficit) <u>June 30, 2008</u>	Increase (Decrease)
General	\$ 1,858	\$ (279)	\$ 2,137
Debt Service	12,122	10,948	1,174
Classroom Facilities	3,914	4,897	(983)
Permanent Improvement	7,540	7,805	(265)
Other Governmental	<u>3,355</u>	<u>4,298</u>	<u>(943)</u>
Total	<u>\$ 28,789</u>	<u>\$ 27,669</u>	<u>\$ 1,120</u>

General Fund

The District's general fund balance increased \$2.137 million. The table below assists in illustrating the financial activities and fund balance of the general fund (amounts in 000's).

	2009 <u>Amount</u>	2008 <u>Amount</u>	Increase (Decrease)	Percentage Change
<u>Revenues</u>				
Taxes	\$ 24,457	\$ 27,649	\$ (3,192)	(11.54) %
Interest earnings	521	855	(334)	(39.06) %
Intergovernmental	69,543	63,048	6,495	10.30 %
Other revenues	<u>1,662</u>	<u>2,317</u>	<u>(655)</u>	<u>(28.27) %</u>
Total	<u>\$ 96,183</u>	<u>\$ 93,869</u>	<u>\$ 2,314</u>	<u>2.47 %</u>
<u>Expenditures</u>				
Instruction	\$ 56,563	\$ 54,260	\$ 2,303	4.24 %
Support services	34,040	31,995	2,045	6.39 %
Operation of non-instructional services	305	260	45	17.31 %
Extracurricular activities	1,202	1,363	(161)	(11.81) %
Facilities acquisition and construction	1,036	69	967	1,401.45 %
Capital outlay	528	-	528	100.00 %
Debt Service	<u>125</u>	<u>175</u>	<u>(50)</u>	<u>(28.57) %</u>
Total	<u>\$ 93,799</u>	<u>\$ 88,122</u>	<u>\$ 5,677</u>	<u>6.44 %</u>

The decrease in tax revenue is due primarily to the phase-out of personal property tax in accordance with House Bill No. 66. This decrease in personal property tax is currently reimbursed by the State of Ohio. The reimbursement is recorded as intergovernmental revenue which helps explain the increase in that line item from the prior year. In addition, the District purchased approximately \$941,000 in capital assets through the e-rate program. This money is reported as intergovernmental revenue and facilities acquisition and construction expenditure.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The decrease in investment income is due to the fluctuation in the fair market value of applicable investments coupled with adjustments recorded to accrue the interest earnings in the proper fiscal year. Actual cash basis interest revenue decreased from fiscal year 2008 due to declining interest rates; however, the GAAP adjustments to record investments in U.S. treasury notes at their fair market value at June 30, 2009 resulted in investment earnings for 2009 being \$.334 million less than 2008.

Intergovernmental revenue, primarily in the form of State Foundation, increased \$6.495 million from fiscal year 2008. Other revenues consist primarily of tuition, rental income and charges for services. Rental income decreased approximately \$.487 million over the prior year resulting in the overall decrease to the other revenues line item. All other revenue remained comparable to 2008.

Instruction expenditures increased 4.24% and support services expenses increased 6.39% from the prior year. These two areas are the District's largest expenditure line items. The increases in these two areas are a direct result of the District's increase in personnel costs. The District has implemented a retirement incentive program (RIP) and a health care reimbursement arrangement (HRA) to attract eligible employees to retire. As of June 30, 2009, 197 employees have retired under the RIP and HRA. The reduction of these employees' personnel costs have offset the increase of taking over the programs offered by the previously mentioned community schools that were closed in fiscal year 2008.

Debt Service Fund

The District's debt service fund balance increased by \$1.174 million. The table below assists in illustrating the financial activities and fund balance of the debt service fund (amounts in 000's).

	<u>2009 Amount</u>	<u>2008 Amount</u>	<u>Increase (Decrease)</u>	<u>Percentage Change</u>
<u>Revenues</u>				
Taxes	\$ 2,474	\$ 2,467	\$ 7	0.28 %
Interest earnings	331	430	(99)	(23.02) %
Intergovernmental	<u>312</u>	<u>342</u>	<u>(30)</u>	<u>(8.77) %</u>
Total	<u>\$ 3,117</u>	<u>\$ 3,239</u>	<u>\$ (122)</u>	<u>(3.77) %</u>
<u>Expenditures</u>				
Support services	\$ -	\$ 46	\$ (46)	100.00 %
Debt Service:				
Principal retirement	1,910	1,880	30	1.60 %
Interest and fiscal charges	<u>1,515</u>	<u>1,506</u>	<u>9</u>	<u>0.60 %</u>
Total	<u>\$ 3,425</u>	<u>\$ 3,432</u>	<u>\$ (7)</u>	<u>(0.20) %</u>

The increase in fund balance resulted from (1) transfers in during 2009 from the general fund and permanent improvement fund for payment of principal and interest on long-term notes payable, (2) tax revenue generated by the fund being sufficient to cover required debt service and (3) reporting the increase in the fair market value of U.S. treasury notes (QZAB sinking fund investments) as interest earnings.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

Classroom Facilities Fund

The District's classroom facilities fund balance decreased \$.983 million.

The decrease in fund balance was due primarily to the construction expenditures incurred on the construction project through the OSFC in fiscal year 2009.

Permanent Improvement Fund

The District's permanent improvement fund balance decreased \$.265 million.

The decrease in fund balance was due primarily to expenditures incurred in the current year related to the District's construction projects financed through the OSFC.

General Fund Budgeting Highlights

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

During the course of fiscal year 2009, the District amended its general fund budget numerous times. The District uses site-based budgeting and the budgeting systems are designed to tightly control total site budgets but provide flexibility for site management. For the general fund, final budgeted revenues and other financing sources were \$103.362 million, more than the original budget estimates of \$102.938 million. The actual revenues and other financing sources were \$107.510 million, which was \$4.148 million higher than the final budget revenues. The primary variances between the final budgeted revenues and actual revenues were in the area of taxes and intergovernmental-state revenues. General fund original appropriations and other financing uses of \$105.244 million were increased to \$107.023 million in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2009 totaled \$106.679 million which was \$.344 million less than final budgeted appropriations

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2009, the District had \$189.541 million, net of depreciation, invested in land, land improvements, buildings and improvements, furniture and equipment, vehicles and construction in progress (CIP). Of this total, \$189.324 million was reported in governmental activities and \$.217 million was reported in business-type activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The following table shows fiscal year 2009 balances compared to 2008:

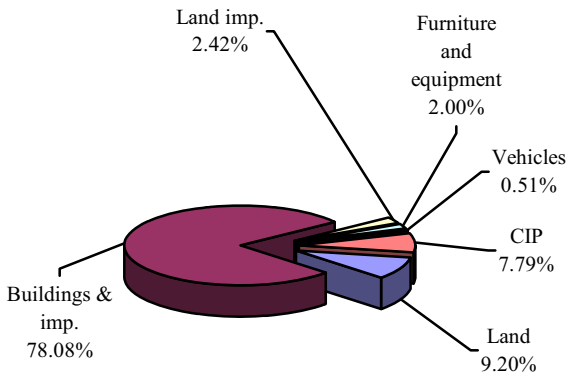
**Capital Assets at June 30 (Net of Depreciation)
(Amounts in 000's)**

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ 17,413	\$ 17,413	\$ -	\$ -	\$ 17,413	\$ 17,413
Land improvements	4,580	4,927	-	-	4,580	4,927
Buildings and improvements	147,817	150,214	-	-	147,817	150,214
Furniture and equipment	3,787	1,702	217	252	4,004	1,954
Vehicles	978	707	-	-	978	707
Construction in progress	14,749	13,965	-	-	14,749	13,965
Total	\$ 189,324	\$ 188,928	\$ 217	\$ 252	\$ 189,541	\$ 189,180

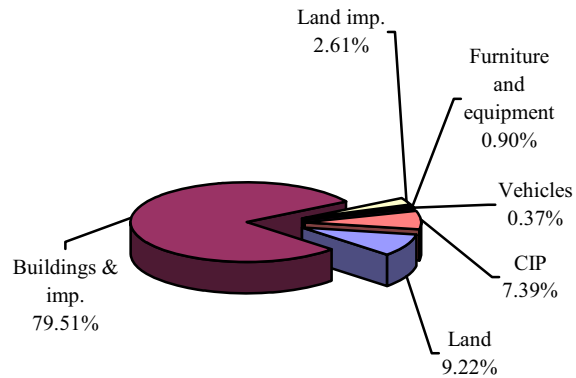
Total additions to governmental activities capital assets for 2009 were \$5.384 million. Governmental activities depreciation expense for fiscal year 2009 was \$4.988 million. Overall, governmental activities capital assets of the District increased \$396,000.

The following graphs show the breakdown of the governmental activities capital assets by category for 2009 and 2008.

Capital Assets - 2009



Capital Assets - 2008



See Note 8 to the basic financial statements for additional information on the District's capital assets.

Debt Administration

At June 30, 2009 the District had \$49.267 million in general obligation bonds, notes and capital lease obligations outstanding. Of this total, \$2.111 million is due within one year and \$47.156 million is due within greater than one year.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(UNAUDITED)

The following table summarizes the governmental activities bonds, notes and leases outstanding.

Outstanding Debt, at Year End (Amounts in 000's)

	Balance June 30, 2009	Balance June 30, 2008
General obligation bonds	\$ 44,750	\$ 45,061
Notes payable	3,435	4,740
Capital lease obligation	1,082	722
Total	\$ 49,267	\$ 50,523

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

Current Financial Related Activities

Declining enrollment continues to be the District's number one problem. Canton City Schools continues to lose approximately 200 students annually. The main reasons for this appear to be students switching to charter schools and people moving out of the District. This is the tenth straight year that enrollment has declined. The total number of students lost in those ten years is approximately 2,850. The District receives approximately \$5,700 per pupil in the current State funding formula; therefore, the loss of approximately 2,850 students would have an annual financial impact on the District of approximately \$16 million.

