



Dave Yost • Auditor of State

**CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

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Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT

Canton Local School District
Stark County
4526 Ridge Avenue SE
Canton, Ohio 44707

To the Board of Education:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Canton Local School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the District's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of Canton Local School District, Stark County, Ohio, as of June 30, 2013, and the respective changes in financial position and the budgetary comparison for the General fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during the year ended June 30, 2013, the District adopted the provisions of Governmental Accounting Standard Board Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" and No. 65, "*Items Previously Reported as Assets and Liabilities*". We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the District's basic financial statements taken as a whole.

The Federal Award Receipts and Expenditures Schedule (Schedule) presents additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is also not a required part of the financial statements.

The Schedule is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this schedule to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling the schedule directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves in accordance with auditing standards generally accepted in the United States of America. In our opinion, this schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2014, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2014

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The management's discussion and analysis of the Canton Local School District's (the "District") financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2013. 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 fiscal year 2013 are as follows:

- In total, net position of governmental activities increased \$486,518 which represents a 45.59% increase over the fiscal year 2012 restated balance of \$1,067,245.
- General revenues accounted for \$18,882,134 in revenue or 73.96% of all revenues. Program specific revenues in the form of charges for services and sales and grants and contributions accounted for \$6,646,679 or 26.04% of total revenues of \$25,528,813.
- The District had \$25,042,295 in expenses related to governmental activities; only \$6,646,679 of these expenses were offset by program specific charges for services and sales, grants and contributions. General revenues supporting governmental activities (primarily taxes and unrestricted grants and entitlements) of \$18,882,134 were adequate to provide for these programs.
- The District's only major governmental fund is the general fund. The general fund had \$21,054,457 in revenues and other financing sources and \$20,911,423 in expenditures. During fiscal 2013, the general fund's fund balance increased \$143,034 from \$210,459 to \$353,493.

Using These 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 position* 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 is by far the most significant fund, and the only governmental fund reported as a major fund.

Reporting the District as a Whole

Statement of Net Position 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 2013?" The statement of net position and the statement of activities answer this question. These statements include *all assets, deferred outflows, liabilities, deferred inflows, 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.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

These two statements report the District's *net position* and changes in net position. This change in net position 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 position and the statement of activities, the governmental activities include the District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, and food service operations.

The District's statement of net position and statement of activities can be found on pages 15-16 of this report.

Reporting the District's Most Significant Funds

Fund Financial Statements

The analysis of the District's major governmental fund begins on page 11. Fund financial reports provide detailed information about the District's major fund. 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 fund is the general 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* than 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 position 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 17-21 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 or other entities. These activities are reported in agency funds. All of the District's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 22 and 23. These activities are excluded from the District's other financial statements because the assets cannot be utilized by the District to finance its operations.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found on pages 24-56 of this report.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The District as a Whole

The statement of net position provides the perspective of the District as a whole.

The table below provides a summary of the District's net position at June 30, 2013 and the restated net position for June 30, 2012 as shown in Note 3.B.

	Net Position	
	Governmental Activities 2013	Restated Governmental Activities 2012
<u>Assets</u>		
Current and other assets	\$ 12,462,039	\$ 11,406,257
Capital assets, net	<u>3,887,164</u>	<u>4,160,585</u>
Total assets	<u>16,349,203</u>	<u>15,566,842</u>
<u>Liabilities</u>		
Current liabilities	3,221,513	3,050,484
Long-term liabilities	<u>3,795,549</u>	<u>4,274,738</u>
Total liabilities	<u>7,017,062</u>	<u>7,325,222</u>
<u>Deferred inflows of resources</u>		
Property taxes levied for the next fiscal year	<u>7,778,378</u>	<u>7,174,375</u>
Total deferred inflows of resources	<u>7,778,378</u>	<u>7,174,375</u>
<u>Net Position</u>		
Net investment in capital assets	3,533,596	3,633,017
Restricted	284,061	401,121
Unrestricted (deficit)	<u>(2,263,894)</u>	<u>(2,966,893)</u>
Total net position	<u>\$ 1,553,763</u>	<u>\$ 1,067,245</u>

Over time, net position can serve as a useful indicator of a government's financial position. At June 30, 2013, the District's assets exceeded liabilities and deferred inflows by \$1,553,763. Of this total, \$284,061 is restricted in use.

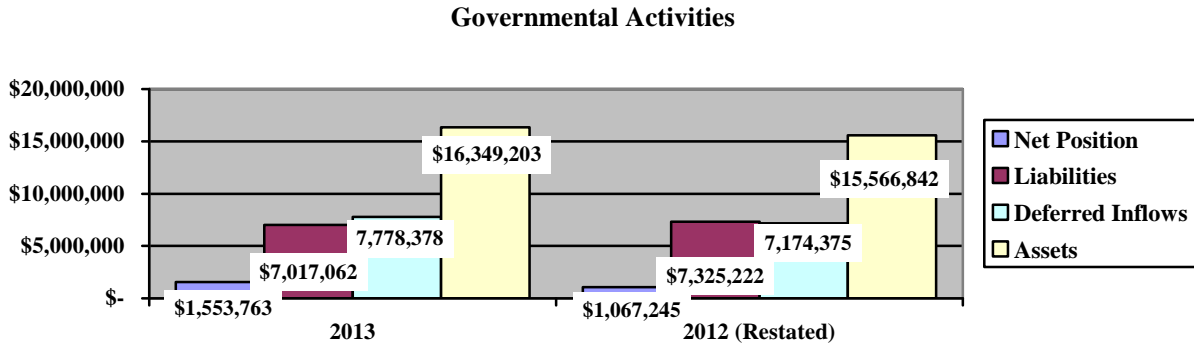
At year end, capital assets represented 23.78% of total assets. Capital assets include land, land improvements, buildings and improvements, furniture and equipment and vehicles. Net investment in capital assets at June 30, 2013, was \$3,533,596. These capital assets are used to provide services to the 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 position, \$284,061, represents resources that are subject to external restriction on how they may be used. The remaining balance is a deficit of unrestricted net position.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The graph below shows the District's assets, liabilities and net position at June 30, 2013 and 2012.



The table below shows the change in net position for fiscal years 2013 and 2012. The beginning balance has been restated (as described in note 3.B).

