

Mary Taylor, CPA
Auditor of State

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

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Mary Taylor, CPA

Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Canton City School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2008, 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, each major fund, and the aggregate remaining fund information of North Canton City School District, Stark County, Ohio, as of June 30, 2008, and the respective changes in financial position, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2009, 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.

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.



Mary Taylor, CPA
Auditor of State

January 7, 2009

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The management's discussion and analysis of the North Canton City School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2008. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities increased \$1,666,238 which represents a 79.70% increase from 2007.
- General revenues accounted for \$41,015,174 in revenue or 86.80% of all revenues. Program specific revenues in the form of charges for services and sales, grants and contributions accounted for \$6,239,326 or 13.20% of total revenues of \$47,254,500.
- The District had \$45,588,262 in expenses related to governmental activities; only \$6,239,326 of these expenses was offset by program specific charges for services, grants or contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$41,015,174 were adequate to provide for these programs.
- The District's major governmental funds are the general fund and debt service fund. The general fund had \$41,343,020 in revenues and other financing sources and \$40,496,805 in expenditures and other financing uses. During fiscal year 2008, the general fund's fund deficit balance decreased \$861,347 from a deficit of \$3,118,775 to a deficit of \$2,257,428.
- The debt service fund had \$2,650,949 in revenues and other financing sources and \$2,077,778 in expenditures. During fiscal year 2008, the debt service fund's fund balance increased \$573,171 from \$1,340,684 to \$1,913,855.

Using the Basic Financial Statements

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

The *statement of net 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 and debt service fund are by far the most significant funds, and the only governmental funds reported as major funds.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 2008?" 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 governmental activities include the District's programs and services, including instruction, support services, operation of non-instructional services, extracurricular activities, intergovernmental pass-through and food service operations.

The District's statement of net assets and statement of activities can be found on pages 13-14 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental funds begins on page 9. 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 and debt service fund.

Governmental Funds

Most of the District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The governmental fund financial statements provide a detailed *short-term* view of the District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental *activities* (reported in the statement of net assets and the statement of activities) and governmental *funds* is reconciled in the basic financial statements. The basic governmental fund financial statements can be found on pages 15-19 of this report.

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for its scholarship programs. This activity is presented as a private-purpose trust fund. The District also acts in a trustee capacity as an agent for individuals. These activities are reported in an agency fund. All of the District's fiduciary activities are reported in separate statements of fiduciary net assets and changes in fiduciary net assets on pages 20 and 21. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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 23-51 of this report.

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 2008 and 2007.

	Net Assets	
	Governmental Activities 2008	Governmental Activities 2007
<u>Assets</u>		
Current and other assets	\$ 29,323,382	\$ 26,298,781
Capital assets, net	<u>24,097,157</u>	<u>23,623,487</u>
Total assets	<u>53,420,539</u>	<u>49,922,268</u>
<u>Liabilities</u>		
Current liabilities	28,187,866	26,395,340
Long-term liabilities	<u>21,475,721</u>	<u>21,436,214</u>
Total liabilities	<u>49,663,587</u>	<u>47,831,554</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	7,818,632	7,783,692
Restricted	2,242,250	1,838,129
Unrestricted (deficit)	<u>(6,303,930)</u>	<u>(7,531,107)</u>
Total net assets	<u>\$ 3,756,952</u>	<u>\$ 2,090,714</u>

Over time, net assets can serve as a useful indicator of a government's financial position. At June 30, 2008, the District's assets exceeded liabilities by \$3,756,952. At year-end, restricted net assets were \$2,242,250.

At year-end, capital assets represented 45.11% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Capital assets, net of related debt to acquire the assets at June 30, 2008, were \$7,818,632. These capital assets are used to provide services to the students and are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the District's net assets, \$2,242,250, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net assets is a deficit of \$6,303,930.

The graph below shows the District's assets, liabilities, and net assets at June 30, 2008 and 2007.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Governmental Activities



The table below shows the change in net assets for fiscal years 2008 and 2007.

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 2,860,190	\$ 2,726,087
Operating grants and contributions	3,357,874	3,203,894
Capital grants and contributions	21,262	119,442
General revenues:		
Property taxes	23,949,999	21,999,691
Grants and entitlements	16,482,162	15,728,515
Investment earnings	297,417	338,407
Miscellaneous	<u>285,596</u>	<u>248,744</u>
Total revenues	<u>\$ 47,254,500</u>	<u>\$ 44,364,780</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Change in Net Assets

	Governmental Activities <u>2008</u>	Governmental Activities <u>2007</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	19,611,382	19,008,189
Special	3,445,946	3,122,268
Vocational	1,883,480	1,659,071
Adult	40,571	41,646
Other	36,219	28,736
Support services:		
Pupil	2,416,138	2,267,780
Instructional staff	2,439,555	2,463,114
Board of education	16,861	24,706
Administration	3,244,901	3,261,343
Fiscal	967,443	908,429
Business	36,721	82,537
Operations and maintenance	3,850,814	3,826,532
Pupil transportation	2,855,405	2,694,257
Central	379,625	398,210
Operations of non-instructional services	57,974	144,436
Food service operations	1,494,215	1,317,900
Extracurricular activities	1,239,438	1,330,591
Intergovernmental	233,670	302,790
Interest and fiscal charges	<u>1,337,904</u>	<u>1,320,427</u>
 Total expenses	 <u>45,588,262</u>	 <u>44,202,962</u>
 Change in net assets	 1,666,238	 161,918
 Net assets at beginning of year	 <u>2,090,714</u>	 <u>1,928,796</u>
 Net assets at end of year	 <u>\$ 3,756,952</u>	 <u>\$ 2,090,714</u>

Governmental Activities

Net assets of the District's governmental activities increased \$1,666,238. Total governmental expenses of \$45,588,262 were offset by program revenues of \$6,239,326 and general revenues of \$41,015,174. Program revenues supported 13.69% of the total governmental expenses.

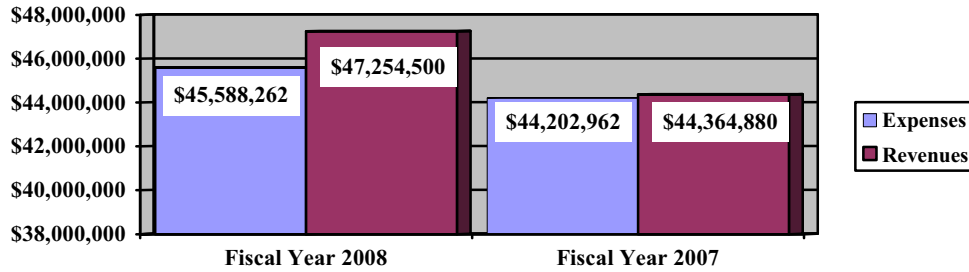
The primary sources of revenue for governmental activities are derived from property taxes and grants and entitlements. These revenue sources represent 85.56% of total governmental revenue. Real estate property is reappraised every six years. The increase in tax revenue is the result of the passage of an operating levy in 2006. Collection on the levy began in January 2007. Fiscal year 2008 was the first complete year of collection. The increase in grants and entitlements was due to the hold-harmless payments from the State that were received due to the phase out of tangible personal property taxes.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The graph below presents the District's governmental activities revenue and expenses for fiscal years 2008 and 2007.