The number two problem is that the State of Ohio continues to fund schools well below historical levels. The state's financial problems have had a very negative effect on school districts throughout Ohio. Unless the unconstitutional state funding system is fixed, the District will be forced to continue with budget cuts and layoffs as they have for the past six years (fiscal years 2004, 2005, 2006, 2007, 2008 and 2009).

The District did pass a 7.9 mill operating levy on March 2, 2004. This levy increased revenues by \$6.8 million per year beginning January 1, 2005. However, due to the District's cash flow situation the District borrowed \$3.4 million in June of 2004 in anticipation of these future collections. The note will be repaid over a five year period. The District placed an 8.0 mill continuing operating levy on the ballot in May 2007. This ballot was rejected by the voters. Had the voters approved the levy, it would have generated approximately \$6.5 million annually for the District's general operating expenses. Since the levy did not pass, the District is forced to continue with budget cuts in efforts to avoid being declared in Fiscal Watch by the Ohio Department of Education.

The \$176 million school facility projects are proceeding on time and on budget. The Ohio School Facilities Commission (OSFC) has raised some concerns about the District's declining enrollment. The District however is well aware of the problem and would prefer to continue with the new buildings as scheduled and deal with the declining enrollment issue by closing older buildings. The District's legal counsel believes that there is no legal basis for the OSFC to halt any of the planned construction; however, the District and the OSFC have agreed not to renovate the Souers Middle School as originally planned, which will reduce the overall project under the OSFC by approximately \$8 million.

Contacting the District's Financial Management

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

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
STATEMENT OF NET ASSETS
JUNE 30, 2009
(AMOUNTS IN 000's)

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Equity in pooled cash and investments	\$ 31,536	\$ 2,261	\$ 33,797
Receivables:			
Taxes	32,675	-	32,675
Accounts	29	3	32
Intergovernmental	2,232	6	2,238
Accrued interest	90	-	90
Prepayments	57	-	57
Unamortized bond and note issue costs	332	-	332
Materials and supplies inventory	169	53	222
Restricted assets:			
Equity in pooled cash and investments	11,210	-	11,210
Capital assets:			
Land and construction in progress	32,162	-	32,162
Depreciable capital assets, net	157,162	217	157,379
Total capital assets, net	189,324	217	189,541
Total assets	267,654	2,540	270,194
Liabilities:			
Accounts payable	1,073	16	1,089
Contracts payable	163	-	163
Accrued wages and benefits	8,949	126	9,075
Pension obligation payable	2,546	131	2,677
Intergovernmental payable	1,171	3	1,174
Unearned revenue	24,644	11	24,655
Accrued interest payable	143	-	143
Claims payable	190	-	190
Long-term liabilities:			
Due within one year	3,632	19	3,651
Due within more than one year	56,345	117	56,462
Total liabilities	98,856	423	99,279
Net Assets:			
Invested in capital assets, net of related debt	144,576	217	144,793
Restricted for:			
Capital projects	7,777	-	7,777
Debt service	12,612	-	12,612
Classroom facilities maintenance	2,355	-	2,355
Locally funded programs	1,185	-	1,185
State funded programs	783	-	783
Federally funded programs	116	-	116
Public school support	230	-	230
Other purposes	959	-	959
Unrestricted (deficit)	(1,795)	1,900	105
Total net assets	\$ 168,798	\$ 2,117	\$ 170,915

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(AMOUNTS IN 000's)

	Program Revenues			
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Instruction:				
Regular	\$ 45,335	\$ 219	\$ 9,578	\$ 941
Special	15,491	416	10,196	-
Vocational	1,831	36	859	-
Adult/continuing	691	-	679	-
Other	10,280	12	389	-
Support services:				
Pupil	6,808	235	963	-
Instructional staff	6,809	22	4,489	-
Board of education	26	-	-	-
Administration	8,211	16	871	-
Fiscal	1,707	-	209	-
Business	531	-	-	-
Operations and maintenance	11,858	317	580	69
Pupil transportation	2,997	64	495	104
Central	3,666	102	108	42
Operation of non-instructional services	2,580	90	1,600	-
Extracurricular activities	2,254	585	17	-
Interest and fiscal charges	1,874	26	2	-
Total governmental activities	122,949	2,140	31,035	1,156
Business-type activities:				
Food service	5,181	591	4,277	-
Adult education	1,279	1,108	224	-
Total business-type activities	6,460	1,699	4,501	-
Totals	\$ 129,409	\$ 3,839	\$ 35,536	\$ 1,156

General Revenues:

Property taxes levied for:
General purposes
Debt service
Capital outlay
Facilities maintenance
Grants and entitlements not restricted to specific programs
Investment earnings
Miscellaneous
Total general revenues
 Change in net assets
 Net assets at beginning of year
Net assets at end of year

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**Net (Expense) Revenue
and Changes in Net Assets**

Primary Government

Governmental Activities	Business-Type Activities	Total
\$ (34,597)	\$ -	\$ (34,597)
(4,879)	-	(4,879)
(936)	-	(936)
(12)	-	(12)
(9,879)	-	(9,879)
(5,610)	-	(5,610)
(2,298)	-	(2,298)
(26)	-	(26)
(7,324)	-	(7,324)
(1,498)	-	(1,498)
(531)	-	(531)
(10,892)	-	(10,892)
(2,334)	-	(2,334)
(3,414)	-	(3,414)
(890)	-	(890)
(1,652)	-	(1,652)
(1,846)	-	(1,846)
<u>(88,618)</u>	<u>-</u>	<u>(88,618)</u>
-	(313)	(313)
-	53	53
-	(260)	(260)
<u>(88,618)</u>	<u>(260)</u>	<u>(88,878)</u>
25,100	-	25,100
2,655	-	2,655
728	-	728
424	-	424
62,673	-	62,673
1,168	94	1,262
890	-	890
<u>93,638</u>	<u>94</u>	<u>93,732</u>
5,020	(166)	4,854
163,778	2,283	166,061
<u>\$ 168,798</u>	<u>\$ 2,117</u>	<u>\$ 170,915</u>

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2009
(AMOUNTS IN 000's)

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:						
Equity in pooled cash and investments	\$ 9,876	\$ 1,455	\$ 3,919	\$ 6,920	\$ 8,139	\$ 30,309
Receivables:						
Taxes	28,178	3,211	-	886	400	32,675
Accounts	23	-	-	-	6	29
Intergovernmental	247	-	-	-	1,624	1,871
Accrued interest	90	-	-	-	-	90
Interfund loans	948	254	-	750	-	1,952
Prepayments	57	-	-	-	-	57
Materials and supplies inventory	169	-	-	-	-	169
Restricted assets:						
Equity in pooled cash and cash equivalents	959	10,251	-	-	-	11,210
Total assets	<u>\$ 40,547</u>	<u>\$ 15,171</u>	<u>\$ 3,919</u>	<u>\$ 8,556</u>	<u>\$ 10,169</u>	<u>\$ 78,362</u>
Liabilities:						
Accounts payable	\$ 863	\$ -	\$ -	\$ -	\$ 207	\$ 1,070
Contracts payable	-	-	3	-	160	163
Accrued wages and benefits	6,892	-	-	-	2,057	8,949
Compensated absences payable	132	-	-	-	83	215
Pension obligation payable	1,828	-	-	-	717	2,545
Intergovernmental payable	602	-	2	190	75	869
Interfund loan payable	67	-	-	-	1,875	1,942
Health care reimbursement arrangement payable	1,387	-	-	-	-	1,387
Deferred revenue	5,705	633	-	242	1,209	7,789
Unearned revenue	21,213	2,416	-	584	431	24,644
Total liabilities	<u>38,689</u>	<u>3,049</u>	<u>5</u>	<u>1,016</u>	<u>6,814</u>	<u>49,573</u>
Fund Balances:						
Reserved for encumbrances	982	-	235	6,201	569	7,987
Reserved for textbooks	804	-	-	-	-	804
Reserved for materials and supplies inventory	169	-	-	-	-	169
Reserved for debt service	-	11,961	-	-	-	11,961
Reserved for property tax unavailable for appropriation	1,313	161	-	60	-	1,534
Reserved for prepayments	57	-	-	-	-	57
Reserved for school bus purchases	155	-	-	-	-	155
Unreserved, undesignated (deficit), reported in:						
General fund	(1,622)	-	-	-	-	(1,622)
Special revenue funds	-	-	-	-	3,488	3,488
Capital projects funds	-	-	3,679	1,279	(702)	4,256
Total fund balances	<u>1,858</u>	<u>12,122</u>	<u>3,914</u>	<u>7,540</u>	<u>3,355</u>	<u>28,789</u>
Total liabilities and fund balances	<u>\$ 40,547</u>	<u>\$ 15,171</u>	<u>\$ 3,919</u>	<u>\$ 8,556</u>	<u>\$ 10,169</u>	<u>\$ 78,362</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2009
(AMOUNTS IN 000's)

Total governmental fund balances		\$	28,789
<i>Amounts reported for governmental activities in the statement of net assets are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			189,324
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.			
Taxes receivable	\$	6,528	
Accrued interest receivable		28	
Intergovernmental revenue receivable		1,233	
		1,233	
Total			7,789
Unamortized deferred charges on refundings are not recognized in the funds.			1,787
Unamortized premiums on bond and note issuances are not recognized in the funds.			(2,120)
Unamortized bond and note issuance costs are not recognized in the funds.			332
Internal service funds are used by management to charge the costs of workers' compensation and warehouse services to individual funds. The assets and liabilities of the internal service funds are included in governmental activities on the statement of net assets.			1,081
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.			(143)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			
General obligation bonds		(44,750)	
Compensated absences		(4,016)	
Capital lease obligations		(1,082)	
Health care reimbursement arrangement payable		(4,758)	
Notes payable		(3,435)	
		(44,750)	
Total			(58,041)
Net assets of governmental activities		\$	168,798

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(AMOUNTS IN 000's)