	Change in Net Assets	
	Governmental Activities	Governmental Activities
	<u>2013</u>	<u>2012</u>
<u>Revenues</u>		
Program revenues:		
Charges for services and sales	\$ 3,130,715	\$ 3,212,261
Operating grants and contributions	3,510,569	3,368,382
Capital grants and contributions	5,395	7,500
General revenues:		
Property taxes	7,850,012	7,769,045
Payments in-lieu of taxes	103,975	40,406
Grants and entitlements	10,845,230	11,099,220
Investment earnings	604	680
Miscellaneous	<u>82,313</u>	<u>62,825</u>
Total revenues	<u>\$ 25,528,813</u>	<u>\$ 25,560,319</u>

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

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Governmental Activities <u>2013</u>	Governmental Activities <u>2012</u>
<u>Expenses</u>		
Program expenses:		
Instruction:		
Regular	\$ 9,951,385	\$ 10,697,789
Special	3,216,023	2,628,681
Vocational	1,346,296	1,448,913
Adult / continuing	3,483	4,460
Other	613,473	612,746
Support services:		
Pupil	1,106,016	1,245,760
Instructional staff	1,184,423	1,008,966
Board of education	29,986	41,651
Administration	1,775,020	1,804,935
Fiscal	346,068	345,044
Business	283,467	286,878
Operations and maintenance	2,060,473	2,934,626
Pupil transportation	969,478	1,078,422
Central	177,885	334,451
Operation of non-instructional services:		
Other non-instructional services	36,951	38,997
Food service operations	1,169,188	1,070,834
Extracurricular activities	733,941	768,472
Interest and fiscal charges	<u>38,739</u>	<u>64,018</u>
Total expenses	<u>25,042,295</u>	<u>26,415,643</u>
Change in net position	486,518	(855,324)
Net position at beginning of year (restated)	<u>1,067,245</u>	<u>1,922,569</u>
Net position at end of year	<u>\$ 1,553,763</u>	<u>\$ 1,067,245</u>

Governmental Activities

Net position of the District's governmental activities increased \$486,518. Total governmental expenses of \$25,042,295 were offset by program revenues of \$6,646,679 and general revenues of \$18,882,134. Program revenues supported 26.54% of the total governmental expenses.

The primary sources of revenue for governmental activities are derived from property taxes, payment in lieu of taxes and unrestricted grants and entitlements. These revenue sources represent 73.64% of total governmental revenue.

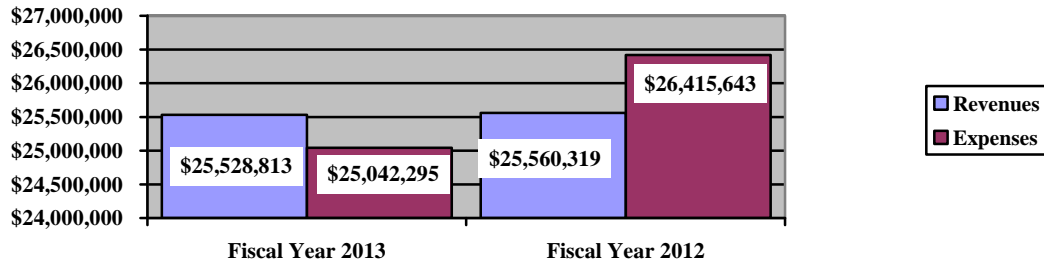
The largest expense of the District is for instructional programs. Instruction expenses totaled \$15,130,660 or 60.42% of total governmental expenses for fiscal year 2013.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The graph below presents the District's governmental activities revenues and expenses for fiscal years 2013 and 2012.

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 2013	Net Cost of Services 2013	Total Cost of Services 2012	Net Cost of Services 2012
Program expenses				
Instruction:				
Regular	\$ 9,951,385	\$ 8,153,647	\$ 10,697,789	\$ 8,950,738
Special	3,216,023	1,019,453	2,628,681	833,849
Vocational	1,346,296	749,612	1,448,913	689,637
Adult / continuing	3,483	1,517	4,460	4,061
Other	613,473	613,473	612,746	611,403
Support services:				
Pupil	1,106,016	1,025,582	1,245,760	1,138,502
Instructional staff	1,184,423	1,023,232	1,008,966	732,467
Board of education	29,986	29,986	41,651	(14,666)
Administration	1,775,020	1,436,465	1,804,935	1,473,977
Fiscal	346,068	346,068	345,044	335,600
Business	283,467	278,937	286,878	281,915
Operations and maintenance	2,060,473	1,986,064	2,934,626	2,854,844
Pupil transportation	969,478	949,770	1,078,422	1,028,005
Central	177,885	177,885	334,451	317,364
Operation of non-instructional services:				
Other non-instructional services	36,951	17,269	38,997	(6,553)
Food service operations	1,169,188	(24,218)	1,070,834	(104,903)
Extracurricular activities	733,941	572,135	768,472	637,242
Interest and fiscal charges	38,739	38,739	64,018	64,018
Total expenses	<u>\$ 25,042,295</u>	<u>\$ 18,395,616</u>	<u>\$ 26,415,643</u>	<u>\$ 19,827,500</u>

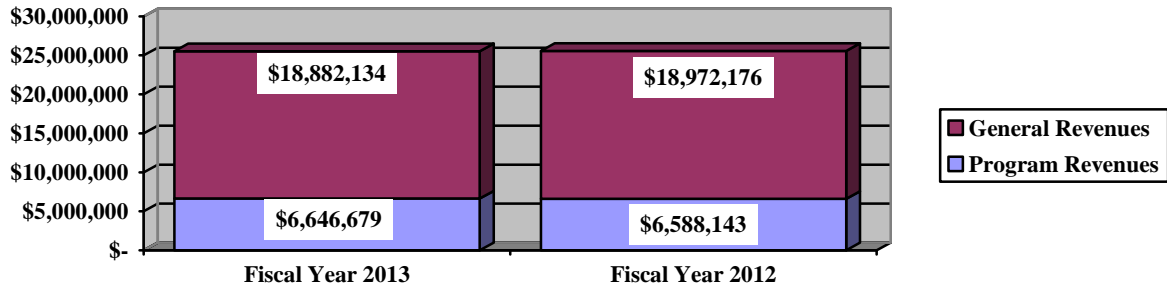
**CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

The dependence upon tax and other general revenues for governmental activities is apparent, 69.64% of instruction activities are supported through taxes and other general revenues. For all governmental activities, general revenue support is 73.46%. The District's taxpayers and unrestricted grants and entitlements from the State of Ohio, as a whole, are by far the primary support for District's students.

The graph below presents the District's governmental activities revenue for fiscal years 2013 and 2012.

Governmental Activities - General and Program Revenues



The District's Funds

The District's governmental funds reported a combined fund balance of \$524,572, which is a higher balance than last year's total balance of \$359,925. The schedule below indicates the fund balance and the total change in fund balance as of June 30, 2013 and 2012.