Governmental Activities - Revenues and Expenses



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

Governmental Activities

	Total Cost of Services <u>2008</u>	Net Cost of Services <u>2008</u>	Total Cost of Services <u>2007</u>	Net Cost of Services <u>2007</u>
Program expenses				
Instruction:				
Regular	\$ 19,611,382	\$ 18,917,845	\$ 19,008,189	\$ 18,308,207
Special	3,445,946	2,190,712	3,122,268	1,997,820
Vocational	1,883,480	1,519,279	1,659,071	1,372,494
Adult	40,571	3,543	41,646	8,290
Other	36,219	36,219	28,736	28,736
Support services:				
Pupil	2,416,138	1,897,750	2,267,780	1,768,427
Instructional staff	2,439,555	2,063,692	2,463,114	2,018,149
Board of education	16,861	16,861	24,706	24,706
Administration	3,244,901	2,759,992	3,261,343	2,746,036
Fiscal	967,443	967,443	908,429	908,429
Business	36,721	36,721	82,537	49,983
Operation and maintenance	3,850,814	3,724,996	3,826,532	3,687,055
Pupil transportation	2,855,405	2,734,751	2,694,257	2,515,344
Central	379,625	354,128	398,210	370,167
Operations of non-instructional services	57,974	30,645	144,436	102,611
Food service operations	1,494,215	43,296	1,317,900	59,405
Extracurricular activities	1,239,438	723,981	1,330,591	808,709
Intergovernmental	233,670	(10,822)	302,790	58,544
Interest and fiscal charges	1,337,904	1,337,904	1,320,427	1,320,427
Total expenses	<u>\$ 45,588,262</u>	<u>\$ 39,348,936</u>	<u>\$ 44,202,962</u>	<u>\$ 38,153,539</u>

The dependence upon tax and other general revenues for governmental activities is apparent, 90.61% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue

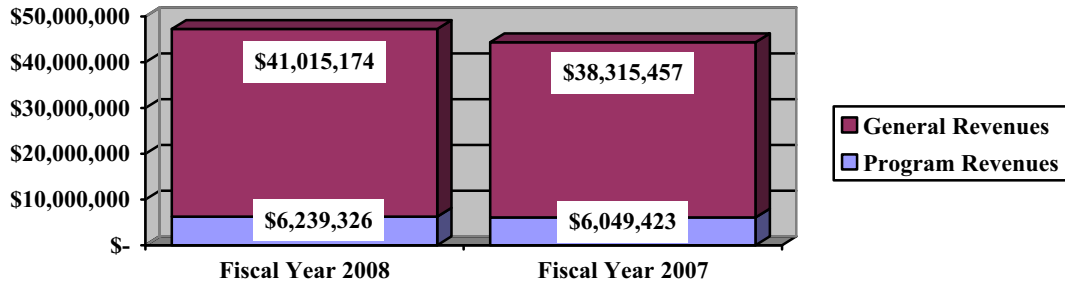
**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

support is 86.31%. 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 2008 and 2007.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds (as presented on the balance sheet on page 15) reported a combined fund balance of \$220,516, which is a larger balance than last year's total deficit of \$1,025,666. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2008 and 2007.

	Fund Balance (Deficit) <u>June 30, 2008</u>	Fund Balance (Deficit) <u>June 30, 2007</u>	Increase (Decrease)
General	\$ (2,257,428)	\$ (3,118,775)	\$ 861,347
Debt Service	1,913,855	1,340,684	573,171
Other Governmental	<u>564,089</u>	<u>752,425</u>	<u>(188,336)</u>
Total	<u>\$ 220,516</u>	<u>\$ (1,025,666)</u>	<u>\$ 1,246,182</u>

General Fund

The District's general fund deficit balance decreased \$861,347. The table that follows assists in illustrating the financial activities and fund balance of the general fund. The increase in tax revenue is due to the passage of an operating levy in May 2006. The collection of the levy started in January 2007. Fiscal year 2008 was the first year of full collection of the levy. The increases in instructional and support expenditures were caused primarily by the increasing costs of wages and benefits.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>2008</u> <u>Amount</u>	<u>2007</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 21,756,105	\$ 19,884,417	\$ 1,871,688	9.41 %
Tuition	491,378	451,710	39,668	8.78 %
Earnings on investments	297,417	338,407	(40,990)	(12.11) %
Intergovernmental	17,477,267	16,717,400	759,867	4.55 %
Other revenues	<u>431,112</u>	<u>403,459</u>	<u>27,653</u>	6.85 %
Total	<u>\$ 40,453,279</u>	<u>\$ 37,795,393</u>	<u>\$ 2,657,886</u>	7.03 %
<u>Expenditures</u>				
Instruction	\$ 23,496,119	\$ 22,290,819	\$ 1,205,300	5.41 %
Support services	14,591,191	14,318,453	272,738	1.90 %
Operation of non-instructional services	30,678	96,077	(65,399)	(68.07) %
Extracurricular activities	703,907	645,223	58,684	9.10 %
Capital outlay	889,741	-	889,741	100.00 %
Facilities acquisition and construction	437,913	838,764	(400,851)	(47.79) %
Debt services	<u>187,247</u>	<u>-</u>	<u>187,247</u>	100.00 %
Total	<u>\$ 40,336,796</u>	<u>\$ 38,189,336</u>	<u>\$ 2,147,460</u>	5.62 %

Debt Service Fund

The debt service fund had \$2,650,949 in revenues and other financing sources and \$2,077,778 in expenditures. During fiscal year 2008, the debt service fund's fund balance increased \$573,171 from \$1,340,684 to \$1,913,855. The increase in fund balance can be attributed to an increase in tax revenue to cover the debt retirement which is detailed in Note 10 to the basic financial statements.

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 2008, the District amended its general fund budget numerous times. For the general fund, original budgeted revenues and other financing sources of \$39,762,795 were increased to \$40,437,795 in the final budget. Actual revenues and other financing sources for fiscal year 2008 was \$40,449,602. This represents an \$11,807 increase from final budgeted revenues.

General fund original appropriations (appropriated expenditures plus other financing uses) of \$39,297,914 were increased to \$39,551,912 in the final budget. The actual budget basis expenditures and other financing uses for fiscal year 2008 totaled \$39,529,428, which was \$22,484 less than the final budget appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2008, the District had \$24,097,157 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

The following table shows fiscal year 2008 balances compared to 2007:

	Capital Assets at June 30 (Net of Depreciation)	
	<u>Governmental Activities</u>	
	<u>2008</u>	<u>2007</u>
Land	\$ 1,785,562	\$ 1,785,562
Land improvements	857,842	817,332
Building and improvements	19,658,266	19,963,360
Furniture and equipment	1,331,074	448,034
Vehicles	<u>464,413</u>	<u>609,199</u>
Total	<u>\$ 24,097,157</u>	<u>\$ 23,623,487</u>

Total additions to capital assets for 2008 were \$1,555,190. The District recorded \$1,081,520 in depreciation expense for fiscal year 2008.