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:						
From local sources:						
Taxes	\$ 24,457	\$ 2,474	\$ -	\$ 699	\$ 424	\$ 28,054
Tuition	547	-	-	-	13	560
Earnings on investments	521	331	249	139	14	1,254
Extracurricular	49	-	-	-	812	861
Classroom materials and fees	29	-	-	-	1	30
Rental income	317	-	-	-	12	329
Contributions and donations	3	-	-	-	58	61
Charges for services	43	-	-	-	87	130
Other local revenues	674	-	-	207	236	1,117
Intergovernmental - Intermediate sources	-	-	-	-	1,396	1,396
Intergovernmental - State	67,846	312	163	118	13,233	81,672
Intergovernmental - Federal	1,697	-	-	-	9,550	11,247
Total revenue	<u>96,183</u>	<u>3,117</u>	<u>412</u>	<u>1,163</u>	<u>25,836</u>	<u>126,711</u>
Expenditures:						
Current:						
Instruction:						
Regular	35,362	-	-	-	8,272	43,634
Special	9,455	-	-	-	5,606	15,061
Vocational	1,811	-	-	-	-	1,811
Adult/continuing	-	-	-	-	691	691
Other	9,935	-	-	-	384	10,319
Support Services:						
Pupil	5,565	-	-	-	1,118	6,683
Instructional staff	2,062	-	-	-	4,546	6,608
Board of education	26	-	-	-	-	26
Administration	6,897	-	-	-	954	7,851
Fiscal	1,488	-	-	-	223	1,711
Business	553	-	-	-	-	553
Operations and maintenance	10,797	-	-	421	494	11,712
Pupil transportation	3,139	-	-	-	170	3,309
Central	3,513	-	-	-	149	3,662
Operation of non-instructional services	305	-	-	-	1,715	2,020
Extracurricular activities	1,202	-	-	-	722	1,924
Facilities acquisition and construction	1,036	-	1,395	557	1,307	4,295
Capital outlay	528	-	-	-	-	528
Debt service:						
Principal retirement	99	1,910	-	29	40	2,078
Interest and fiscal charges	26	1,515	-	24	18	1,583
Total expenditures	<u>93,799</u>	<u>3,425</u>	<u>1,395</u>	<u>1,031</u>	<u>26,409</u>	<u>126,059</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,384</u>	<u>(308)</u>	<u>(983)</u>	<u>132</u>	<u>(573)</u>	<u>652</u>

--continued

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(AMOUNTS IN 000's)

	<u>General</u>	<u>Debt Service</u>	<u>Classroom Facilities</u>	<u>Permanent Improvement</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):						
Transfers in	198	1,482	-	351	199	2,230
Transfers (out).	(913)	-	-	(748)	(569)	(2,230)
Proceeds of capital lease transaction	528	-	-	-	-	528
Total other financing sources (uses)	<u>(187)</u>	<u>1,482</u>	<u>-</u>	<u>(397)</u>	<u>(370)</u>	<u>528</u>
Net change in fund balances	2,197	1,174	(983)	(265)	(943)	1,180
Fund balances (deficit)						
at beginning of year	(279)	10,948	4,897	7,805	4,298	27,669
Decrease in reserve for inventory	<u>(60)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(60)</u>
Fund balances						
at end of year	<u>\$ 1,858</u>	<u>\$ 12,122</u>	<u>\$ 3,914</u>	<u>\$ 7,540</u>	<u>\$ 3,355</u>	<u>\$ 28,789</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(AMOUNTS IN 000's)

Net change in fund balances - total governmental funds	\$	1,180
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceed depreciation expense in the current period.		
Capital asset additions	\$ 5,384	
Current year depreciation	(4,988)	
Total		396
Governmental funds report expenditures for inventory when purchased, however, in the statement of activities, they are reported as expenditures when consumed.		
		(60)
Inception of capital lease transactions are recorded as an other financing source in the funds; however, in the statement of activities they are not reported as revenues as they increase liabilities on the statement of net assets.		
		(528)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Delinquent property taxes	852	
Interest	(113)	
Intergovernmental	483	
Total		1,222
Repayment of long-term principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. The following principal payments were made in the fiscal year:		
Bonds and notes	1,910	
Capital lease obligations	168	
Total		2,078
In the statement of activities, interest is accrued on outstanding bonds and notes, whereas in governmental funds, an interest expenditure is reported when due. The following items resulted in increased interest being reported on the statement of activities:		
Decrease in accrued interest payable	3	
Accreted interest on "capital appreciation" bonds	(294)	
Amortization of bond and note issuance costs	(30)	
Amortization on bond and note premiums	154	
Amortization of deferred charge on refunding	(124)	
Total		(291)
Some expenses reported in the statement of activities, such as the long-term portion of compensated absences and the health reimbursement arrangement payable do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
		942
The internal service funds used by management to charge the costs of workers' compensation and warehouse services to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and the related internal service funds revenues are eliminated. The net revenues of the internal service funds are allocated among the governmental activities.		
		81
Change in net assets of governmental activities	\$	5,020

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(AMOUNTS IN 000's)

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
From local sources:				
Taxes.	\$ 23,630	\$ 23,721	\$ 24,670	\$ 949
Tuition.	463	465	483	18
Earnings on investments.	495	497	517	20
Extracurricular.	29	41	50	9
Classroom materials and fees.	22	26	29	3
Rental income.	319	324	338	14
Contributions and donations.	3	3	3	-
Charges for services.	34	34	36	2
Other local revenues.	477	480	500	20
Intergovernmental - State	64,967	65,219	67,828	2,609
Intergovernmental - Federal.	1,082	1,087	1,130	43
Total revenue	91,521	91,897	95,584	3,687
Expenditures:				
Current:				
Instruction:				
Regular	36,017	36,620	36,504	116
Special.	9,841	10,006	9,975	31
Vocational.	2,047	2,092	2,081	11
Other.	9,467	9,625	9,595	30
Support Services:				
Pupil.	6,022	6,123	6,104	19
Instructional staff	2,144	2,180	2,174	6
Board of education	26	27	27	-
Administration.	7,399	7,523	7,500	23
Fiscal	1,500	1,525	1,520	5
Business	612	622	620	2
Operations and maintenance.	11,082	11,268	11,233	35
Pupil transportation	3,450	3,508	3,497	11
Central.	4,035	4,102	4,090	12
Operation of non-instructional services	340	361	361	-
Extracurricular activities.	1,350	1,373	1,368	5
Facilities acquisition and construction.	170	173	172	1
Total expenditures	95,502	97,128	96,821	307
Excess of revenues over (under) expenditures.	(3,981)	(5,231)	(1,237)	3,994
Other financing sources (uses):				
Refund of prior year expenditure.	1,076	1,084	1,129	45
Refund of prior year receipt	(355)	(361)	(360)	1
Advances in.	5,659	5,680	5,908	228
Advances (out)	(5,147)	(5,233)	(5,217)	16
Transfers in	4,682	4,701	4,889	188
Transfers (out)	(4,240)	(4,301)	(4,281)	20
Total other financing sources (uses)	1,675	1,570	2,068	498
Net change in fund balance	(2,306)	(3,661)	831	4,492
Fund balance at beginning of year	5,385	5,385	5,385	-
Prior year encumbrances appropriated	2,906	2,906	2,906	-
Fund balance at end of year.	\$ 5,985	\$ 4,630	\$ 9,122	\$ 4,492

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(AMOUNTS IN 000's)

	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Funds
Operating revenues:		
Tuition and fees.	\$ 1,108	\$ 102
Sales/charges for services.	591	43
Other	-	361
	1,699	506
Operating expenses:		
Personal services.	2,828	14
Purchased services.	425	14
Materials and supplies	2,282	111
Depreciation	35	-
Claims	-	320
Other.	890	-
	6,460	459
Total operating revenues	1,699	506
Total operating expenses.	6,460	459
Operating income (loss)	(4,761)	47
Nonoperating revenues:		
Federal donated commodities	172	-
Interest revenue	94	34
Grants and subsidies.	4,329	-
	4,595	34
Total nonoperating revenues	4,595	34
Change in net assets.	(166)	81
Net assets at beginning of year	2,283	1,000
Net assets at end of year.	\$ 2,117	\$ 1,081

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(AMOUNTS IN 000's)

	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Funds
Cash flows from operating activities:		
Cash received from tuition and fees	\$ 1,039	\$ 102
Cash received from sales/charges for services.	589	43
Cash payments for personal services.	(3,052)	(13)
Cash payments for contractual services	(422)	(14)
Cash payments for materials and supplies	(2,089)	(132)
Cash payments for claims	-	(959)
Cash payments for other expenses	(892)	-
Net cash provided by (used in) operating activities	(4,827)	(973)
Cash flows from noncapital financing activities:		
Cash received from grants and subsidies.	4,803	-
Cash received from interfund loans	-	11
Cash used in repayment of interfund loans.	-	(1)
Net cash provided by noncapital financing activities.	4,803	10
Cash flows from investing activities:		
Interest received	94	34
Net cash provided by investing activities	94	34
Net increase (decrease) in cash and cash cash equivalents	70	(929)
Cash and cash equivalents at beginning of year . . .	2,191	2,156
Cash and cash equivalents at end of year	\$ 2,261	\$ 1,227

(Continued)

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2009
(AMOUNTS IN 000's)

	Business-Type Activities - Nonmajor Enterprise Funds	Governmental Activities - Internal Service Funds
Reconciliation of operating loss to net cash (used in) operating activities:		
Operating income (loss)	\$ (4,761)	\$ 47
Adjustments:		
Depreciation.	35	-
Federal donated commodities	172	-
Changes in assets and liabilities:		
Decrease in materials and supplies inventory	19	-
(Increase) in accounts receivable.	(2)	-
(Increase) in intergovernmental receivable.	-	(360)
Increase (decrease) in accounts payable	3	(21)
(Decrease) in accrued wages and benefits	(129)	-
(Decrease) in intergovernmental payable	(4)	(95)
Increase in compensated absences payable	10	-
(Decrease) in pension obligation payable	(102)	(1)
(Decrease) in unearned revenue.	(68)	-
(Decrease) in claims payable	-	(543)
Net cash (used in) operating activities	\$ (4,827)	\$ (973)

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
 STATEMENT OF FIDUCIARY NET ASSETS
 FIDUCIARY FUNDS
 JUNE 30, 2009
 (AMOUNTS IN 000's)

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and investments	\$ 98	\$ 239
Total assets	98	\$ 239
Liabilities:		
Due to students	-	\$ 227
Accounts payable	-	12
Total liabilities	-	\$ 239
Net Assets:		
Held in trust for scholarships.	98	
Total net assets.	\$ 98	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FIDUCIARY FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009
 (AMOUNTS IN 000's)

	Private-Purpose Trust	
	Scholarship	
Additions:		
Interest	\$	1
Gifts and contributions.		16
Total additions.		17
Deductions:		
Scholarships awarded		23
Change in net assets		(6)
Net assets at beginning of year.		104
Net assets at end of year	\$	98

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District ranks as the 15th largest by enrollment among the 922 public school districts and community schools in the State of Ohio. The District employs 781 non-certified and 888 certified employees to provide services to approximately 10,004 students and community groups.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local 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) guidance issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds provided they do not conflict with or contradict GASB pronouncements. The District has the option to also apply FASB guidance issued after November 30, 1989 to its business-type activities and enterprise funds, subject to this same limitation. The District has elected not to apply this FASB guidance. The most significant of the District's accounting policies are described below.