	Fund Balance <u>June 30, 2013</u>	Fund Balance <u>June 30, 2012</u>	<u>Increase</u>
General	\$ 353,493	\$ 210,459	\$ 143,034
Other governmental	<u>171,079</u>	<u>149,466</u>	<u>21,613</u>
Total	<u>\$ 524,572</u>	<u>\$ 359,925</u>	<u>\$ 164,647</u>

General Fund

The District's general fund's fund balance increased \$143,034 from \$210,459 to \$353,493. The table that follows assists in illustrating the financial activities and fund balance of the general fund. In fiscal year 2013, the District reported an increase in tax revenues due to an increase in the collections of real estate taxes. Tuition revenues decreased due to a decrease in revenues related to student enrollment. Intergovernmental revenues decreased in fiscal year 2013 because of a decline in revenues related to tangible personal property tax loss reimbursement. Other revenues decreased due to a decrease in contract service revenues. During the current fiscal year the District did not make capital purchases from the general fund, this caused a decrease in facilities acquisition and construction expenditures. All other expenditures remained consistent with the prior fiscal year.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>2013</u> <u>Amount</u>	<u>2012</u> <u>Amount</u>	<u>Increase</u> <u>(Decrease)</u>	<u>Percentage</u> <u>Change</u>
<u>Revenues</u>				
Taxes	\$ 7,454,666	\$ 7,120,289	\$ 334,377	4.70 %
Tuition	1,107,989	1,368,758	(260,769)	(19.05) %
Earnings on investments	604	680	(76)	(11.18) %
Intergovernmental	11,831,661	12,066,320	(234,659)	(1.94) %
Other revenues	<u>602,038</u>	<u>808,968</u>	<u>(206,930)</u>	(25.58) %
Total	<u>\$ 20,996,958</u>	<u>\$ 21,365,015</u>	<u>\$ (368,057)</u>	(1.72) %
<u>Expenditures</u>				
Instruction	\$ 13,142,036	\$ 12,363,091	\$ 778,945	6.30 %
Support services	7,185,782	7,416,533	(230,751)	(3.11) %
Extracurricular activities	583,605	588,179	(4,574)	(0.78) %
Facilities acquisition and construction	<u>-</u>	<u>172,681</u>	<u>(172,681)</u>	100.00 %
Total	<u>\$ 20,911,423</u>	<u>\$ 20,540,484</u>	<u>\$ 370,939</u>	1.81 %

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 2013, the District amended its general fund budget several times. For the general fund, final budgeted revenues and other financing sources were \$20,763,826, which was the same as the original budgeted revenues and other financing sources. Actual revenues and other financing sources for fiscal 2013 were \$21,201,469 which was \$437,643 higher than the final budgeted revenues.

General fund original appropriations of \$20,955,320 were increased to \$21,126,820 in the final budget. The actual budget basis expenditures for fiscal year 2013 totaled \$20,913,645, which was \$213,175 less than the final budgeted appropriations.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2013, the District had \$3,887,164 invested in land, land improvements, buildings and improvements, furniture and equipment and vehicles. This entire amount is reported in governmental activities.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

The following table shows fiscal 2013 balances compared to the 2012 restated balances (see Note 9.A for detail):

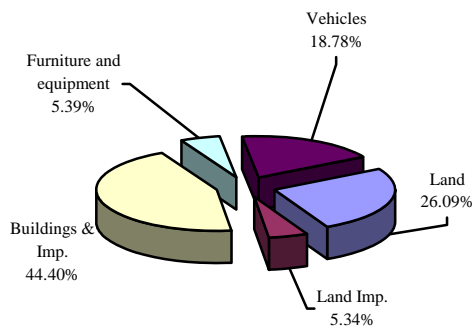
**Capital Assets at June 30
(Net of Depreciation)**

	<u>Governmental Activities</u>	
	<u>2013</u>	<u>Restated 2012</u>
Land	\$ 1,014,119	\$ 1,014,119
Land improvements	207,700	226,696
Building and improvements	1,725,610	1,878,308
Furniture and equipment	209,637	218,554
Vehicles	730,098	822,908
Total	<u>\$ 3,887,164</u>	<u>\$ 4,160,585</u>

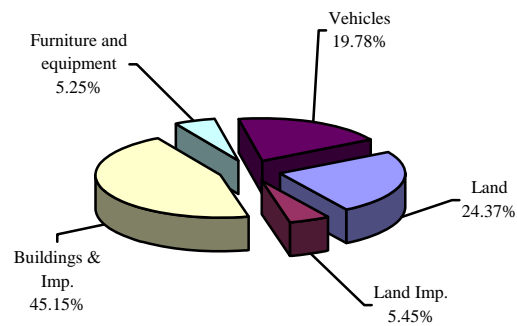
The overall decrease in capital assets of \$273,421 is due to depreciation expense of \$286,427 and current year deletions (net of accumulated depreciation) of \$16,990 exceeding capital outlays of \$29,996.

The graphs below present the District's capital assets for fiscal years 2013 and 2012.

**Capital Assets - Governmental
Activities 2013**



**Capital Assets - Governmental
Activities 2012 (Restated)**



See Note 9 to the basic financial statements for additional information on the District's capital assets.

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

**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

Debt Administration

At June 30, 2013, the District had \$782,592 in capital lease obligations outstanding, \$597,341 in energy conservation notes outstanding, \$75,000 in tax anticipation notes outstanding and \$77,047 in OWDA loans outstanding. Of this total, \$334,813 is due within one year and \$1,197,167 is due in greater than one year. The following table summarizes the outstanding obligations for fiscal year 2013 compared to 2012.

	Outstanding Debt, at Year End	
	Governmental Activities	Governmental Activities
	<u>2013</u>	<u>2012</u>
Energy conservation notes	\$ 597,341	\$ 650,131
Tax anticipation notes	75,000	100,000
OWDA loan	77,047	81,716
Capital lease obligations	<u>782,592</u>	<u>1,062,638</u>
Total	<u>\$ 1,531,980</u>	<u>\$ 1,894,485</u>

At June 30, 2013, the District's overall legal debt margin was \$22,740,904 with an unvoted debt margin of \$252,677.

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

Current Financial Related Activities

The voters of the District approved the renewal of a combined five-year operating and permanent improvement levy on May 3, 2011. Funds are to be used for operational costs, building maintenance and repairs, and equipment replacement. Nine tenths of a mill (approximately \$238,000 annually) is dedicated to the purchase of new classroom technology and related equipment. This levy will expire in 2016. The District put an 8.0 mil levy on the November 2013 ballot. The levy passed and will generate approximately \$36.6 million. Funds are to be used for construction and renovation of school facilities and improvements of school sites.

As a result of the continuing decline in student enrollment, the Board decided to implement several cost-saving measures. Beginning with the 2010-11 school year, the fifth grade was relocated from Walker Elementary to Faircrest Middle School; and the kindergarten and first grade were relocated from Amos McDannel Elementary to Walker Elementary. The District now operates one elementary, one middle school, and one high school. No further staff reductions or restructuring is currently planned. Collective bargaining agreements that are in effect to June 30, 2014 contain either wage freezes or very small increases for staff.

The uncertainty surrounding school funding for Ohio public school districts, and particularly the funding as it relates to the District's declining pupil enrollment, will continue to present a challenge to the District's management. Despite the loss of Federal stimulus funds from previous years and static State aid, the financial condition of the District has improved over previous fiscal years.

The District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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. Jason Schatzel, Treasurer, Canton Local School District, 4526 Ridge Avenue SE, Canton, OH 44707.