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

Debt Administration

At June 30, 2008, the District had \$18,616,690 in general obligation bonds, a capital lease and an energy conservation loan outstanding. Of this total, \$1,455,894 is due within one year and \$17,160,796 is due within more than one year. The following table summarizes the bonds, lease and loan outstanding.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2008</u>	<u>2007</u>
General obligation bonds	\$ 16,265,069	\$ 16,930,474
Capital lease	761,621	-
Energy conservation loan	<u>1,590,000</u>	<u>1,685,000</u>
Total	<u>\$ 18,616,690</u>	<u>\$ 18,615,474</u>

At June 30, 2008, the District's voted debt margin was \$49,566,849 with an unvoted debt margin of \$684,221.

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

Current Financial Related Activities

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

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

The District's financial outlook is beginning to change. During this time, the Board of Education and administration will continue to closely monitor its revenues and expenditures to ensure they are in accordance with its financial forecast. Overall, the District continues to perform at the highest level determined by the State of Ohio, which is measured by a defined set of proficiency criteria. Our most recent State report card shows the district students achieving a 30 out of 30 and an "Excellent with Distinction" rating. The District has been rated "Excellent" or higher for the 8th straight year.

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

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

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

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

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

Contacting the District's Financial Management

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

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

STATEMENT OF NET ASSETS
JUNE 30, 2008

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 5,688,222
Receivables:	
Taxes	23,392,948
Accounts	362
Intergovernmental	158,227
Materials and supplies inventory	83,623
Capital assets:	
Land.	1,785,562
Depreciable capital assets, net	22,311,595
Capital assets, net	24,097,157
 Total assets.	 53,420,539
 Liabilities:	
Accounts payable.	134,528
Accrued wages and benefits	5,141,935
Pension obligation payable.	1,062,224
Intergovernmental payable	178,031
Unearned revenue	21,610,058
Accrued interest payable	61,090
Long-term liabilities:	
Due within one year.	1,819,648
Due within more than one year	19,656,073
 Total liabilities	 49,663,587
 Net Assets:	
Invested in capital assets, net of related debt.	7,818,632
Restricted for:	
Capital projects	112,242
Debt service.	1,893,365
Locally funded programs	22,136
State funded programs.	16,718
Federally funded programs	8,553
Student activities	132,733
Other purposes	56,503
Unrestricted (deficit)	(6,303,930)
 Total net assets	 \$ 3,756,952

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction:					
Regular	\$ 19,611,382	\$ 545,678	\$ 147,859	\$ -	\$ (18,917,845)
Special	3,445,946	42,471	1,212,763	-	(2,190,712)
Vocational	1,883,480	12,428	351,773	-	(1,519,279)
Adult	40,571	37,028	-	-	(3,543)
Other	36,219	-	-	-	(36,219)
Support services:					
Pupil	2,416,138	-	518,388	-	(1,897,750)
Instructional staff	2,439,555	23,044	352,819	-	(2,063,692)
Board of education	16,861	-	-	-	(16,861)
Administration	3,244,901	384,904	100,005	-	(2,759,992)
Fiscal	967,443	-	-	-	(967,443)
Business	36,721	-	-	-	(36,721)
Operations and maintenance	3,850,814	125,818	-	-	(3,724,996)
Pupil transportation	2,855,405	-	99,392	21,262	(2,734,751)
Central	379,625	2,799	22,698	-	(354,128)
Operation of non-instructional services	57,974	-	27,329	-	(30,645)
Food service operations	1,494,215	1,170,563	280,356	-	(43,296)
Extracurricular activities	1,239,438	515,457	-	-	(723,981)
Intergovernmental	233,670	-	244,492	-	10,822
Interest and fiscal charges	1,337,904	-	-	-	(1,337,904)
Total governmental activities	\$ 45,588,262	\$ 2,860,190	\$ 3,357,874	\$ 21,262	(39,348,936)
General Revenues:					
Property taxes levied for:					
General purposes					21,744,216
Debt service					2,205,783
Grants and entitlements not restricted					
to specific programs					16,482,162
Investment earnings					297,417
Miscellaneous					285,596
Total general revenues					41,015,174
Change in net assets					1,666,238
Net assets at beginning of year					2,090,714
Net assets at end of year					\$ 3,756,952

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Equity in pooled cash and cash equivalents	\$ 3,011,562	\$ 1,799,515	\$ 820,642	\$ 5,631,719
Receivables:				
Taxes	21,340,840	2,052,108	-	23,392,948
Accounts	285	-	77	362
Intergovernmental	14,589	-	143,638	158,227
Interfund loans	2,500	-	-	2,500
Materials and supplies inventory	63,546	-	20,077	83,623
Restricted assets:				
Equity in pooled cash and cash equivalents	56,503	-	-	56,503
Total assets	\$ 24,489,825	\$ 3,851,623	\$ 984,434	\$ 29,325,882
Liabilities:				
Accounts payable	\$ 119,425	\$ -	\$ 15,103	\$ 134,528
Accrued wages and benefits	4,803,577	-	338,358	5,141,935
Compensated absences payable	223,150	-	-	223,150
Retirement incentive payable.	100,000	-	-	100,000
Pension obligation payable.	1,011,108	-	51,116	1,062,224
Intergovernmental payable	164,763	-	13,268	178,031
Interfund loans payable.	-	-	2,500	2,500
Deferred revenue	612,340	40,600	-	652,940
Unearned revenue.	19,712,890	1,897,168	-	21,610,058
Total liabilities	26,747,253	1,937,768	420,345	29,105,366
Fund Balances:				
Reserved for encumbrances	121,119	-	16,044	137,163
Reserved for materials and supplies inventory.	63,546	-	20,077	83,623
Reserved for property tax unavailable for appropriation	1,015,610	114,340	-	1,129,950
Reserved for school bus purchases.	56,503	-	-	56,503
Reserved for debt service	-	1,799,515	-	1,799,515
Unreserved, undesignated (deficit), reported in:				
General fund	(3,514,206)	-	-	(3,514,206)
Special revenue funds.	-	-	415,726	415,726
Capital projects funds.	-	-	112,242	112,242
Total fund balances (deficit)	(2,257,428)	1,913,855	564,089	220,516
Total liabilities and fund balances	\$ 24,489,825	\$ 3,851,623	\$ 984,434	\$ 29,325,882