A. Reporting Entity

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

JOINTLY GOVERNED ORGANIZATIONS

Canton Joint Recreation District

The District appoints two of the five members of the Canton Joint Recreation District (the "CJRD"). The CJRD manages recreational activities within the City of Canton at facilities owned by either the City of Canton or the District. The CJRD hires and fires its own staff and does not rely on the District to finance deficits. The District is not financially accountable for the CJRD nor is the CJRD financially dependent upon the District. The CJRD serves as its own budgeting, taxing and debt issuance authority. Complete financial statements can be obtained from the Canton Joint Recreation District at 1101 Market Avenue, Canton, Ohio 44702.

PUBLIC ENTITY RISK POOL

The Stark County Schools Council of Government (the "COG") is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one year terms to serve as the Board of Directors. The assembly exercises control over the operation of the COG. All COG's revenues are generated from charges for services. The COG has a Health Benefits Program which is a shared risk pool comprised of various entities, most of which are school districts.

B. Fund Accounting

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

GOVERNMENTAL FUNDS

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

The following are the District's major governmental funds:

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

Debt service fund - The debt service fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest and certain long-term obligations from governmental resources when the government is obligated in some manner for payment.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

Classroom Facilities fund - This fund is used to account for monies received and expended in connection with contracts entered into by the District and the Ohio School Facilities Commission for the building and equipping of classroom facilities.

Permanent improvement fund - This fund is used to account for all transactions related to the acquiring, constructing, or improving of such permanent improvements as are authorized by Chapter 5705, Ohio Revised Code.

Other governmental funds of the District are used to account for (a) financial resources to be used for the acquisition, construction, or improvement of capital facilities other than those financed by proprietary funds, the classroom facilities fund or the permanent improvement fund; and (b) grants and other resources whose use is restricted to a particular purpose.

PROPRIETARY FUNDS

Proprietary funds are used to account for the District's ongoing activities which are similar to those often found in the private sector where the determination of net income is necessary or useful to sound financial administration. Proprietary funds consist of enterprise funds and internal service funds.

Enterprise Funds - The enterprise funds are 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.

The District's nonmajor enterprise funds are:

Food service fund - This fund accounts for the financial transactions related to the food service operations of the District.

Adult education fund - This fund accounts for educational opportunities offered on a tuition basis to adults living within the community.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

FIDUCIARY FUNDS

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

C. Basis of Presentation

Government-wide Financial Statements - The statement of net assets and the statement of activities display information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Internal service fund activity is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the District that are governmental and those that are considered business-type activities.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the District and for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and are therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the District.

Fund Financial Statements - Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Internal service funds are combined and the totals are presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

Private-purpose trust funds are reported using the economic resources measurement focus. Agency funds do not report a measurement focus as they do not report operations.

D. Basis of Accounting

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Unearned Revenue and Deferred Revenue - Unearned revenue and deferred revenue arise when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2009, but which were levied to finance fiscal year 2010 operations, and other revenues received in advance of the fiscal year for which they are intended to finance, have been recorded as unearned revenue. Grants and entitlements received before the eligibility requirements are met and delinquent property taxes due at June 30, 2009 are recorded as deferred revenue in the governmental funds.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

Expenses/Expenditures - On the accrual basis of accounting, expenses are recognized at the time they are incurred. The entitlement value of donated commodities received during the year is reported as a nonoperating revenue (federal donated commodities) with a like amount reported as materials and supplies expense in the proprietary fund statements.

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

E. Budgets

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budget documents within an established timetable. The major documents prepared are the alternate tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. All funds, other than agency funds, are required to be budgeted and appropriated. The legal level of budgetary control is at the fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with legal restriction that appropriations cannot exceed estimated resources, as certified. The amounts reported as the original budgeted revenues in the budgetary statements reflect the amounts in the certificate when the original appropriations were adopted. The amounts reported as the final budgeted revenues in the budgetary statement reflect the amounts in the amended certificate of estimated resources that was in effect at the time the final appropriations were passed by the Board of Education. The amounts reported as the original budgeted expenditures reflect the first appropriation for that fund that covered the entire fiscal year, including amounts automatically carried over from prior years. The amounts reported as the final budgeted expenditures represent the final appropriation amounts passed by the Board during the year.

F. Cash and Investments

To improve cash management, cash received by the District is pooled. Monies for all funds, including proprietary and fiduciary 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 investments" on the financial statements.

During fiscal year 2009, investments were limited to U.S. Treasury notes, repurchase agreements, nonnegotiable certificates of deposit and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts, such as nonnegotiable certificates of deposit and repurchase agreements, are reported at cost.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

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

The District has invested funds in STAR Ohio during fiscal year 2009. STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2009.

Under existing Ohio statute, interest earnings are allotted to the general fund unless the Board of Education has, by resolution, specified funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2009 amounted to \$521,000 which includes \$320,000 assigned from other District funds.

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

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

G. Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost while inventories of proprietary funds, except donated commodities, are stated at the lower of cost or market. Donated commodities are stated at their entitlement value. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as expenditures in the governmental funds when purchased. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used. Inventories for governmental funds are accounted for using the purchase method on the fund financial statements and using the consumption method on the government-wide financial statements. Inventory for proprietary funds is accounted for using the consumption method.

H. Capital Assets

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets, but are not reported in the fund financial statements. Capital assets utilized by the proprietary funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

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

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>	<u>Business-Type Activities Estimated Lives</u>
Land improvements	20 years	N/A
Building/ improvements	25 - 50 years	N/A
Furniture/equipment	5 - 20 years	5 - 20 years
Vehicles	6 - 10 years	N/A

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund receivables/payables.” These amounts are eliminated in the governmental and business-type activities columns of the statement of net assets, except for the net residual amounts due between governmental and business-type activities, which are presented as internal balances. The District had no internal balances at fiscal year-end.

J. Compensated Absences

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

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

The total liability for vacation and sick leave payments has been calculated using pay rates in effect at June 30, 2009 and reduced to the maximum payment allowed by labor contract and/or statute, plus any additional salary related payments.

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

For governmental fund financial statements, compensated absences are recognized as liabilities and expenditures as payments come due each period upon the occurrence of employee resignations and retirements. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

K. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

L. Fund Balance Reserves

The District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, materials and supplies inventory, prepayments, school bus purchases, textbooks/instructional materials, debt service, and property taxes unavailable for appropriation. The reserve for property taxes unavailable for appropriation represents taxes recognized as revenue under GAAP but not available for appropriation under State statute.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes represent monies restricted by State statute for the purchase of textbooks/instructional materials and monies restricted by the State of Ohio for school bus purchases (see Note 16).

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

N. Prepayments

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

O. Parochial Schools

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

P. Estimates

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

Q. Restricted Assets

Assets are reported as restricted assets when limitations on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. See Note 16 for further detail on the District's restricted assets at June 30, 2009 related to statutory reserves and see Note 10.D. for further detail on restricted assets related to QZAB sinking fund deposits maintained by the District.

R. Operating Revenues and Expenses

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

S. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

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

T. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. During fiscal year 2009, the District did not have extraordinary or special items.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2009, the District has implemented GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations", GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments", GASB Statement No. 55, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", and GASB Statement No. 56 "Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards".

GASB Statement No. 49 addresses accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of GASB Statement No. 49 did not have an effect on the financial statements of the District.

GASB Statement No. 52 improves the quality of financial reporting by requiring endowments to report their land and other real estate investments at fair value, creating consistency in reporting among similar entities that exist to invest resources for the purpose of generating income. The implementation of GASB Statement No. 52 did not have an effect on the financial statements of the District.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative literature. The implementation of GASB Statement No. 55 did not have an effect on the financial statements of the District.

GASB Statement No. 56 incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' (AICPA) Statements on Auditing Standards. The implementation of GASB Statement No. 56 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2009 included the following individual fund deficits (amounts in 000's):

	<u>Deficit Balance</u>
<u>Nonmajor governmental funds</u>	
District Managed Student Activities	\$ 340
Public School Preschool	10
Alternative Schools	9
Title IV-B	445
Title I	381
Title VI	8
Capital Projects	521

The general fund is liable for any deficits in the nonmajor governmental funds and provides transfers when cash is required, not when accruals occur. The deficit fund balances resulted from adjustments for accrued liabilities and from the reporting of advances as a liability rather than as an other financing source. The deficits in the nonmajor governmental funds should be eliminated by future intergovernmental revenues not recognized under GAAP at June 30.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Deposits with Financial Institutions

At June 30, 2009, the carrying amount of all District deposits was \$2.155 million, exclusive of the \$11.085 million repurchase agreements included in investments below. Based on the criteria described in GASB Statement No. 40, “Deposits and Investment Risk Disclosures”, as of June 30, 2009, \$1.916 million of the District’s bank balance of \$2.532 was exposed to custodial risk as discussed below, while \$616,000 was covered by the FDIC.

Custodial credit risk is the risk that, in the event of bank failure, the District’s deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105% of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the District. The District has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging institutions’ trust department and all statutory requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the District to a successful claim by the FDIC.