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

STATEMENT OF NET POSITION
JUNE 30, 2013

	Governmental Activities
Assets:	
Equity in pooled cash and cash equivalents.	\$ 3,320,916
Receivables:	
Taxes	8,633,176
Accounts.	14,048
Intergovernmental	463,594
Prepayments	16,305
Inventory held for resale	14,000
Capital assets:	
Land.	1,014,119
Depreciable capital assets, net.	2,873,045
Capital assets, net	<u>3,887,164</u>
Total assets.	<u>16,349,203</u>
Liabilities:	
Accounts payable.	157,927
Contracts payable.	82,759
Accrued wages and benefits payable	2,365,234
Pension obligation payable.	511,597
Intergovernmental payable	101,119
Accrued interest payable	2,877
Long-term liabilities:	
Due within one year.	570,999
Due in more than one year.	3,224,550
Total liabilities	<u>7,017,062</u>
Deferred inflows of resources:	
Property taxes levied for the next fiscal year.	<u>7,778,378</u>
Total deferred inflows of resources	<u>7,778,378</u>
Net position:	
Net investment in capital assets	3,533,596
Restricted for:	
Capital projects	56,777
State funded programs.	58,785
Federally funded programs	129,849
Student activities	19,451
Other purposes	19,199
Unrestricted (deficit)	<u>(2,263,894)</u>
Total net position.	<u>\$ 1,553,763</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction:					
Regular	\$ 9,951,385	\$ 1,601,627	\$ 196,111	\$ -	\$ (8,153,647)
Special	3,216,023	333,713	1,862,857	-	(1,019,453)
Vocational	1,346,296	276,833	319,851	-	(749,612)
Adult/continuing.	3,483	-	1,966	-	(1,517)
Other	613,473	-	-	-	(613,473)
Support services:					
Pupil.	1,106,016	18	80,416	-	(1,025,582)
Instructional staff	1,184,423	2,840	158,351	-	(1,023,232)
Board of education	29,986	-	-	-	(29,986)
Administration.	1,775,020	222,206	116,349	-	(1,436,465)
Fiscal.	346,068	-	-	-	(346,068)
Business.	283,467	4,530	-	-	(278,937)
Operations and maintenance	2,060,473	74,409	-	-	(1,986,064)
Pupil transportation.	969,478	-	19,708	-	(949,770)
Central	177,885	-	-	-	(177,885)
Operation of non-instructional services:					
Other non-instructional services	36,951	526	19,156	-	(17,269)
Food service operations	1,169,188	469,385	724,021	-	24,218
Extracurricular activities.	733,941	144,628	11,783	5,395	(572,135)
Interest and fiscal charges	38,739	-	-	-	(38,739)
Total governmental activities	\$ 25,042,295	\$ 3,130,715	\$ 3,510,569	\$ 5,395	(18,395,616)
General revenues:					
Property taxes levied for:					
General purposes					7,351,459
Debt service.					80,671
Capital outlay.					417,882
Payments in lieu of taxes.					103,975
Grants and entitlements not restricted to specific programs					10,845,230
Investment earnings					604
Miscellaneous					82,313
Total general revenues					18,882,134
Change in net position					486,518
Net position at beginning of year (restated)					1,067,245
Net position at end of year.					\$ 1,553,763

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Equity in pooled cash and cash equivalents.	\$ 2,897,665	\$ 423,251	\$ 3,320,916
Receivables:			
Taxes.	8,174,110	459,066	8,633,176
Accounts	14,048	-	14,048
Intergovernmental.	107,898	355,696	463,594
Prepayments.	16,305	-	16,305
Due from other funds	69,434	-	69,434
Inventory held for resale.	-	14,000	14,000
Total assets	<u>\$ 11,279,460</u>	<u>\$ 1,252,013</u>	<u>\$ 12,531,473</u>
Liabilities:			
Accounts payable	\$ 66,622	\$ 91,305	\$ 157,927
Contracts payable.	20,207	62,552	82,759
Accrued wages and benefits payable	2,163,658	201,576	2,365,234
Compensated absences payable	207,735	28,451	236,186
Pension obligation payable	438,888	72,709	511,597
Intergovernmental payable	91,621	9,498	101,119
Due to other funds	-	69,434	69,434
Total liabilities.	<u>2,988,731</u>	<u>535,525</u>	<u>3,524,256</u>
Deferred inflows of resources:			
Property taxes levied for the next fiscal year. . .	7,369,887	408,491	7,778,378
Delinquent property tax revenue not available. . .	543,083	34,454	577,537
Intergovernmental revenue not available.	24,266	102,464	126,730
Total deferred inflows of resources	<u>7,937,236</u>	<u>545,409</u>	<u>8,482,645</u>
Fund balances:			
Nonspendable:			
Materials and supplies inventory.	-	14,000	14,000
Prepays.	16,305	-	16,305
Restricted:			
Capital improvements	-	23,079	23,079
Food service operations	-	13,892	13,892
Special education	-	17,403	17,403
Targeted academic assistance	-	19,329	19,329
Vocational education.	-	5,713	5,713
Other purposes.	-	66,490	66,490
Extracurricular.	-	19,451	19,451
Assigned:			
Student instruction	58,102	-	58,102
Student and staff support.	116,435	-	116,435
Extracurricular activities	6,085	-	6,085
Uniform school supplies	2,900	-	2,900
Other purposes.	14,716	25,779	40,495
Unassigned (deficit).	138,950	(34,057)	104,893
Total fund balances	<u>353,493</u>	<u>171,079</u>	<u>524,572</u>
Total liabilities, deferred inflows and fund balances .	<u>\$ 11,279,460</u>	<u>\$ 1,252,013</u>	<u>\$ 12,531,473</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO
NET POSITION OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2013

Total governmental fund balances		\$	524,572
<i>Amounts reported for governmental activities on the statement of net position are different because:</i>			
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.			3,887,164
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred inflows in the funds.			
Taxes receivable	\$	577,537	
Intergovernmental receivable		126,730	
Total		704,267	704,267
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.			
Compensated absences		(2,027,383)	
Capital lease obligations		(782,592)	
Energy conservation notes		(597,341)	
Tax anticipation notes		(75,000)	
OWDA loan		(77,047)	
Accrued interest payable		(2,877)	
Total		(3,562,240)	(3,562,240)
Net position of governmental activities		\$	1,553,763