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2008

Total governmental fund balances		\$ 220,516
<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.		24,097,157
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Taxes		652,940
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General obligation bonds	(16,265,069)	
Energy conservation loan	(1,590,000)	
Capital lease obligation	(761,621)	
Compensated absences	(2,395,881)	
Retirement incentive	(140,000)	
Accrued interest payable	(61,090)	
Total		(21,213,661)
Net assets of governmental activities		\$ 3,756,952

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
From local sources:				
Taxes	\$ 21,756,105	\$ 2,224,304	\$ -	\$ 23,980,409
Tuition	491,378	-	-	491,378
Earnings on investments	297,417	-	4,489	301,906
Charges for services	-	-	1,167,266	1,167,266
Classroom materials and fees	4,405	-	517,198	521,603
Extracurricular	10,710	-	461,921	472,631
Other local revenues	415,997	-	54,767	470,764
Intergovernmental - Intermediate	-	-	49,144	49,144
Intergovernmental - State	17,477,267	266,636	316,792	18,060,695
Intergovernmental - Federal	-	-	1,793,657	1,793,657
Total revenue	<u>40,453,279</u>	<u>2,490,940</u>	<u>4,365,234</u>	<u>47,309,453</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,605,344	-	230,050	18,835,394
Special	3,040,726	-	377,168	3,417,894
Vocational	1,807,672	-	69,765	1,877,437
Adult	6,158	-	34,413	40,571
Other	36,219	-	-	36,219
Support Services:				
Pupil	1,897,305	-	503,396	2,400,701
Instructional staff	2,107,891	-	405,859	2,513,750
Board of education	16,861	-	-	16,861
Administration	2,766,540	-	520,804	3,287,344
Fiscal	927,480	35,769	-	963,249
Business	25,154	-	-	25,154
Operations and maintenance	3,777,859	-	-	3,777,859
Pupil transportation	2,720,639	-	-	2,720,639
Central	351,462	-	25,364	376,826
Operation of non-instructional services	30,678	-	26,578	57,256
Food service operations	-	-	1,513,420	1,513,420
Extracurricular activities	703,907	-	618,854	1,322,761
Facilities acquisition and construction	437,913	-	-	437,913
Capital outlay	889,741	-	-	889,741
Intergovernmental pass through	-	-	230,030	230,030
Debt service:				
Principal retirement	128,120	1,305,000	-	1,433,120
Interest and fiscal charges	59,127	737,009	-	796,136
Total expenditures	<u>40,336,796</u>	<u>2,077,778</u>	<u>4,555,701</u>	<u>46,970,275</u>
Excess of revenues over (under) expenditures	<u>116,483</u>	<u>413,162</u>	<u>(190,467)</u>	<u>339,178</u>
Other financing sources (uses):				
Transfers in	-	160,009	-	160,009
Transfers (out)	(160,009)	-	-	(160,009)
Capital lease transaction	889,741	-	-	889,741
Total other financing sources (uses)	<u>729,732</u>	<u>160,009</u>	<u>-</u>	<u>889,741</u>
Net change in fund balances	846,215	573,171	(190,467)	1,228,919
Fund balances (deficit) at beginning of year.	(3,118,775)	1,340,684	752,425	(1,025,666)
Increase in reserve for inventory	15,132	-	2,131	17,263
Fund balances (deficit) at end of year	<u>\$ (2,257,428)</u>	<u>\$ 1,913,855</u>	<u>\$ 564,089</u>	<u>\$ 220,516</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

Net change in fund balances - total governmental funds \$ 1,228,919

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeds depreciation expense in the current period.

Capital asset additions	\$ 1,555,190	
Current year depreciation	<u>(1,081,520)</u>	
Total		473,670

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

Taxes	(30,410)	
Intergovernmental	<u>(24,543)</u>	
Total		(54,953)

Repayment of bond, loan, and lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net assets. 1,433,120

Capital lease transactions are recorded as an other financing source in the funds, however, on the statement of activities, they are not reported as revenues as they increase liabilities on the statement of net assets. (889,741)

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

Decrease in accrued interest payable	2,827	
Accreted interest on capital appreciation bonds	<u>(544,595)</u>	
Total		(541,768)

Governmental funds report expenditures for inventory when purchased, however, in the statement of activities, they are reported as expenses when consumed. 17,263

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (272)

Change in net assets of governmental activities \$ 1,666,238

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
From local sources:				
Taxes	\$ 21,145,667	\$ 21,750,667	\$ 21,731,798	\$ (18,869)
Tuition.	456,000	501,000	491,282	(9,718)
Earnings on investments.	354,000	354,000	297,417	(56,583)
Extracurricular.	6,000	6,000	10,710	4,710
Classroom materials and fees	5,000	5,000	4,405	(595)
Other local revenues.	399,500	399,500	428,242	28,742
Intergovernmental - State	17,396,628	17,421,628	17,464,977	43,349
Total revenue	<u>39,762,795</u>	<u>40,437,795</u>	<u>40,428,831</u>	<u>(8,964)</u>
Expenditures:				
Current:				
Instruction:				
Regular	18,529,392	18,649,155	18,496,790	152,365
Special.	3,001,210	3,020,608	3,015,929	4,679
Vocational.	1,724,969	1,736,118	1,803,675	(67,557)
Adult.	6,458	6,500	6,158	342
Other	31,597	31,801	37,773	(5,972)
Support Services:				
Pupil.	1,754,387	1,765,726	1,856,139	(90,413)
Instructional staff	2,100,392	2,113,968	2,099,370	14,598
Board of education	26,089	26,258	16,904	9,354
Administration.	2,730,688	2,748,338	2,753,678	(5,340)
Fiscal	922,867	928,832	928,571	261
Business	49,953	50,276	60,588	(10,312)
Operations and maintenance.	4,050,629	4,076,810	4,050,077	26,733
Pupil transportation	2,699,084	2,716,529	2,709,548	6,981
Central.	358,188	360,503	349,975	10,528
Operation of non-instructional services	32,798	33,010	33,418	(408)
Extracurricular activities.	676,687	681,061	704,232	(23,171)
Facilities acquisition and construction.	438,679	441,514	441,514	-
Total expenditures	<u>39,134,067</u>	<u>39,387,007</u>	<u>39,364,339</u>	<u>22,668</u>
Excess of revenues over expenditures.	<u>628,728</u>	<u>1,050,788</u>	<u>1,064,492</u>	<u>13,704</u>
Other financing sources (uses):				
Refund of prior year expenditure	-	-	15,941	15,941
Refund of prior year receipts	-	-	(250)	(250)
Transfers out	(158,819)	(159,845)	(160,009)	(164)
Advances in.	-	-	4,830	4,830
Advances out	(5,028)	(5,060)	(4,830)	230
Total other financing sources (uses)	<u>(163,847)</u>	<u>(164,905)</u>	<u>(144,318)</u>	<u>20,587</u>
Net change in fund balance	464,881	885,883	920,174	34,291
Fund balance at beginning of year	1,564,142	1,564,142	1,564,142	-
Prior year encumbrances appropriated	348,436	348,436	348,436	-
Fund balance at end of year	<u>\$ 2,377,459</u>	<u>\$ 2,798,461</u>	<u>\$ 2,832,752</u>	<u>\$ 34,291</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
JUNE 30, 2008