B. Investments

As of June 30, 2009, the District had the following investments and maturities (amounts in 000’s):

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>				
		<u>6 months or less</u>	<u>7 to 12 months</u>	<u>13 to 18 months</u>	<u>19 to 24 months</u>	<u>Greater than 24 months</u>
Repurchase Agreements	\$ 11,085	\$ 11,085	\$ -	\$ -	\$ -	\$ -
STAR Ohio	21,853	21,853	-	-	-	-
U.S. Treasury Notes	<u>10,251</u>	-	-	-	-	10,251
	<u>\$ 43,189</u>	<u>\$ 32,938</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,251</u>

The weighted average maturity of investments is .86 years.

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the District’s investment policy limits investment portfolio maturities to five years or less. The District’s investment policy limits investment in commercial paper to maturities of 180 days or less from the date of purchase. The District did not have investments in commercial paper at June 30, 2009.

Credit Risk: The federal agency securities underlying the District’s repurchase agreement and the U.S. treasury notes were rated AAA and Aaa by Standard & Poor’s and Moody’s Investor Services, respectively. Standard & Poor’s has assigned STAR Ohio an AAAM money market rating. The District has no investment policy dealing with investment credit risk beyond the requirements in State statutes. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The U.S. treasury notes are exposed to custodial credit risk in that they are uninsured, unregistered and held by the counterparty's trust department or agent but not in the District's name. Of the District's \$11.085 million investment in repurchase agreements, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The District has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the Treasurer or qualified trustee.

Concentration of Credit Risk: The District's investment policy places limits on the amount that may be invested in any one issuer. Investments in federal agency securities may not exceed 70% of the District's portfolio at time of purchase. In addition, no more than 25% of investments in federal agency securities may be in callable agency securities. Investments in commercial paper may not exceed 25% of the District's portfolio at time of purchase. The following table includes the percentage of each investment type held by the District at June 30, 2009 (amounts in 000's):

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase Agreements	\$ 11,085	25.67
STAR Ohio	21,853	50.60
U.S. Treasury Notes	<u>10,251</u>	<u>23.73</u>
	<u>\$ 43,189</u>	<u>100.00</u>

D. Reconciliation of Cash and Investment to the Statement of Net Assets

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net assets as of June 30, 2009 (amounts in 000's):

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,155
Investments	<u>43,189</u>
Total	<u>\$ 45,344</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 42,746
Business-type activities	2,261
Private-purpose trust funds	98
Agency funds	<u>239</u>
Total	<u>\$ 45,344</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 5 - INTERFUND TRANSACTIONS

- A. Interfund loans receivable/payable consisted of the following at June 30, 2009, as reported on the fund statements (amounts in 000's):

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 938
General Fund	Internal service funds	10
Permanent Improvement	Nonmajor Governmental Funds	750
Debt service	General	67
Debt service	Nonmajor Governmental Funds	<u>187</u>
		<u>\$ 1,952</u>

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

The interfund loan payable in the district managed student activity special revenue fund (a nonmajor governmental fund) and the general fund of \$187,000 and \$67,000, respectively, represent the fiscal year-end balance of manuscript bonds that were issued by the bond retirement fund. A corresponding interfund loan receivable has been recorded in the debt service fund.

Interfund loans receivable/payable between governmental funds is eliminated for reporting on the statement of net assets. Interfund loans receivable/payable between governmental funds and the internal service funds are eliminated for reporting on the statement of net assets. There are no internal balances between governmental activities and business-type activities at June 30, 2009.

- B. Interfund transfers for the year ended June 30, 2009, consisted of the following, as reported on the fund statements (amounts in 000's):

	<u>Amount</u>
Transfers from general fund to:	
Nonmajor governmental funds	\$ 179
Debt service fund	734
Transfers from permanent improvement fund to:	
Debt service fund	748
Transfers from nonmajor governmental funds:	
General	198
Permanent Improvement fund	351
Nonmajor governmental funds	<u>20</u>
Total	<u>\$ 2,230</u>

Transfers are used to move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them and to use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

During fiscal year 2009, the District made \$734,000 and \$748,000 in transfers from the general fund and permanent improvement fund, respectively, to the debt service fund related to long-term note principal and interest expenditures.

Interfund transfers between governmental funds are eliminated for reporting on the statement of activities. There were no transfers between governmental activities and business-type activities to report on the statement of activities at June 30, 2009.

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property, public utility property, and tangible personal (used in business) property located in the District. Real property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Real property taxes received in calendar year 2009 were levied after April 1, 2008, on the assessed values as of January 1, 2008, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2009 represent the collection of calendar year 2008 taxes. Public utility real and tangible personal property taxes received in calendar year 2009 became a lien on December 31, 2007, were levied after April 1, 2008, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

Tangible personal property tax revenues received in calendar year 2009 (other than public utility property) represent the collection of calendar year 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, and furniture and fixtures is no longer levied and collected. The October 2008 tangible personal property tax settlement was the last property tax settlement for general personal property taxes. Tangible personal property taxes received from telephone companies in calendar year 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Amounts paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2009, are available to finance fiscal year 2009 operations. The amount available as an advance at June 30, 2009 was \$1.313 million in the general fund, \$161,000 in the debt service fund and \$60,000 in the permanent improvement fund. This amount is recorded as revenue. The amount available for advance at June 30, 2008 was \$1.526 million in the general fund, \$181,000 in the debt service fund and \$66,000 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 6 - PROPERTY TAXES - (Continued)

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2009 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to unearned revenue.

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

The assessed values upon which the fiscal year 2009 taxes were collected are (amounts in 000's):

	2008 Second Half Collections		2009 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 729,843	90.01	\$ 720,686	95.00
Public utility personal	35,757	4.41	36,412	4.80
Tangible personal property	<u>45,251</u>	<u>5.58</u>	<u>1,513</u>	<u>0.20</u>
Total	<u>\$ 810,851</u>	<u>100.00</u>	<u>\$ 758,611</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation:				
Operations	\$ 60.10		\$ 60.10	
Debt service	4.50		4.50	
Permanent improvement	2.00		2.00	
Classroom maintenance	0.50		0.50	

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 7 - RECEIVABLES

Receivables at June 30, 2009 consisted of taxes, accounts (billings for user charged services and student fees), accrued interest and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. Principal items of receivables reported on the statement of net assets follows (amounts in 000's):

Governmental activities:

Taxes	\$ 32,675
Accounts	29
Intergovernmental	2,232
Accrued interest	<u>90</u>
Total governmental activities	<u>\$ 35,026</u>

Business-type activities:

Intergovernmental	\$ 6
Accounts	<u>3</u>
Total business-type activities	<u>\$ 9</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS

A. Governmental Activities

Capital asset activity for the fiscal year ended June 30, 2009, was as follows (amounts in 000's):

	Balance			Balance
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 17,413	\$ -	\$ -	\$ 17,413
Construction in progress	13,965	784	-	14,749
Total capital assets, not being depreciated	<u>31,378</u>	<u>784</u>	<u>-</u>	<u>32,162</u>
Capital assets, being depreciated:				
Land improvements	7,147	-	-	7,147
Building/improvements	191,229	1,661	-	192,890
Furniture/equipment	7,553	2,525	-	10,078
Vehicles	4,498	414	-	4,912
Total capital assets, being depreciated	<u>210,427</u>	<u>4,600</u>	<u>-</u>	<u>215,027</u>
Less: accumulated depreciation				
Land improvements	(2,220)	(347)	-	(2,567)
Building/improvements	(41,015)	(4,058)	-	(45,073)
Furniture/equipment	(5,851)	(440)	-	(6,291)
Vehicles	(3,791)	(143)	-	(3,934)
Total accumulated depreciation	<u>(52,877)</u>	<u>(4,988)</u>	<u>-</u>	<u>(57,865)</u>
Governmental activities capital assets, net	<u>\$ 188,928</u>	<u>\$ 396</u>	<u>\$ -</u>	<u>\$ 189,324</u>

Depreciation expense was charged to governmental functions as follows (amounts in 000's):

Instruction:	
Regular	\$ 2,556
Special	597
Support services:	
Pupil	144
Instructional staff	254
Administration	290
Operations and maintenance of plant	253
Pupil transportation	119
Operation of non-instructional services	447
Extracurricular activities	328
Total depreciation expense	<u>\$ 4,988</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 8 - CAPITAL ASSETS - (Continued)

B. Business-Type Activities

Capital asset activity for the fiscal year-ended June 30, 2009, was as follows (amounts in 000's):

	Balance			Balance
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Deductions</u>	<u>June 30, 2009</u>
Business-type activities:				
Capital assets, being depreciated:				
Furniture/equipment	\$ 990	\$ -	\$ -	\$ 990
Less: accumulated depreciation	<u>(738)</u>	<u>(35)</u>	<u>-</u>	<u>(773)</u>
Business-type activities capital assets, net	<u>\$ 252</u>	<u>\$ (35)</u>	<u>\$ -</u>	<u>\$ 217</u>

Depreciation expense was charged to business-type activities as follows:

Food service	\$ 34
Adult education	<u>1</u>
Total depreciation expense	<u>\$ 35</u>

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In the current fiscal year, the District entered into capital lease agreements for copier equipment. In prior fiscal years, the District entered into capital lease agreements for copier equipment, the acquisition of a stadium scoreboard and various stadium improvements. These 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 expenditures in the basic financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Governmental activities capital assets consisting of copier equipment, stadium scoreboard and stadium improvements have been capitalized in the amount of \$1.701 million. This amount represents the present value of the future minimum lease payments at the time of acquisition. A corresponding liability is recorded on the statement of net assets. Principal and interest payments in the 2009 fiscal year totaled \$168,000 and \$53,000, respectively. These amounts are reported as debt service payments of the general fund, the permanent improvement fund and the wells/fawcett stadium trust fund (a nonmajor governmental fund).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 9 - CAPITALIZED LEASES - LESSEE DISCLOSURE - (Continued)

The following is a schedule of the future minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008 follows (amounts in 000's):

<u>Year Ending June 30</u>	<u>Amount</u>
2010	\$ 248
2011	248
2012	248
2013	128
2014	53
2015 - 2019	263
2020 - 2021	<u>105</u>
Total minimum lease payment	1,293
Less: amount representing interest	<u>(211)</u>
Present value of minimum lease payments	<u>\$ 1,082</u>

NOTE 10 - LONG-TERM OBLIGATIONS

A. Series 2000 General Obligation Bonds

During fiscal year 2001, the District issued Series 2000 general obligation bonds to provide long-term financing of the construction and renovation of various school buildings in accordance with the terms of a Facilities grant from the Ohio Schools Facilities Commission (OSFC). The total project (hereafter "Construction Project") encompasses the construction of nine new elementary schools, one new middle school, and a high school campus and the remodeling of five elementary schools, three middle schools and two high schools. These bonds are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Payments of principal and interest relating to this bond are recorded as an expenditure in the debt service fund. The source of payment is derived from a current 3.7 mills bonded debt tax levy.