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
From local sources:			
Taxes	\$ 7,454,666	\$ 505,837	\$ 7,960,503
Payment in lieu of taxes	103,975	-	103,975
Tuition.	1,107,989	-	1,107,989
Earnings on investments	604	1	605
Charges for services	233,073	1,460,655	1,693,728
Extracurricular.	32,805	145,385	178,190
Classroom materials and fees	74,401	-	74,401
Rental income	74,058	-	74,058
Contributions and donations	-	23,641	23,641
Other local revenues	83,726	7,513	91,239
Intergovernmental - state	11,797,326	307,318	12,104,644
Intergovernmental - federal	34,335	2,135,390	2,169,725
Total revenues	<u>20,996,958</u>	<u>4,585,740</u>	<u>25,582,698</u>
Expenditures:			
Current:			
Instruction:			
Regular.	8,941,787	989,140	9,930,927
Special	2,266,321	981,322	3,247,643
Vocational	1,340,835	118,805	1,459,640
Adult/continuing	-	3,483	3,483
Other	593,093	-	593,093
Support services:			
Pupil	1,039,947	83,962	1,123,909
Instructional staff	969,117	206,460	1,175,577
Board of education	29,986	-	29,986
Administration	1,558,274	298,645	1,856,919
Fiscal	336,016	-	336,016
Business.	270,302	13,165	283,467
Operations and maintenance	1,944,440	114,503	2,058,943
Pupil transportation	861,478	1,266	862,744
Central	176,222	-	176,222
Operation of non-instructional services:			
Other non-instructional services	-	31,521	31,521
Food service operations.	-	1,110,770	1,110,770
Extracurricular activities	583,605	139,505	723,110
Facilities acquisition and construction.	-	41,552	41,552
Debt service:			
Principal retirement.	-	362,505	362,505
Interest and fiscal charges	-	67,523	67,523
Total expenditures	<u>20,911,423</u>	<u>4,564,127</u>	<u>25,475,550</u>
Excess of revenues over expenditures.	<u>85,535</u>	<u>21,613</u>	<u>107,148</u>
Other financing sources:			
Proceeds from sale of assets	57,499	-	57,499
Total other financing sources	<u>57,499</u>	<u>-</u>	<u>57,499</u>
Net change in fund balances	143,034	21,613	164,647
Fund balances at beginning of year.	<u>210,459</u>	<u>149,466</u>	<u>359,925</u>
Fund balances at end of year.	<u>\$ 353,493</u>	<u>\$ 171,079</u>	<u>\$ 524,572</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANTON LOCAL 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, 2013

Net change in fund balances - total governmental funds	\$	164,647
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital asset additions	\$ 29,996	
Current year depreciation	(286,427)	
Total		(256,431)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.		
		(16,990)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Taxes	(110,491)	
Intergovernmental	46,884	
Total		(63,607)
Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.		
		362,505
In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.		
		28,784
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.		
		267,610
Change in net position of governmental activities	\$	<u>486,518</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANTON LOCAL 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, 2013

	<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	\$ 7,289,329	\$ 7,289,329	\$ 7,691,624	\$ 402,295
Payment in lieu of taxes.	75,000	75,000	103,975	28,975
Tuition.	1,411,000	1,411,000	1,110,805	(300,195)
Earnings on investments	500	500	604	104
Charges for services	205,000	205,000	155,002	(49,998)
Classroom materials and fees	-	-	217	217
Rental income	90,000	90,000	68,225	(21,775)
Other local revenues	55,500	55,500	82,456	26,956
Intergovernmental - state	11,464,497	11,464,497	11,797,326	332,829
Intergovernmental - federal	48,000	48,000	31,459	(16,541)
Total revenues	<u>20,638,826</u>	<u>20,638,826</u>	<u>21,041,693</u>	<u>402,867</u>
Expenditures:				
Current:				
Instruction:				
Regular	8,711,231	8,782,523	8,969,917	(187,394)
Special.	2,308,224	2,327,115	2,268,547	58,568
Vocational.	1,258,148	1,268,445	1,153,285	115,160
Other.	711,569	717,393	606,660	110,733
Support services:				
Pupil.	1,047,975	1,056,552	1,027,163	29,389
Instructional staff	835,047	841,881	957,101	(115,220)
Board of education	38,869	39,187	31,683	7,504
Administration.	1,411,696	1,423,250	1,456,838	(33,588)
Fiscal	328,056	330,741	378,783	(48,042)
Business	294,743	297,155	269,580	27,575
Operations and maintenance.	2,206,815	2,224,876	2,059,915	164,961
Pupil transportation	961,632	969,502	881,442	88,060
Central.	262,948	265,100	261,740	3,360
Extracurricular activities.	578,367	583,100	590,991	(7,891)
Total expenditures	<u>20,955,320</u>	<u>21,126,820</u>	<u>20,913,645</u>	<u>213,175</u>
Excess (deficiency) of revenues over (under) expenditures.	<u>(316,494)</u>	<u>(487,994)</u>	<u>128,048</u>	<u>616,042</u>
Other financing sources:				
Refund of prior year's expenditures	111,000	111,000	106,075	(4,925)
Sale of capital assets	14,000	14,000	53,701	39,701
Total other financing sources	<u>125,000</u>	<u>125,000</u>	<u>159,776</u>	<u>34,776</u>
Net change in fund balance	(191,494)	(362,994)	287,824	650,818
Fund balance at beginning of year	2,139,371	2,139,371	2,139,371	-
Prior year encumbrances appropriated	268,055	268,055	268,055	-
Fund balance at end of year	<u>\$ 2,215,932</u>	<u>\$ 2,044,432</u>	<u>\$ 2,695,250</u>	<u>\$ 650,818</u>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2013

	Private Purpose Trust	
	Scholarship	Agency
Assets:		
Current assets:		
Equity in pooled cash and cash equivalents	\$ 16,748	\$ 71,869
Receivables:		
Accounts	-	60
Intergovernmental.	-	7
	16,748	71,936
Total assets.	16,748	\$ 71,936
Liabilities:		
Accounts payable.	-	\$ 251
Due to students.	-	71,685
	-	71,936
Total liabilities	-	\$ 71,936
Net position:		
Held in trust for scholarships	16,748	
Total net position.	\$ 16,748	

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

	Private Purpose Trust
	Scholarship
Additions:	
Interest	\$ 64
Gifts and contributions	25,402
Total additions	25,466
 Deductions:	
Scholarships awarded	129,545
Change in net position	(104,079)
Net position at beginning of year	120,827
Net position at end of year	\$ 16,748

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 1 - DESCRIPTION OF THE SCHOOL DISTRICT

The Canton Local School District (the "District") is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is a local district as defined by Section 3311.03 of the Ohio Revised Code. The District is governed by a five-member Board of Education (the Board) elected by its citizens, which is responsible for the provision of public education to residents of the District.

The District ranks as the 220th largest by total enrollment among the 918 public school districts and community schools in the State. The District employs 98 non-certified and 168 certified employees to provide services to approximately 2,205 students in grades K through 12 and various community groups. The District is located in Canton Township, Stark County, Ohio and serves an area of approximately 25 square miles. The District operates one elementary school, one middle school and one high school.

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'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" and GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34". The reporting entity is composed of the primary government and component units. The primary government consists of all funds, departments, boards and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities of the District.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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)

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

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

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

Risk Sharing Pool

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Insurance Purchasing Pool

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

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

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 and deferred outflows of resources are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance.

The following is the District's major governmental fund:

General fund -The general fund is used to account for and report all financial resources not accounted for and reported in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio.

Other governmental funds of the District are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted to expenditures for principal and interest.

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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

FIDUCIARY FUNDS

Fiduciary fund reporting focuses on net position and changes in net position. 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 net position) and do not involve measurement of results of operations. The District's agency fund accounts for student and community activities.