	Private-Purpose Trust	
	Scholarship	Agency
Assets:		
Equity in pooled cash and cash equivalents	\$ 406,832	\$ 295,924
Accrued interest receivable.	175	-
Total assets	407,007	\$ 295,924
Liabilities:		
Accounts payable.	-	\$ 4,594
Intergovernmental payable	-	138,445
Due to students	-	152,885
Total liabilities	-	\$ 295,924
Net Assets:		
Held in trust for scholarships	407,007	
Total net assets	\$ 407,007	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

	Private-Purpose Trust
	Scholarship
Additions:	
Interest	\$ 13,719
Gifts and contributions.	5,650
Total additions.	19,369
Deductions:	
Scholarships awarded	18,855
Change in net assets	514
Net assets at beginning of year.	406,493
Net assets at end of year	\$ 407,007

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

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

The District is the 73rd largest in the State of Ohio (among 896 public and community school districts) in terms of enrollment. It is staffed by 250 non-certified employees and 355 certified full-time teaching personnel, who provide services to 4,714 students and other community members. The Board controls the District's eight school buildings, a bus garage, a warehouse and an administration building.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental activities provided they do not conflict with or contradict GASB pronouncements. The District's significant accounting policies are described below.

A. Reporting Entity

The reporting entity has been defined in accordance with GASB Statement No. 14, "The Financial Reporting Entity" as amended by GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the District are not misleading. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, foods 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. Based upon the application of these criteria, the District has no component units.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

JOINTLY GOVERNED ORGANIZATIONS

Stark-Portage Area Computer Consortium (SPARCC)

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

Stark County Tax Incentive Review Council (SCTIRC)

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

PUBLIC ENTITY RISK POOLS

Shared Risk Pool

Stark County School Council of Governments Health Benefit Plan

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

Insurance Purchasing Pool

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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

B. Fund Accounting

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

GOVERNMENTAL FUNDS

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets 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, interest and related costs.

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; (b) for food service and uniform school supplies operations; and (c) for 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. The District has no proprietary funds.

FIDUCIARY FUNDS

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

C. Basis of Presentation and Measurement Focus

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.

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

The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the District are included on the statement of net assets.

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

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

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

D. Basis of Accounting

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

Revenues - Exchange and 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

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, 2008, but which were levied to finance fiscal year 2009 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, 2008 are recorded as deferred revenue.

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 in the fund financial statements as an expenditure with a like amount reported as intergovernmental revenue.

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

E. Budgets

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

Alternate Tax Budget:

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

Estimated Resources:

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

Appropriations:

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

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

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

Lapsing of Appropriations:

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

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

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

F. Cash and Investments

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

During fiscal year 2008, investments were limited to nonnegotiable certificates of deposit and overnight repurchase agreements. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund. The Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$297,417, which includes \$164,186 assigned from other District funds.

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

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

G. Inventory

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

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

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

H. Capital Assets

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

H. Capital Assets (Continued)

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

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

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

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund loans receivables/payables." These amounts are eliminated in the governmental activities column on the statement of net assets.

J. Compensated Absences

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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.

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

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, debt service, school bus purchases 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 consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. 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. The restriction for other purposes consist of monies restricted by State statute for school bus purchases (see Note 17).

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

N. Estimates

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

O. Restricted Assets

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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

P. Interfund Activity

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

Interfund activity between governmental funds is eliminated in the statement of activities.

Q. Nonpublic Schools

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

R. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2008.

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2008, the District has implemented GASB Statement No. 45, "Accounting and Financial Reporting for Postemployment Benefits Other than Pensions", GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues" and GASB Statement No. 50, "Pension Disclosures".

GASB Statement No. 45 establishes uniform standards of financial reporting for other postemployment benefits and increases the usefulness and improves the faithfulness of representations in the financial reports. The implementation of GASB Statement No. 45 did not have an effect on the financial statements of the District; however, certain disclosures related to postemployment benefits (see Note 14) have been modified to conform to the new reporting requirements.

GASB Statement No. 48 establishes criteria to ascertain whether certain transactions should be regarded as sales or as collateralized borrowings, as well as disclosure requirements for future revenues that are pledged and sold. The implementation of GASB Statement No. 48 did not have an effect on the financial statements of the District.

GASB Statement No. 50 establishes standards that more closely align the financial reporting requirements for pensions with those of other postemployment benefits. The implementation of GASB Statement No. 50 did not have an effect on the financial statements of the District.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

B. Deficit Fund Balances

Fund balances at June 30, 2008 included the following individual fund deficits:

	Deficit
General	\$ 2,257,428
<u>Nonmajor governmental funds</u>	
Food service	22,041
Adult education	896
Preschool	159
Classroom reduction	604

The general fund is liable for any deficits in these funds and provides transfers when cash is required, not when accruals occur. These deficit fund balances result from adjustments for accrued liabilities. The deficit balance in the general fund will be eliminated by resources not recognized or recorded at fiscal year-end.

NOTE 4 - DEPOSITS AND INVESTMENTS

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

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

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

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

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

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

**NORTH CANTON CITY SCHOOL DISTRICT
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NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (1) and (2) above and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool the State Treasury Asset Reserve of Ohio (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

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

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

A. Deposits with Financial Institutions

At June 30, 2008, the carrying amount of all District deposits was \$1,515,978, exclusive of the \$4,875,000 repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of June 30, 2008, \$1,607,907 of the District's bank balance of \$1,771,806 was exposed to custodial risk as discussed below, while \$163,899 was covered by the Federal Deposit Insurance Corporation.

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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2008, the District had the following investments and maturities:

<u>Investment type</u>	<u>Fair Value</u>	<u>Investment Maturities 6 months or less</u>
Repurchase agreement	\$ 4,875,000	\$ 4,875,000
Total	<u>\$ 4,875,000</u>	<u>\$ 4,875,000</u>

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.

Custodial Credit Risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the District's \$4,875,000 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 places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the District at June 30, 2008:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 4,875,000	<u>100.00</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

C. Reconciliation of Cash and Investments 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, 2008:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 1,515,978
Investments	<u>4,875,000</u>
Total	<u>\$ 6,390,978</u>
 <u>Cash and investments per statement of net assets</u>	
Governmental activities	\$ 5,688,222
Private-purpose trust funds	406,832
Agency funds	<u>295,924</u>
Total	<u>\$ 6,390,978</u>

NOTE 5 - INTERFUND TRANSACTIONS

- A.** Interfund balances at June 30, 2008 as reported on the fund statements consist of the following individual interfund loans receivable and payable:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	\$ 2,500

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. All interfund balances are expected to be repaid within one year.

Interfund balances between governmental funds are eliminated on the government-wide financial statements.