These bonds represent the amount of the Construction Project that the District itself was required to finance, in accordance with the terms of a facilities grant from the OSFC. OSFC will make quarterly disbursements to the District as the project is completed.

In conjunction with the 3.7 mils which support the bond issue, the District also passed in fiscal year 2000 a 0.8 mil levy to fund land acquisition. Tax revenue from this levy had been reported in the capital projects fund (a nonmajor governmental fund).

During fiscal year 2005, the callable portion of the Series 2000 bonds was advance refunded (see Note 10.B). At June 30, 2009, current interest bonds with a par value of \$425,000 remain along with the capital appreciation bonds, par value \$241,000. The \$425,000 current interest bonds are scheduled to mature on December 1, 2010 and bear an interest rate of 5.625%. The capital appreciation bonds mature at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. During fiscal year 2009, the District retired one of the capital appreciation bonds in the amount of \$420,000 (original principal of \$129,000 plus accreted interest of \$291,000). The accreted value at maturity for the remaining capital appreciation bond is \$420,000. As of June 30, 2009, a total of \$279,000 in accreted interest on the remaining capital appreciation bonds has been included on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a schedule of maturity dates and effective interest rates for the capital appreciation bonds outstanding at June 30, 2009 (amounts in 000's):

	<u>Original Principal</u>	<u>Accreted Value at Maturity</u>	<u>Maturity Date</u>	<u>Effective Interest Rate</u>
Capital appreciation bond	<u>112</u>	<u>420</u>	12/1/2009	15.51%
Total	<u>\$ 112</u>	<u>\$ 420</u>		

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final stated maturity of the issue is December 1, 2010.

The following is a schedule of activity for fiscal year 2009 on the Series 2000 general obligation bonds (amounts in 000's):

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>
Current interest bonds	\$ 425	\$ -	\$ -	\$ 425
Capital appreciation bonds	241	-	(129)	112
Accreted interest on capital appreciation bonds	<u>488</u>	<u>82</u>	<u>(291)</u>	<u>279</u>
Total	<u>\$ 1,154</u>	<u>\$ 82</u>	<u>\$ (420)</u>	<u>\$ 816</u>

The following is a summary of the future debt service requirements to maturity for the Series 2000 general obligation bonds (amounts in 000's):

<u>Fiscal Year Ending</u>	<u>Current Interest Bonds</u>			<u>Capital Appreciation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 21	\$ 21	\$ 112	\$ 308	\$ 420
2011	<u>425</u>	<u>10</u>	<u>435</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 425</u>	<u>\$ 31</u>	<u>\$ 456</u>	<u>\$ 112</u>	<u>\$ 308</u>	<u>\$ 420</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

B. Series 2005 General Obligation Refunding Bonds

On April 5, 2005, the District issued Series 2005 general obligation refunding bonds to advance refund \$28.325 million of the Series 2000 current interest bonds. The issuance proceeds were used to purchase securities which were placed in an irrevocable trust to provide resources for all future debt service payments on the refunded debt. This refunded debt is considered defeased (in-substance) and accordingly, has been removed from the statement of net assets.

The refunding issue is comprised of both current interest bonds, par value \$27.855 million, and capital appreciation bonds, par value \$470,000. The average interest rate on the current interest bonds is 4.10%. The capital appreciation bonds mature December 1, 2012 and December 1, 2013 (effective interest 22.126%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the capital appreciation bonds is \$2.735 million. Total accreted interest of \$654,000 has been included on the statement of net assets at June 30, 2009.

The reacquisition price exceeded the net carrying amount of the old debt by \$2.314 million. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is equal to the life of the new debt issued.

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

The following is a schedule of maturity dates and effective interest rates for the capital appreciation bonds (amounts in 000's):

	<u>Original Principal</u>	<u>Accreted Value at Maturity</u>	<u>Maturity Date</u>	<u>Effective Interest Rate</u>
Capital appreciation bond	\$ 133	\$665	12/1/2012	22.126%
Capital appreciation bond	<u>337</u>	<u>2,070</u>	12/1/2013	22.126%
Total	<u>\$ 470</u>	<u>\$ 2,735</u>		

The following is a schedule of the future debt service requirements to maturity for the Series 2005 general obligation refunding bonds (amounts in 000's):

	<u>Balance June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2009</u>
Current interest bonds	\$ 26,895	\$ -	\$ (185)	\$ 26,710
Capital appreciation bonds	470	-	-	470
Accreted interest on capital appreciation bonds	<u>442</u>	<u>212</u>	<u>-</u>	<u>654</u>
Total G.O. Bonds	<u>\$ 27,807</u>	<u>\$ 212</u>	<u>\$ (185)</u>	<u>\$ 27,834</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the future debt service requirements to maturity for the Series 2005 general obligation refunding bonds:

Fiscal Year <u>Ending</u>	Current Interest Bonds			Capital Appreciation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 190	\$ 1,269	\$ 1,459	\$ -	\$ -	\$ -
2011	195	1,262	1,457	-	-	-
2012	650	1,248	1,898	-	-	-
2013	-	1,237	1,237	133	532	665
2014	-	1,237	1,237	337	1,733	2,070
2015 - 2019	11,360	4,909	16,269	-	-	-
2020 - 2024	<u>14,315</u>	<u>1,860</u>	<u>16,175</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 26,710</u>	<u>\$ 13,022</u>	<u>\$39,732</u>	<u>\$ 470</u>	<u>\$ 2,265</u>	<u>\$ 2,735</u>

C. Notes Payable

During fiscal year 2004, the District issued \$3.4 million in Series 2004 tax anticipation notes. During fiscal year 2002, the District issued \$6.165 million in Series 2002 tax anticipation notes. The Series 2004 notes bear annual interest rates ranging from 2.80% - 4.75% and mature on December 1, 2009. The Series 2002 notes bear annual interest rates ranging from 3.25% - 5.00% and mature on June 1, 2013. The 2004 Series notes will be retired from future tax revenues from the general fund while the Series 2002 notes will be retired with future tax revenues of the permanent improvement fund. The tax revenues collected by the respective funds are transferred to the debt service fund for payment of the principal and interest on the notes (see Note 5.B). These notes are considered long-term obligations since the proceeds were used for capital acquisition and construction. A summary of the tax anticipation note activity for the fiscal year ended June 30, 2009 follows (amounts in 000's):

	Balance <u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2009</u>
Tax anticipation note - Series 2002	\$ 3,380	\$ -	\$ (625)	\$ 2,755
Tax anticipation note - Series 2004	<u>1,360</u>	<u>-</u>	<u>(680)</u>	<u>680</u>
Total	<u>\$ 4,740</u>	<u>\$ -</u>	<u>\$ (1,305)</u>	<u>\$ 3,435</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of future debt service requirements to maturity for the tax anticipation notes (amounts in 000's):

Fiscal <u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,330	\$ 109	\$ 1,439
2011	675	71	746
2012	700	43	743
2013	<u>730</u>	<u>15</u>	<u>745</u>
Total	<u>\$ 3,435</u>	<u>\$ 238</u>	<u>\$ 3,673</u>

D. Series 2000 Qualified Zone Academy Bonds

During fiscal year 2001, the District issued a total of \$16.1 million in Classroom Facilities Improvement Bonds, Qualified Zone Academy Bonds (QZAB). The total proceeds were comprised of two separate issues; one of QZAB Series 2000 bonds in the amount of \$14 million and one of QZAB Series 2001 bonds in the amount of \$2.1 million. The QZAB Series 2000 bonds mature November 29, 2013 and the QZAB Series 2001 mature November 30, 2015. The District is required to make mandatory sinking fund deposits (consisting of cash and/or U.S. Treasury obligations) on December 1 in the following years and in the following amounts (in each case equal to the value of any cash deposits, plus the stated principal value at maturity of any U.S. Treasury obligations plus any interest to be paid thereon through and including the maturity date):

<u>December 1 of year</u>	(Amounts in 000's)		
	<u>QZAB Series 2000</u>	<u>QZAB Series 2001</u>	<u>Total</u>
2001	\$ 1,000	\$ 140	\$ 1,140
2002	1,000	140	1,140
2003	1,000	140	1,140
2004	1,100	140	1,240
2005	1,100	140	1,240
2006	1,100	140	1,240
2007	1,100	140	1,240
2008	1,100	140	1,240
2009	1,100	140	1,240
2010	1,100	140	1,240
2011	1,100	140	1,240
2012	1,100	140	1,240
2013	1,100	140	1,240
2014	-	140	140
2015	<u>-</u>	<u>140</u>	<u>140</u>
	<u>\$ 14,000</u>	<u>\$ 2,100</u>	<u>\$ 16,100</u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The QZAB Series 2000 bonds bear no interest and the QZAB Series 2001 bonds require stated annual interest payments. During fiscal year 2009, the District made \$1.268 million in sinking fund deposits. Since inception, a total of \$9.569 million in sinking fund deposits have been made by the District to retire the QZABs at maturity. These deposits are maintained by the District until maturity of the QZABs in fiscal year 2014 and 2016. The resources, being accumulated through the sinking fund, are reported in the debt service fund. On the fund financial statements and on the statement of net assets, the fair market value of the investments accumulated in the sinking fund in the amount of \$10.251 million are reported as a restricted asset since the condition underlying the restriction will not be met in the short or medium term.