C. Basis of Presentation and Measurement Focus

Government-wide Financial Statements - The statement of net position 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 deferred outflows and all liabilities and deferred inflows associated with the operation of the District are included on the statement of net position.

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 deferred outflows and current liabilities and deferred inflows 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

Nonexchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 6). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. On a modified accrual basis, revenue from nonexchange transactions must also be available before it can be recognized.

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

Deferred Inflows of Resources and Deferred Outflows of Resources - A deferred inflow of resources is an acquisition of net position by the District that is applicable to a future reporting period. A deferred outflow of resources is a consumption of net position by the District that is applicable to a future reporting period.

Property taxes for which there is an enforceable legal claim as of June 30, 2013, but which were levied to finance fiscal year 2014 operations, and other revenues received in advance of the fiscal year for which they were intended to finance, have been recorded as deferred inflows. Payment in lieu of taxes and grants not received within the available period, grants and entitlements received before the eligibility requirements are met, and delinquent property taxes due at June 30, 2013, are recorded as deferred inflows on the governmental fund financial statements.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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 fund level for all funds. Any budgetary modifications at this level may only be made by resolution of the Board of Education. Although the legal level of budgetary control was established at the fund level of expenditures, the District has elected to present the general fund's budgetary statement comparison at the fund and function level of expenditures.

Tax Budget:

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

Estimated Resources:

By April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the Budget Commission and receives the Commission's certificate of estimated resources, which states the projected revenue of each fund. Prior to July 1, the 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 of estimated resources is amended to include any unencumbered cash balances from the preceding year. The certificate of estimated resources 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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 fund level for all 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 the legal 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, three 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 resources. The amounts reported as the original budget amounts reflect the first appropriation for that fund 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.

F. Cash and Cash Equivalents

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 2013, investments were limited to repurchase agreements and investments in the State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts, such as repurchase agreements, are reported at cost.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's shares price which is the price the investment could be sold for on June 30, 2013.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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

Under existing Ohio statutes all investment earnings are assigned to the general fund unless statutorily required to be credited to a specific fund or 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 2013 amounted to \$604, which includes \$89 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 cost of inventory items are recorded as an expenditure in the governmental funds when consumed.

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

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 position, but are not reported in the fund financial statements.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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:

<u>Description</u>	<u>Governmental Activities Estimated Lives</u>
Land improvements	50 years
Buildings and improvements	50 years
Furniture and equipment	5 - 20 years
Vehicles	15 - 20 years

I. Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable.” The District had no interfund loans receivable/payable at June 30, 2013.

On fund financial statements, receivables and payables resulting from short-term interfund loans from the general fund to cover negative cash balances in other governmental funds are classified as “due to/from other funds.” These amounts are eliminated in the governmental activities columns on the statement of net position.

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 “termination payment method”. The termination payment method accrues a liability that is based entirely on an estimate of the amount of accumulated sick leave that will be paid as a termination benefit. The estimate is based on past experience. This estimate (ratio) is then applied to employee’s sick leave balances and current wages at fiscal year end.

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

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

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, 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.

L. Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable - The nonspendable fund balance classification includes amounts that cannot be spent because they are not in spendable form or legally required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable.

Restricted - Fund balance is reported as restricted when constraints are placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (resolution) of the District Board of Education (the highest level of decision making authority). Those committed amounts cannot be used for any other purpose unless the District Board of Education removes or changes the specified use by taking the same type of action (resolution) it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned - Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes, but do not meet the criteria to be classified as restricted nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the District Board of Education, which includes giving the Treasurer the authority to constrain monies for intended purposes.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

Unassigned - Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

M. Net Position

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. The net position component "net investment in capital assets," consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt also should be included in this component of net position. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

N. Prepayments

Certain payments to vendors reflect the costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. These items are reported as assets using the consumption method. A current asset for the prepaid amounts is recorded at the time of the purchase and the expenditure/expense is reported in the year in which services are consumed. At fiscal year end, because prepayments are not available to finance future governmental fund expenditures, the fund balance is nonspendable on the fund financial statements by an amount equal to the carrying value of the asset.

O. 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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

P. Vocational Education

The District has entered into a career technical education agreement with the Sandy Valley Local School District, Perry Local School District and the Osnaburg Local School District to provide career technical education programs for students of the three participating districts. The District is the principal agency for the programs and is responsible for the physical facilities of the programs. For fiscal year 2013, in accordance with the agreement, the District was to receive a service charge equal to \$145,500 from the Sandy Valley Local School District, \$339,500 from the Perry Local School District and \$97,000 from the Osnaburg Local School District related to providing these programs. Actual service charges are reduced by all State aid received by the District for Sandy Valley Local School District, Perry Local School District and Osnaburg Local School District students attending the District for these programs.

Q. Interfund Activity

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

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

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 2013.

S. Capital Contributions

Capital contributions on the governmental activities financial statements arise from contributions from outside contributions of capital assets. During the current fiscal year, the District received capital contributions of \$5,395 from the alumni booster. The alumni booster paid this money directly to a vendor to help the District acquire a new baseball scoreboard.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE

A. Change in Accounting Principles

For fiscal year 2013, the District has implemented GASB Statement No. 60, "Accounting and Financial Reporting for Service Concession Arrangements", GASB Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34", GASB Statement No. 62, "Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA pronouncements", GASB Statement No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position", GASB Statement No. 65, "Items Previously Reported as Assets and Liabilities", and GASB Statement No. 66, "Technical Corrections-2012".

GASB Statement No. 60 addresses issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the District.

GASB Statement No. 61 modifies certain requirements for inclusion of component units in the financial reporting entity. The Statement amends the criteria for reporting component units as if they were part of the primary government in certain circumstances. Finally, the Statement also clarifies the reporting of equity interests in legally separate organizations. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the District.

GASB Statement No. 62 codifies accounting and financial reporting guidance contained in pre-November 30, 1989 FASB and AICPA pronouncements in an effort to codify all sources of GAAP for State and local governments so that they derive from a single source. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the District.

GASB Statement No. 63 provides financial and reporting guidance for *deferred outflows of resources* and *deferred inflows of resources* which are financial statement elements that are distinct from assets and liabilities. GASB Statement No. 63 standardizes the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's *net position*. The implementation of GASB Statement No. 63 has changed the presentation of the District's financial statements to incorporate the concepts of net position, deferred outflows of resources and deferred inflows of resources.

GASB Statement No. 65 establishes accounting and financial reporting standards that reclassify, as *deferred outflows of resources* or *deferred inflows of resources*, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 also provides other financial reporting guidance related to the impact of the financial statement elements *deferred outflows of resources* and *deferred inflows of resources*, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations. The implementation of GASB Statement No. 65 has changed the presentation of the District's financial statements.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)

GASB Statement No. 66 enhances the usefulness of financial reports by resolving conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the District.