- B.** Interfund transfers for the year ended June 30, 2008, consisted of the following, as reported on the fund statements:

	<u>Amount</u>
Transfers from general fund to:	
Debt service fund	\$ 160,009

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

Interfund transfers between governmental funds are eliminated on the government-wide financial statements.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 5 - INTERFUND TRANSACTIONS - (Continued)

All transfers were made in compliance with Ohio Revised Code Sections 5705.14, 5705.15 and 5705.16.

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, public utility and tangible personal property (used in business) located in the District. Real property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar year 2008 represents collections of calendar year 2007 taxes. Public utility real and tangible personal property taxes received in calendar year 2008 became a lien December 31, 2006, were levied after April 1, 2007 and are collected in 2008 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar year 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2007, on the value as of December 31, 2007. Tangible personal property tax is being phased out. For 2007, tangible personal property was assessed at 12.50% for property, including inventory. This percentage was reduced to 6.25% for 2008 and will be reduced to zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phases out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property will be eliminated by calendar year 2009, and the tax on telephone and telecommunications property will be eliminated by calendar year 2011. The tax is phased out by reducing the assessment rate on the property each year. The bill replaces the revenue lost by the District due to the phasing out of the tax. In calendar years 2008-2010, the District will be fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements will be phased out.

The District receives property taxes from Stark County. The County Auditor periodically advances to the District the portion of the taxes collected. Second-half real property tax payments collected by the County Auditor by June 30, 2008, are available to finance fiscal year 2008 operations. The amount available as an advance at June 30, 2008 was \$1,015,610 in the general fund and \$114,340 in the debt service fund. The amount that was available as advance at June 30, 2007 was \$991,303 in the general fund and \$93,887 in the debt service fund.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

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, 2008 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 a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue, while on a modified accrual basis the revenue has been deferred.

The assessed values upon which the fiscal year 2008 taxes were collected are:

	2007 Second Half Collections		2008 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and ther real estate	\$ 666,769,020	93.40	\$ 675,530,240	95.32
Public utility personal	13,712,740	1.92	8,700,330	1.23
Tangible personal property	<u>33,398,050</u>	<u>4.68</u>	<u>24,482,526</u>	<u>3.45</u>
Total	<u>\$ 713,879,810</u>	<u>100.00</u>	<u>\$ 708,713,096</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuaition for:				
Operations		\$69.30		\$69.30
Debt service		3.50		3.00

NOTE 7 - RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (billings for user charged services and student fees), and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs and the current year guarantee of federal funds. A summary of the principal items of receivables reported on the statement of net assets follows:

Governmental activities	
Taxes	\$ 23,392,948
Accounts	362
Intergovernmental	<u>158,227</u>
Total	<u>\$ 23,551,537</u>

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2008, was as follows:

	<u>Balance</u> <u>06/30/07</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>06/30/08</u>
Governmental activities				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,785,562	\$ -	\$ -	\$ 1,785,562
Total capital assets, not being depreciated	<u>1,785,562</u>	<u>-</u>	<u>-</u>	<u>1,785,562</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	2,429,998	126,465	-	2,556,463
Buildings and improvements	36,589,792	375,770	-	36,965,562
Furniture and equipment	2,333,382	1,043,455	(32,777)	3,344,060
Vehicles	<u>2,748,018</u>	<u>9,500</u>	<u>-</u>	<u>2,757,518</u>
Total capital assets, being depreciated	<u>44,101,190</u>	<u>1,555,190</u>	<u>(32,777)</u>	<u>45,623,603</u>
<i>Less: accumulated depreciation:</i>				
Land improvements	(1,612,666)	(85,955)	-	(1,698,621)
Buildings and improvements	(16,626,432)	(680,864)	-	(17,307,296)
Furniture and equipment	(1,885,348)	(160,415)	32,777	(2,012,986)
Vehicles	<u>(2,138,819)</u>	<u>(154,286)</u>	<u>-</u>	<u>(2,293,105)</u>
Total accumulated depreciation	<u>(22,263,265)</u>	<u>(1,081,520)</u>	<u>32,777</u>	<u>(23,312,008)</u>
Governmental activities capital assets, net	<u>\$ 23,623,487</u>	<u>\$ 473,670</u>	<u>\$ -</u>	<u>\$ 24,097,157</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 8 - CAPITAL ASSETS - (Continued)

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 781,907
Vocational	2,191
<u>Support Services:</u>	
Instructional staff	4,232
Administration	2,240
Business	11,567
Operations and maintenance	94,403
Pupil Transportation	154,101
Central	1,628
Operation of noninstructional	718
Extracurricular activities	22,314
Food service operations	<u>6,219</u>
Total depreciation expense	<u>\$ 1,081,520</u>

NOTE 9 - CAPITALIZED LEASE - LESSEE DISCLOSURE

During fiscal year 2008, the District entered into a capitalized lease for copier equipment. This lease agreement meets the criteria of 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. Capital lease payments have been reclassified and are reflected as debt service expenditures in the financial statements for the governmental funds. These expenditures are reported as function expenditures on the budgetary statements.

Capital assets consisting of equipment have been capitalized in the amount of \$889,741. This amount represents the present value of the minimum lease payments at the time of acquisition. Accumulated depreciation as of June 30, 2008 for copiers was \$88,974 leaving a current book value of \$800,767. A corresponding liability is recorded in the government-wide financial statements. Principal payments in fiscal year 2008 totaled \$128,120 paid by the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital lease and the present value of the future minimum lease payments as of June 30, 2008:

<u>Fiscal Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 204,269
2010	204,269
2011	204,269
2012	204,269
2013	<u>68,090</u>
Total minimum lease payments	885,166
Less: amount representing interest	<u>(123,545)</u>
Total	<u>\$ 761,621</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - LONG-TERM OBLIGATIONS

- A. During the fiscal year 2008, the following changes occurred in governmental activities long-term obligations:

	<u>Issued</u>	<u>Due</u>	Interest		Balance	<u>Increase</u>	<u>Decrease</u>	Balance	Amount
			<u>Rate</u>	<u>06/30/07</u>	<u>06/30/08</u>			Due in	
									<u>One Year</u>
High school improvements	1994	2019	5.00%	\$ 16,930,474	\$ 544,595	\$ (1,210,000)	\$ 16,265,069	\$ 1,205,000	
Energy conservation loan	2006	2021	3.96%	1,685,000	-	(95,000)	1,590,000	95,000	
Capital lease obligations				-	889,741	(128,120)	761,621	155,894	
Compensated absences				2,518,240	345,724	(244,933)	2,619,031	263,754	
Retirement incentive payable				302,500	60,000	(122,500)	240,000	100,000	
Total governmental activities				\$ 21,436,214	\$ 1,840,060	\$ (1,800,553)	\$ 21,475,721	\$ 1,819,648	