E. Retirement Incentive Program and Health Care Reimbursement Arrangement

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

In addition to severance payments, employees electing to retire under the RIP are entitled to a health care reimbursement arrangement (HRA) established by the District for the benefit of the retiring teachers and their spouses. Under the HRA, retiring teachers will receive payments, by year, in varying amounts between \$500 to \$5,300 which will be deposited by the District into a separate account established for the retired employee and their spouse. The HRA is effective until January 15, 2016 or until the retiree and his or her spouse become deceased. The amounts deposited to a retiree's account may be carried forward to subsequent years and shall not be subject to forfeiture, except upon the death of both the retiree and his or her spouse. The HRA liability has been recorded in the general fund to the extent the health care costs are expected to be liquidated with expendable available resources. The remainder of the liability has been recorded on the government-wide statement of net assets as a component of "long-term liabilities". The total estimated liability under the HRA June 30, 2009 was \$6.145 million of which \$984,000 is expected to become due within one year. A total of 197 employees have retired under the HRA as of June 30, 2009. The total HRA liability was calculated based upon required payments under the HRA for each applicable employee.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- F. The changes in the District's long-term obligations during the year consist of the following (amounts in 000's):

	Balance			Balance	Amounts
	<u>June 30, 2008</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2009</u>	<u>Due in</u>
					<u>One Year</u>
Governmental activities:					
General obligation bonds:					
Current interest	\$ 27,320	\$ -	\$ (185)	\$ 27,135	\$ 190
Capital appreciation	711	-	(129)	582	112
Accreted interest	930	294	(291)	933	279
QZAB's	<u>16,100</u>	<u>-</u>	<u>-</u>	<u>16,100</u>	<u>-</u>
Total G.O. bonds	<u>45,061</u>	<u>294</u>	<u>(605)</u>	<u>44,750</u>	<u>581</u>
Notes payable	4,740	-	(1,305)	3,435	1,330
Compensated absences payable	4,714	558	(1,040)	4,232	537
Health care reimbursement arrangement payable	6,756	-	(611)	6,145	984
Capital lease obligation	<u>722</u>	<u>528</u>	<u>(168)</u>	<u>1,082</u>	<u>200</u>
Total governmental activities long-term liabilities	61,993	<u>\$ 1,380</u>	<u>\$ (3,729)</u>	59,644	<u>\$ 3,632</u>
Less: deferred charge on refunding	\$ (1,911)			(1,787)	
Add: unamortized premium	<u>2,274</u>			<u>2,120</u>	
Total on statement of net assets	<u>\$ 62,356</u>			<u>\$ 59,977</u>	
Business-type activities:					
Compensated absences	<u>\$ 126</u>	<u>\$ 42</u>	<u>\$ (32)</u>	<u>\$ 136</u>	<u>\$ 19</u>
Total business-type activities long-term liabilities	<u>\$ 126</u>	<u>\$ 42</u>	<u>\$ (32)</u>	<u>\$ 136</u>	<u>\$ 19</u>

Compensated absences will be paid from the fund from which the employee is paid which, for the District, is primarily the general fund and the food service fund (a nonmajor enterprise fund). The health care reimbursement arrangement payable will be paid from the general fund.

See Note 9 for detail on the District's capital lease obligations.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

G. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excludes tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2009, are a voted debt margin of \$52.398 million (including available funds of \$12.122 million) and an unvoted debt margin of \$755,000.

NOTE 11 - RISK MANAGEMENT

A. Comprehensive

The District maintains comprehensive insurance coverage with private carriers for liability, real property, building contents and vehicles. Vehicle policies include liability coverage for bodily injury and property damage. In addition, real property contents are 90% coinsured. The District has obtained coverage from commercial insurance carriers. The following is a description of the District's insurance coverage:

<u>Coverage</u>	<u>Limits of Coverage</u>	<u>Deductible</u>
General liability:		
Each occurrence	\$ 1,000,000	\$ 0
Aggregate	2,000,000	0
Building and contents	310,246,844	10,000
Boiler and machinery	5,000,000	5,000
Fleet:		
Liability	1,000,000	0
Uninsured motorist	1,000,000	0
Comprehensive	1,000,000	250
Collision	1,000,000	500
Umbrella liability	10,000,000	0

Settled claims have not exceeded this commercial coverage in any of the past three years. There have been no significant reductions in coverage from fiscal year 2008.

**CANTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 11 - RISK MANAGEMENT - (Continued)

B. Shared Risk Pool

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

C. Workers’ Compensation Program

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

The District’s workers’ compensation trust internal service fund pays for all claims, claim reserves and administrative costs of the program. The workers’ compensation trust internal service fund generates revenues by charging each fund a percentage rate determined by the Bureau for the payroll during the reporting period. The claims liability is recorded based on an actuarial determination of future claims, review of five years of claim liabilities and claim payment trends including the settlement to the Bureau after the tenth year. Changes in claims activity for the past two fiscal years are as follows (amounts in 000’s):

<u>Fiscal Year</u>	<u>Beginning Balance</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Ending Balance</u>
2009	\$ 733	\$ 416	\$ (959)	\$ 190
2008	861	264	(392)	733

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 12 - COMPENSATED ABSENCES

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

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

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

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

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the District is required to contribute at an actuarially determined rate. The current District rate is 14 percent of annual covered payroll. A portion of the District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2009, 9.09 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to a statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2009, 2008 and 2007 were \$1.340 million, \$1.290 million and \$1.479 million, respectively; 45.02 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

**CANTON CITY SCHOOL DISTRICT
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**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 13 - PENSION PLANS - (Continued)

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

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

Funding Policy - For fiscal year 2009, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2009, 2008 and 2007 were \$7.364 million, \$6.895 million and \$7.159 million, respectively; 84.11 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007. Contributions to the DC and Combined Plans for fiscal year 2009 were \$44,000 made by the District and \$122,000 made by the plan members.

C. Social Security System

Effective July 1, 1991, all employees not otherwise covered by the SERS/STRS Ohio have an option to choose Social Security or the SERS/STRS Ohio. As of June 30, 2009, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 14 - POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description - The District participates in two cost-sharing, multiple employer postemployment benefit plans administered by the School Employees Retirement System (SERS) for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as a prescription drug program. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2009, 4.16 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2009, the actuarially determined amount was \$35,800.

Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2009, 2008, and 2007 were \$830,000, \$814,000 and \$711,000, respectively; 45.02 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2009, this actuarially required allocation was 0.75 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2009, 2008, and 2007 were \$110,000, \$93,000 and \$101,000, respectively; 45.02 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

B. State Teachers Retirement System of Ohio

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2009, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The District's contributions for health care for the fiscal years ended June 30, 2009, 2008, and 2007 were \$566,000, \$530,000 and \$551,000, respectively; 84.11 percent has been contributed for fiscal year 2009 and 100 percent for fiscal years 2008 and 2007.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

The statement of revenue, expenditures and changes in fund balance - budget and actual (non-GAAP budgetary basis) presented for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues and other financing sources are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures and other financing uses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to a reservation of fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
- (d) Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
- (e) Advances-in and advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

The adjustments necessary to convert the results of operations for the year on the budget basis to the GAAP basis for the general fund is as follows (amounts in 000's):

Net Change in Fund Balance	<u>General Fund</u>
Budget basis	\$ 831
Net adjustment for revenue accruals	599
Net adjustment for expenditure accruals	1,309
Net adjustment for other sources/uses	(2,255)
Adjustment for encumbrances	<u>1,713</u>
GAAP basis	<u>\$ 2,197</u>

NOTE 16 - STATUTORY RESERVES

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

The following cash basis information describes the change in the year end set-aside amounts for textbooks/instructional materials and capital acquisition. Disclosure of this information is required by State statute (amounts in 000's):

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition</u>
Set-aside cash balance		
as of June 30, 2008	\$ 1,186	\$ (38,154)
Current year set-aside requirement	1,664	1,664
Qualifying off-sets	-	(705)
Qualifying disbursements	<u>(2,046)</u>	<u>-</u>
Total	<u>\$ 804</u>	<u>\$ (37,195)</u>
Balance carried forward to fiscal 2010	<u>\$ 804</u>	<u>\$ (37,195)</u>

During fiscal year 2001, the District issued \$46.706 million of general obligation bonds related to the Ohio Schools Facilities Commission project under taken by the District. Those bond proceeds may be used to reduce the capital acquisition reserve for future years.

In addition to the above statutory reserves, the District received \$155,000 from the State of Ohio that is restricted for school bus purchases.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2009**

NOTE 16 - STATUTORY RESERVES - (Continued)

The balance in the set-aside reserve carried forward to fiscal year 2010 for textbook/instructional materials and the amounts received from the State of Ohio for school bus purchases are reported as reservations of fund balance and restricted assets in the general fund and as a restricted net asset for other purposes and restricted assets on the statement of net assets (amounts in 000's):

A schedule of the restricted assets at June 30, 2009 follows:

Amounts restricted for textbooks/instructional materials	\$ 804
Amounts restricted for school bus purchases	<u>155</u>
Total restricted assets	<u><u>\$ 959</u></u>

NOTE 17 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 18 – FISCAL CAUTION

The District was placed in fiscal caution on March 22, 2007 by the Department of Education (ODE). On May 21, 2007, the District and ODE outlined a plan to address the fiscal caution. As a result, the District made reductions in personnel and expenditures and closed several buildings.