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

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

- B. On October 1, 1994, the District issued general obligation bonds in the principal amount of \$22,953,000 for the purpose of improving Hoover High School (North Campus) to provide a one-site high school for the District, as well as converting the existing Hoover High School (South Campus) to a middle school and improving the Clearmount, Greentown, Northwood, and Orchard Hill Elementary Schools. It also included the Portage Building and Mary L. Evans Kindergarten Center. The District levied a tax outside of the 10-mill limitation imposed by State statutes to pay the debt charges on the bonds and any anticipatory securities.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

On March 1, 1998, the District issued general obligation bonds to refund a portion of the 1994 Series issue. This issue is comprised of both current interest bonds, par value \$15,960,000, and capital appreciation bonds, par value \$714,795. The interest rates on the current interest bonds range from 4.25% to 5.00%. During fiscal year 2008, capital appreciation bonds of \$227,891 matured with a total accreted interest of \$982,109. The remaining accreted interest on capital appreciation bonds matures December 1, 2008 (effective interest 18.00%), December 1, 2009 (effective interest 18.00%) and December 1, 2010 (effective interest 18.05%) at a redemption price equal to 100% of the principal, plus accrued interest to the redemption date. The accreted value at maturity for the remaining capital appreciation bonds is \$3,620,000. A total of \$2,338,165 in accreted interest on the capital appreciation bonds has been included in the statement of net assets at June 30, 2008.

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

Interest payments on the current interest bonds are due on June 1 and December 1 of each year. The final maturity stated in the issues is December 1, 2019.

The following is a schedule of activity for the general obligation bonds:

	<u>Balance</u> <u>6/30/07</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>06/30/08</u>
Current interest bonds -				
1998 Series	\$ 13,440,000	\$ -	\$ -	\$ 13,440,000
Capital appreciation bonds -				
1998 Series	714,795	-	(227,891)	486,904
Capital appreciation bonds - accreted interest				
1998 Series	<u>2,775,679</u>	<u>544,595</u>	<u>(982,109)</u>	<u>2,338,165</u>
Total	<u>\$ 16,930,474</u>	<u>\$ 544,595</u>	<u>\$ (1,210,000)</u>	<u>\$ 16,265,069</u>

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

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

Fiscal Year Ending June 30,	Current Interest Bonds			Capital Appreciation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ -	\$ 672,000	\$ 672,000	\$ 191,024	\$ 1,013,976	\$ 1,205,000
2010	-	672,000	672,000	160,783	1,044,217	1,205,000
2011	-	672,000	672,000	135,097	1,074,903	1,210,000
2012	1,210,000	641,750	1,851,750	-	-	-
2013	1,280,000	579,500	1,859,500	-	-	-
2014 - 2018	2,700,000	2,265,000	4,965,000	-	-	-
2019 - 2020	8,250,000	618,750	8,868,750	-	-	-
Total	\$ 13,440,000	\$ 6,121,000	\$ 19,561,000	\$ 486,904	\$ 3,133,096	\$ 3,620,000

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

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

Fiscal Year Ending June 30,	Current Interest Bonds		
	Principal	Interest	Total
2009	\$ 95,000	\$ 61,083	\$ 156,083
2010	100,000	57,222	157,222
2011	105,000	53,163	158,163
2012	110,000	48,906	158,906
2013	115,000	44,451	159,451
2014 - 2018	625,000	150,975	775,975
2019 - 2022	440,000	26,730	466,730
Total	\$ 1,590,000	\$ 442,530	\$ 2,032,530

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

D. Legal Debt Margin

The Ohio Revised Code provides that voted net general obligation debt of the District shall never exceed 9% of the total assessed valuation of the District. The code further provides that unvoted indebtedness shall not exceed 1/10 of 1% of the property valuation of the District. The code additionally states that unvoted indebtedness related to energy conservation debt shall not exceed 9/10 of 1% of the property valuation of the District. The assessed valuation used in determining the District's legal debt margin has been modified by House Bill 530 which became effective March 30, 2006. In accordance with House Bill 530, the assessed valuation used in the District's legal debt margin calculation excluded tangible personal property used in business, telephone or telegraph property, interexchange telecommunications company property, and personal property owned or leased by a railroad company and used in railroad operations. The effects of these debt limitations at June 30, 2008, are a voted debt margin of \$49,566,849 (including available funds of \$1,913,855), an unvoted debt margin of \$684,221, and an energy conservation debt margin of \$4,567,990.

NOTE 11 - OTHER EMPLOYEE BENEFITS

A. Compensated Absences

The criteria for determining vacation and sick leave components are derived from negotiated agreements and State laws. Classified employees earn ten to thirty days of vacation per fiscal year, depending upon the length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 312 days for classified personnel and 316 for certificated personnel. Upon completion of ten or more years of service with the district and retirement from the profession, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 65 days for both classified and certificated personnel. In addition, upon retirement, \$12 for both classified and certificated personnel is paid for each day of sick leave accumulated above 200 days. Upon completion of ten or more years of service with the State, or other political subdivision, but less than ten years of service with the district and retirement from the profession, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 57 days for classified personnel, and up to a maximum of 62 days for certificated personnel. In addition, upon retirement, \$10 for classified personnel and \$12 for certificated personnel, is paid for each day of sick leave accumulated above 200 days.

B. Retirement Incentive

The District provides a retirement incentive plan for State Teacher's Retirement System of Ohio (STRS Ohio) employees who become first time eligible for retirement or reach 30 years of service under STRS Ohio guidelines and retire effective at the end of the school year in which they qualify. Employees who enroll in the retirement incentive plan must submit written notification to the Superintendent on or before April 15 of the year of retirement. The one time cash payment of \$20,000 shall be made in January of the second calendar year following retirement. Twelve employees took advantage of the early retirement incentive in fiscal year 2008. These one-time cash payments will be made in January 2009 or January 2010. A liability for the retirement incentive payments has been recorded on the fund financial statements for those amounts due in January 2009. The entire liability is recorded on the statement of net assets.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 11 - OTHER EMPLOYEE BENEFITS - (Continued)

The District also provides a retirement incentive plan for the School Employees Retirement System of Ohio (SERS) employees who become first time eligible for retirement or reach 30 years of service under SERS guidelines and retire effective at the end of the school year in which they qualify. Employees who enroll in the retirement incentive plan must submit written notification to the Superintendent three months prior to the date of retirement. The incentive is a one-time cash payment of \$7,500, which will be made in January of the following year. No employees took advantage of the retirement incentive in fiscal year 2008.

C. Insurance Benefits

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

NOTE 12 - RISK MANAGEMENT

A. Comprehensive

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees and natural disasters. During fiscal year 2008, the District has contracted with private companies for various types of insurance as follows:

<u>Type of Coverage</u>	<u>Amount of Coverage</u>	<u>Deductible</u>
Buildings and Contents		
Replacement Cost	\$115,185,221	\$5,000
Inland Marine Coverage	various	500
Automobile Liability	1,000,000	0
Automobile Comprehensive	1,000,000	250
Automobile Collision	1,000,000	500
Uninsured Motorists	50,000	0
Employee Stop Gap Liability	1,000,000	0
School Leaders	1,000,000	5,000
Law Enforcement Professional Liability	1,000,000	2,500
Sexual Misconduct	1,000,000	0
Employee Benefits Liability	1,000,000	1,000
Umbrella Policy	10,000,000	10,000
General Liability:		
Per occurrence	1,000,000	0
Aggregate	2,000,000	0

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 12 - RISK MANAGEMENT - (Continued)

B. Group Health and Dental Insurance

The District participates in the Stark County School Council of Governments Health Benefit Plan, a shared risk pool (Note 2.A.) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. The District's Board of Education pays 95 percent of medical and 100 percent of dental monthly premiums.

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

C. Workers' Compensation

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

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

NOTE 13 - PENSION PLANS

A. School Employees Retirement System

Plan Description - The District contributes to the School Employees Retirement System (SERS), a cost-sharing, multiple-employer defined benefit pension plan. SERS provides retirement 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*.

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008**

NOTE 13 - PENSION PLANS - (Continued)

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 2008, 9.16 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, 2008, 2007 and 2006 were \$509,934, \$539,197 and \$495,976, respectively; 42.27 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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.

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 2008, 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 13 - PENSION PLANS - (Continued)

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2008, 2007 and 2006 were \$2,681,969, \$2,582,686 and \$2,492,709, respectively; 82.70 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$24,567 made by the District and \$69,097 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, 2008, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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 401h. For 2008, 4.18 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 2008, this 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 for the fiscal years ended June 30, 2008, 2007, and 2006 were \$315,122, \$240,935 and \$273,524, respectively; 42.27 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2008, this actuarially required allocation was 0.66 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2008, 2007 and 2006 were \$36,742, \$36,665 and \$39,476, respectively; 42.27 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 14 - POSTEMPLOYMENT BENEFITS - (Continued)

B. State Teachers Retirement System of Ohio

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2008, 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, 2008, 2007, and 2006 were \$206,305, \$198,668 and \$191,747, respectively; 82.70 percent has been contributed for fiscal year 2008 and 100 percent for fiscal years 2007 and 2006.

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)

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

Net Change in Fund Balance

	<u>General fund</u>
Budget basis	\$ 920,174
Net adjustment for revenue accruals	24,448
Net adjustment for expenditure accruals	(1,207,770)
Net adjustment for other sources/uses	874,050
Adjustment for encumbrances	235,313
GAAP basis	\$ 846,215

NOTE 16 - CONTINGENCIES

A. Grants

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

B. Litigation

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

NOTE 17 - 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.

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

NOTES TO THE BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2008

NOTE 17 - STATUTORY RESERVES - (Continued)

The following cash basis information describes the change in the year-end set-aside amounts for textbooks/instructional materials and capital acquisitions. Disclosure of this information is required by State statute.

	<u>Textbooks/ Instructional Materials</u>	<u>Capital Acquisition Reserves</u>
Set-aside balance as of June 30, 2007	\$ 15,607	\$ -
Current year set-aside requirement	767,791	767,791
Qualifying disbursements	<u>(818,691)</u>	<u>(1,062,628)</u>
Total	<u>\$ (35,293)</u>	<u>\$ (294,837)</u>
Balance carried forward to FY 2009	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

Although the District had offsets and qualifying disbursements during the year that reduced the set-aside amount below zero for the textbooks/instructional material and capital acquisition reserves, these extra amounts may not be used to reduce the set-aside requirement for future years. The negative amount is therefore not presented as being carried forward to the next fiscal year.

In addition to the above statutory reserves, the District also received monies restricted for school bus purchases.

A schedule of the restricted assets at June 30, 2008 follows:

Amount restricted for school bus purchase allowance	<u>\$ 56,503</u>
Total restricted assets	<u><u>\$ 56,503</u></u>

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NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY

FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2008

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
<i>Passed Through Ohio Department of Education:</i>					
National School Lunch Program	10.555	\$ 233,914	\$ 32,964	\$ 233,914	\$ 32,964
Total U.S. Department of Agriculture		233,914	32,964	233,914	32,964
U.S. DEPARTMENT OF EDUCATION					
<i>Passed Through Ohio Department of Education:</i>					
Special Education Cluster:					
Special Education Grants to States	84.027	1,022,495		1,017,916	
Special Education Preschool Grants	84.173	34,363		34,363	
Total Special Education Cluster		1,056,858		1,052,279	
Title I, Grants to Local Educational Agencies	84.010	269,203		253,303	
Title II-A, Improving Teacher Quality State Grants	84.367	126,440		126,440	
Title IV-A, Drug Free Schools Grant	84.186	12,699		12,673	
Title V, Innovative Educational Program Strategies	84.298	11,387		11,387	
Title II-D, Education Technology State Grants	84.318	2,855		2,737	
<i>Passed Through Plain Local School District - Fiscal Agent of Compact:</i>					
Vocational Education Basic Grants to States	84.048	27,000		27,000	
Total U.S. Department of Education		1,506,442		1,485,819	
Totals		\$ 1,740,356	\$ 32,964	\$ 1,719,733	\$ 32,964

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

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2008**

NOTE A – SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B – FOOD DISTRIBUTION PROGRAM

Program regulations do not require the District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance (expenditures) is reported in the Schedule at the entitlement value of the commodities received.

NOTE C – CHILD NUTRITION PROGRAM

Cash receipts from the U.S. Department of Agriculture are commingled with State grants. It is assumed federal monies are expended first.



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*

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

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of North Canton City School District, Stark County, Ohio, (the District) as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 7, 2009. 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 the 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 a certain internal control matter that we reported to the District's management in a separate letter dated January 7, 2009.

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 we must report under *Government Auditing Standards*.

We did note a certain noncompliance or other matter that we reported to the District's management in a separate letter dated January 7, 2009.

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



Mary Taylor, CPA
Auditor of State

January 7, 2009



Mary Taylor, CPA

Auditor of State

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

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

To the Board of Education:

Compliance

We have audited the compliance of North Canton City School District, Stark County, Ohio, (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended June 30, 2008. The summary of auditor's results section of the accompanying Schedule of Findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its 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 District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2008.

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 the audit committee, management, the Board of Education, and federal awarding agencies and pass-through entities. It is not intended for anyone other than these specified parties.



Mary Taylor, CPA
Auditor of State

January 7, 2009

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

**NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF PRIOR AUDIT FINDINGS
JUNE 30, 2008**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Student Activities – During testing of the school store operated out of the High School, we noted the store director did not prepare or maintain school store inventory records. In addition, during testing of high school yearbook sales, we noted a reconciliation of yearbooks ordered versus yearbooks sold was not performed.	No	Partially Corrected – Refer to Management Letter



Mary Taylor, CPA
Auditor of State

NORTH CANTON CITY SCHOOL DISTRICT
STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
FEBRUARY 5, 2009