**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Sub Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
<u>U.S. Department of Education</u>						
<i>(Direct)</i>						
Impact Aid	84.041	N/A	\$31,836	-	\$20,848	-
Readiness and Emergency Management for Schools Grant	84.184E	N/A	143,286	-	130,160	-
Student Financial Aid Cluster:						
Federal Pell Grant Program	84.063	N/A	250,339	-	233,118	-
Federal Family Education Loans	84.032	N/A	178,128	-	178,128	-
<i>Total Student Financial Aid Cluster</i>			428,467	-	411,246	-
<i>(Passed through the Ohio Department of Education)</i>						
Adult Education - Basic Grants to States	84.002	043711ABS109	338,070	-	324,990	-
		043711ABS209	76,883	-	80,641	-
		043711ABS108	3,464	-	33,330	-
<i>Total Adult Education - Basic Grants to States</i>			418,417	-	438,961	-
Title I Grants to Local Educational Agencies	84.010	043711C1SN08	823	-	1,396	-
		043711C1SN09	5,955	-	9,878	-
		043711C1S109	4,084,567	-	3,798,663	-
		043711C1SD09	17,748	-	13,523	-
		043711C1SK08	288,483	-	282,826	-
		043711C1SK09	400,918	-	385,096	-
		043711C1SD08	8,689	-	4,759	-
		043711C1S108	1,225,763	-	1,036,094	-
		043711C1S107	-	-	2,124	-
<i>Total Title I Grants to Local Educational Agencies</i>			6,032,946	-	5,534,359	-
Special Education Cluster:						
Special Education Grants to States	84.027	0437116BSF09	1,905,761	-	2,675,183	-
		0437116BSF08	-	-	634,483	-
<i>Total Special Education Grants to States</i>			1,905,761	-	3,309,666	-
Special Education Preschool Grants	84.173	043711PGS109P	155,919	-	110,690	-
		043711PGS108P	22,912	-	44,233	-
<i>Total Special Education Preschool Grants</i>			178,831	-	154,923	-
<i>Total Special Education Cluster</i>			2,084,592	-	3,464,589	-
Career and Technical Education - Basic Grants to States	84.048	04371120C209	49,181	-	45,160	-
		04371120C109	265,016	-	279,792	-
		04371120C108	46,088	-	66,124	-
		04371120C208	26,179	-	12,912	-
<i>Total Career and Technical Education - Basic Grants to States</i>			386,464	-	403,988	-
Safe and Drug Free Schools and Communities - State Grants	84.186	043711DRS108	74,876	-	7,313	-
		043711DRS109	75,385	-	68,500	-
<i>Total Safe and Drug Free Schools and Communities - State Grants</i>			150,261	-	75,813	-

CONTINUED

**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Sub Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
Education for Homeless Children and Youth	84.196	043711HCS108 043711HCS109	\$34,026 60,034	- -	\$32,596 52,388	- -
<i>Total Education for Homeless Children and Youth</i>			94,060	-	84,984	-
Even Start State Educational Agencies	84.213	043711EVS109 043711EVS108	177,762 3,300	- -	187,945 8,976	- -
<i>Total Even Start State Educational Agencies</i>			181,062	-	196,921	-
State Grants for Innovative Programs	84.298	043711C2S108 043711C2S109	4,067 1,269	- -	16,813 10,813	- -
<i>Total State Grants for Innovative Programs</i>			5,336	-	27,626	-
Education Technology State Grants	84.318	043711TJS109 043711TJS108 043711TJSL09 043711TJSL08	50,291 15,080 23,980 32,700	- - - -	45,052 6,358 23,521 6,245	- - - -
<i>Total Education Technology State Grants</i>			122,051	-	81,176	-
Improving Teacher Quality State Grants	84.367	043711TRS109 043711TRS108	569,583 174,583	- -	549,246 (54,167)	- -
Harvard Leadership Initiative			82,000	-	14,619	-
<i>Total Improving Teacher Quality State Grants</i>			826,166	-	509,698	-
Fund for Improvement of Education (Smaller Learning Communities)	84.215	V215L042071	50,039	-	10,781	-
(Passed through the National Council for Community and Education Partnership)						
English Language Acquisition Grants	84.365	043711T3S209 043711T3S208	12,579 -	- -	12,514 233	- -
<i>Total English Language Acquisition Grants</i>			12,579	-	12,747	-
Total U.S. Department of Education			10,967,562	-	11,403,897	-

CONTINUED

**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2009**

Federal Grantor/ Sub Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. Department of Agriculture						
(Direct)						
Child and Adult Care Food Program	10.558	N/A	\$9,739	-	\$9,739	-
(Passed through the Ohio Department of Education)						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution)						
National School Lunch Program	10.555	N/A		191,957		191,957
Cash Assistance						
School Breakfast Program	10.553	N/A	760,128	-	760,128	-
National School Lunch Program	10.555	N/A	2,907,841	-	2,907,841	-
<i>Total Child Nutrition Cluster</i>			<u>3,667,969</u>	<u>191,957</u>	<u>3,667,969</u>	<u>191,957</u>
Total U.S. Department of Agriculture			<u>3,677,708</u>	<u>191,957</u>	<u>3,677,708</u>	<u>191,957</u>
U.S. Department of Labor						
(Passed through Service Delivery Area No. 23)						
Workforce Investment Act - Youth	17.259	N/A	22,175	-	14,562	-
			<u>26,820</u>	<u>-</u>	<u>43,106</u>	<u>-</u>
<i>Total Workforce Investment Act-Youth</i>			<u>48,995</u>	<u>-</u>	<u>57,668</u>	<u>-</u>
Total U.S. Department of Labor			<u>48,995</u>	<u>-</u>	<u>57,668</u>	<u>-</u>
U.S. Department of Health and Human Services						
(Passed through the Ohio Department of Jobs and Family Services)						
Temporary Assistance for Needy Families						
Student Intervention	93.558	N/A	94,419	-	75,187	-
Governors Initiative			<u>310,989</u>	<u>-</u>	<u>330,048</u>	<u>-</u>
<i>Total Temporary Assistance for Needy Families</i>			<u>405,408</u>	<u>-</u>	<u>405,235</u>	<u>-</u>
(Passed through the Ohio Department of Developmental Disabilities)						
Medical Assistance Programs	93.778	N/A	601,966	-	-	-
Total U.S. Department of Health and Human Services			<u>1,007,374</u>	<u>-</u>	<u>405,235</u>	<u>-</u>
Corporation for National and Community Service						
(Passed through the Ohio Department of Education)						
Learn and Serve America - School and Community Based Programs	94.004	043711SVS109	1,500	-	2,319	-
Total Corporation for National and Community Service			<u>1,500</u>	<u>-</u>	<u>2,319</u>	<u>-</u>
Total			<u>\$15,703,139</u>	<u>\$191,957</u>	<u>\$15,546,827</u>	<u>\$191,957</u>

The accompanying notes are an integral part of this schedule.

**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2009**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food versus food commodities it receives from the U.S. Department of Agriculture. The District reports commodities consumed on the Schedule at the entitlement value.



Mary Taylor, CPA

Auditor of State

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

Canton City School District
Stark County
1312 5th Street S.W.
Canton, Ohio 44707

To the Board of Education:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Canton City School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2009, which collectively comprise the District's basic financial statements and have issued our report thereon dated February 26, 2010 wherein we noted the District is in fiscal caution. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

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

We noted certain matters that we reported to the District's management in a separate letter dated February 26, 2010.

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Compliance and Other Matters

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

We did note certain noncompliance or other matters that we reported to the District's management in a separate letter dated February 26, 2010.

We intend this report solely for the information and use of management, the Board of Education, and federal awarding agencies and pass-through entities. We intend it for no one other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

February 26, 2010



Mary Taylor, CPA

Auditor of State

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

Canton City School District
Stark County
1312 5th Street S.W.
Canton, Ohio 44707

To the Board of Education:

Compliance

We have audited the compliance of Canton City School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to each of its major federal programs for the year ended June 30, 2009. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal programs. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 reasonably assure whether noncompliance occurred with the types of compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the Canton City School District complied, in all material respects, with the requirements referred to above that apply to each of its major federal programs for the year ended June 30, 2009. In a separate letter to the District's management dated February 26, 2010, we reported other matters related to federal noncompliance not requiring inclusion in this report.

Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that the District's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the District's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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

We intend this report solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

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

Mary Taylor, CPA
Auditor of State

February 26, 2010

**CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2009**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weaknesses reported for major federal programs?	No
(d)(1)(iv)	Were there any other significant deficiencies in internal control reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster: Special Education Grants to States CFDA #84.027 and Special Education Preschool Grants CFDA #84.173, Career and Technical Education – Basic Grants to States CFDA #84.048, and Improving Teacher Quality State Grants CFDA #84.367.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 472,164 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None.

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None.

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

Canton City School District
Stark County
1312 5th Street S.W.
Canton, Ohio 44707

To the Board of Education:

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

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

1. We noted the Board adopted an anti-harassment policy at its meeting on May 17, 2004 and readopted the policy on August 15, 2005, September 10, 2007 and March 31, 2008.
2. We read the policy, noting it included the following requirements from Ohio Rev. Code Section 3313.666(B):
 - (1) A statement prohibiting harassment, intimidation, or bullying of any student on school property or at school-sponsored events;
 - (2) A definition of harassment, intimidation, or bullying that shall include the definition in division (A) of Ohio Rev. Code Section 3313.666;
 - (3) A procedure for reporting prohibited incidents;
 - (4) A requirement that school personnel report prohibited incidents of which they are aware to the school principal or other administrator designated by the principal;

- (5) A requirement that parents or guardians of any student involved in a prohibited incident be notified and, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended, have access to any written reports pertaining to the prohibited incident;
- (6) A procedure for documenting any prohibited incident that is reported;
- (7) A procedure for responding to and investigating any reported incident;
- (8) A strategy for protecting a victim from additional harassment, intimidation, or bullying, and from retaliation following a report.
- (9) A disciplinary procedure for any student guilty of harassment, intimidation, or bullying, which shall not infringe on any student's rights under the first amendment to the Constitution of the United States;
- (10) A requirement that the district administration semiannually provide the president of the district board a written summary of all reported incidents and post the summary on its web site, if the district has a web site, to the extent permitted by section 3319.321 of the Revised Code and the "Family Educational Rights and Privacy Act of 1974," 88 Stat. 571, 20 U.S.C. 1232q, as amended.

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

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



Mary Taylor, CPA
Auditor of State

February 26, 2010



Mary Taylor, CPA
Auditor of State

CANTON CITY SCHOOL DISTRICT
STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
MARCH 23, 2010