B. Restatement of Net Position

Net position of the governmental activities at July 1, 2012 has been restated for errors in the reporting of capital assets (See Note 9 for detail) as follows:

	Governmental Activities
Net position as previously reported	\$ 1,668,070
Restatement of capital assets	(600,825)
Net position at July 1, 2012	\$ 1,067,245

C. Deficit Fund Balances

Fund balances at June 30, 2013 included the following individual fund deficits:

Nonmajor funds	Deficit
Other grants	\$ 34,057

The general fund is liable for any deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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

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

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

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

A. Cash on Hand

At year end, the District had \$250 in undeposited cash on hand which is included on the financial statements of the District as part of “equity in pooled cash and cash equivalents”.

B. Deposits with Financial Institutions

At June 30, 2013, the carrying amount of all District deposits was \$2,972,622, exclusive of the \$425,000 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, 2013, \$2,804,108 of the District’s bank balance of \$3,061,968 was exposed to custodial credit risk as discussed below, while \$257,860 was covered by the FDIC.

C. Investments

As of June 30, 2013, 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	\$ 425,000	\$ 425,000
STAR Ohio	<u>11,661</u>	<u>11,661</u>
Total	<u>\$ 436,661</u>	<u>\$ 436,661</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.

Credit Risk: Standard & Poor’s has assigned STAR Ohio an AAAM money market rating.

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 \$425,000 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.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)

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, 2013:

<u>Investment type</u>	<u>Fair Value</u>	<u>% of Total</u>
Repurchase agreement	\$ 425,000	97.33
STAR Ohio	<u>11,661</u>	<u>2.67</u>
Total	<u>\$ 436,661</u>	<u>100.00</u>

D. Reconciliation of Cash and Investments to the Statement of Net Position

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 position as of June 30, 2013:

<u>Cash and investments per note</u>	
Carrying amount of deposits	\$ 2,972,622
Investments	436,661
Cash on hand	<u>250</u>
Total	<u>\$ 3,409,533</u>
 <u>Cash and investments per statement of net position</u>	
Governmental activities	\$ 3,320,916
Private-purpose trust funds	16,748
Agency funds	<u>71,869</u>
Total	<u>\$ 3,409,533</u>

NOTE 5 - INTERFUND TRANSACTIONS

Interfund balances at June 30, 2013, as reported on the fund statements, consist of the following amounts due to/from other funds:

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General fund	Nonmajor governmental funds	<u>\$ 69,434</u>

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

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 6 - PROPERTY TAXES

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

Property taxes include amounts levied against all real property and public utility property. Real property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed values as of January 1, 2012, the lien date. Assessed values for real property taxes are established by State statute at 35 percent of appraised market value. Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31, with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established. Public utility property tax revenues received in calendar year 2013 represent the collection of calendar year 2012 taxes. Public utility real and personal property taxes received in calendar year 2013 became a lien on December 31, 2011, were levied after April 1, 2012, and are collected with real property taxes. Public utility real property is assessed at 35 percent of true value; public utility tangible personal property is currently assessed at varying percentages of true value.

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2013, are available to finance fiscal year 2013 operations. The amount available as an advance at June 30, 2013 was \$261,140 in the general fund and \$16,121 in the permanent improvement fund (a nonmajor governmental fund). This amount is recorded as revenue. The amount available for advance at June 30, 2012 was \$498,098 in the general fund and \$32,779 in the permanent improvement fund (a nonmajor governmental fund). The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2013 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflows.

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

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 6 - PROPERTY TAXES - (Continued)

The assessed values upon which the fiscal year 2013 taxes were collected are:

	2012 Second Half Collections		2013 First Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Agricultural/residential and other real estate	\$ 240,888,300	84.24	\$ 203,290,670	80.45
Public utility personal	<u>45,071,480</u>	<u>15.76</u>	<u>49,386,040</u>	<u>19.55</u>
Total	<u>\$ 285,959,780</u>	<u>100.00</u>	<u>\$ 252,676,710</u>	<u>100.00</u>
Tax rate per \$1,000 of assessed valuation for:				
Operations	\$ 48.20		\$ 48.20	
Permanent improvements	1.90		1.90	

NOTE 7 - RECEIVABLES

Receivables at June 30, 2013 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 position are as follows:

Governmental activities:

Taxes	\$ 8,633,176
Accounts	14,048
Intergovernmental	<u>463,594</u>
Total	<u>\$ 9,110,818</u>

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

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 8 - CAPITALIZED LEASES - LESSEE DISCLOSURE

In a prior fiscal year, the District entered into capitalized lease agreements for the acquisition of computer equipment and buses.

At inception, the leases were accounted for as a capital outlay expenditure and other financing source in the general fund. Capital lease payments have been reclassified and are reflected as debt service expenditures in the fund financial statements and as a reduction of the lease liability in the government-wide financial statements. These expenditures are reflected as program/function expenditures on a budgetary basis.

Capital assets acquired by lease have been capitalized in the statement of net position in the amount of \$490,831 which is equal to the present value of the future minimum lease payments as of the date of inception. Accumulated depreciation as of June 30, 2013 was \$67,732, leaving a current book value of \$423,099. A corresponding liability was recorded in the statement of net position. The computer equipment acquired through the capital lease was not capitalized because the individual equipment did not meet the capitalization threshold. Principal payments in the 2013 fiscal year totaled \$280,046. This amount is reflected as debt service principal retirement in the permanent improvement fund (a nonmajor governmental fund).

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the future minimum lease payments as of June 30, 2013:

<u>Year Ending June 30,</u>	<u>Equipment</u>
2014	\$ 277,453
2015	277,452
2016	<u>277,453</u>
Total minimum lease payment	832,358
Less: amount representing interest	<u>(49,766)</u>
Present value of minimum lease payments	<u>\$ 782,592</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - CAPITAL ASSETS

- A. The capital asset balances of the governmental activities have been restated due to errors in the District's capital assets.

	<u>Balance</u> <u>June 30, 2012</u>	<u>Adjustments</u>	<u>Restated</u> <u>Balance</u> <u>July 1, 2012</u>
Governmental activities:			
<i>Capital assets, not being depreciated:</i>			
Land	\$ 1,055,089	\$ (40,970)	\$ 1,014,119
Total capital assets, not being depreciated	<u>1,055,089</u>	<u>(40,970)</u>	<u>1,014,119</u>
<i>Capital assets, being depreciated:</i>			
Land improvements	1,119,527	(10,720)	1,108,807
Buildings and improvements	11,552,189	(270,480)	11,281,709
Furniture and equipment	2,731,603	(1,243,257)	1,488,346
Vehicles	<u>2,088,613</u>	<u>-</u>	<u>2,088,613</u>
Total capital assets, being depreciated	<u>17,491,932</u>	<u>(1,524,457)</u>	<u>15,967,475</u>
<i>Less: accumulated depreciation:</i>			
Land improvements	(891,223)	9,112	(882,111)
Buildings and improvements	(9,452,123)	48,722	(9,403,401)
Furniture and equipment	(2,176,560)	906,768	(1,269,792)
Vehicles	<u>(1,265,705)</u>	<u>-</u>	<u>(1,265,705)</u>
Total accumulated depreciation	<u>(13,785,611)</u>	<u>964,602</u>	<u>(12,821,009)</u>
Governmental activities capital assets, net	<u>\$ 4,761,410</u>	<u>\$ (600,825)</u>	<u>\$ 4,160,585</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 9 - CAPITAL ASSETS - (Continued)

B. Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Restated Balance <u>07/01/12</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>06/30/13</u>
Governmental activities:				
<i>Capital assets, not being depreciated:</i>				
Land	\$ 1,014,119	\$ -	\$ -	\$ 1,014,119
Total capital assets, not being depreciated	<u>1,014,119</u>	<u>-</u>	<u>-</u>	<u>1,014,119</u>
<i>Capital assets, being depreciated:</i>				
Land improvements	1,108,807	-	-	1,108,807
Buildings and improvements	11,281,709	-	-	11,281,709
Furniture and equipment	1,488,346	29,996	-	1,518,342
Vehicles	<u>2,088,613</u>	<u>-</u>	<u>(188,230)</u>	<u>1,900,383</u>
Total capital assets, being depreciated	<u>15,967,475</u>	<u>29,996</u>	<u>(188,230)</u>	<u>15,809,241</u>
<i>Less: accumulated depreciation</i>				
Land improvements	(882,111)	(18,996)	-	(901,107)
Buildings and improvements	(9,403,401)	(152,698)	-	(9,556,099)
Furniture and equipment	(1,269,792)	(38,913)	-	(1,308,705)
Vehicles	<u>(1,265,705)</u>	<u>(75,820)</u>	<u>171,240</u>	<u>(1,170,285)</u>
Total accumulated depreciation	<u>(12,821,009)</u>	<u>(286,427)</u>	<u>171,240</u>	<u>(12,936,196)</u>
Governmental activities capital assets, net	<u>\$ 4,160,585</u>	<u>\$ (256,431)</u>	<u>\$ (16,990)</u>	<u>\$ 3,887,164</u>

Depreciation expense was charged to governmental functions as follows:

<u>Instruction:</u>	
Regular	\$ 75,226
Special	9,441
Vocational	43,247
<u>Support services:</u>	
Pupil	1,605
Instructional staff	2,224
Administration	1,967
Operations and maintenance	27,419
Pupil transportation	94,452
Central	1,655
Operation of non-instructional services	5,430
Extracurricular activities	9,551
Food service operations	<u>14,210</u>
Total depreciation expense	<u>\$ 286,427</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS

- A.** During the fiscal year 2013, the following changes occurred in governmental activities long-term obligations:

	<u>Balance</u> <u>07/01/12</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>06/30/13</u>	<u>Due in</u> <u>One Year</u>
Compensated absences	\$ 2,370,713	\$ 126,445	\$ (233,589)	\$ 2,263,569	\$ 236,186
Early retirement incentive	9,540	-	(9,540)	-	-
Energy conservation notes	650,131	-	(52,790)	597,341	53,970
Tax anticipation notes	100,000	-	(25,000)	75,000	25,000
OWDA loan	81,716	-	(4,669)	77,047	4,669
Capital lease obligations	<u>1,062,638</u>	<u>-</u>	<u>(280,046)</u>	<u>782,592</u>	<u>251,174</u>
Total	<u>\$ 4,274,738</u>	<u>\$ 126,445</u>	<u>\$ (605,634)</u>	<u>\$ 3,795,549</u>	<u>\$ 570,999</u>

The capital lease obligation will be paid from the permanent improvement fund (a nonmajor governmental fund). Compensated absences will be paid from the fund from which the employee is paid, primarily the general fund and food service fund (a nonmajor governmental fund).

- B.** During fiscal year 2008, the District issued energy conservation notes to provide for energy improvements to various District buildings. The primary source of repayment of these notes is through energy savings as a result of the improvements.

Payments of principal and interest relating to the energy conservation notes are recorded as expenditures in the debt service fund (a nonmajor governmental fund). The unmatured obligations at year end are accounted for in the statement of net position. The energy conservation project was primarily for various building maintenance and repairs, which have not been capitalized by the District. The District has capitalized \$38,660 in equipment spent from the note proceeds; the remaining expenditures were expensed as repairs and maintenance costs.

The following is a description of the District's energy conservation notes outstanding as of June 30, 2013:

<u>Purpose</u>	<u>Interest</u> <u>Rate</u>	<u>Issue</u> <u>Date</u>	<u>Maturity</u> <u>Date</u>	<u>Balance</u> <u>07/01/12</u>	<u>Issued</u> <u>in 2013</u>	<u>Retired</u> <u>in 2013</u>	<u>Balance</u> <u>06/30/13</u>
Energy conservation notes	4.47%	12/14/07	12/1/22	<u>\$ 650,131</u>	<u>\$ -</u>	<u>\$ (52,790)</u>	<u>\$ 597,341</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

The following is a summary of the District's future annual debt service requirements to maturity for the energy conservation notes:

Fiscal <u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 53,970	\$ 25,495	\$ 79,465
2015	55,176	23,056	78,232
2016	56,409	20,562	76,971
2017	57,670	18,012	75,682
2018	58,959	15,405	74,364
2019 - 2023	<u>315,157</u>	<u>35,841</u>	<u>350,998</u>
Total	<u>\$ 597,341</u>	<u>\$ 138,371</u>	<u>\$ 735,712</u>

- C. During fiscal year 2012, the District issued tax anticipation notes for \$100,000. These notes are a general obligation of the District, for which the full faith and credit is pledged for repayment. These notes are considered a long-term obligation since the proceeds are used for capital acquisition and construction. Payments of principal and interest relating to the tax anticipation notes are recorded as expenditures in the permanent improvement fund (a nonmajor governmental fund).

The following is a description of the notes payable outstanding at June 30, 2013:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/12</u>	<u>Issued in 2013</u>	<u>Retired in 2013</u>	<u>Balance 06/30/13</u>
Tax anticipation notes	3.04%	9/1/11	12/1/15	<u>\$ 100,000</u>	<u>\$ -</u>	<u>\$ (25,000)</u>	<u>\$ 75,000</u>

The following is a summary of the District's future annual debt service requirements to maturity for the tax anticipation notes:

Fiscal <u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 25,000	\$ 1,900	\$ 26,900
2015	25,000	1,140	26,140
2016	<u>25,000</u>	<u>380</u>	<u>25,380</u>
Total	<u>\$ 75,000</u>	<u>\$ 3,420</u>	<u>\$ 78,420</u>

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 10 - LONG-TERM OBLIGATIONS - (Continued)

- D.** During fiscal year 2010, the District entered into a debt financing arrangement through the Ohio Water Development Authority (OWDA) to fund the well project at Walker Elementary. The amounts due to the OWDA are being paid from the permanent improvement fund (a nonmajor governmental fund).

The following is a description of the OWDA loan outstanding as of June 30, 2013:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance 07/01/12</u>	<u>Issued in 2013</u>	<u>Retired in 2013</u>	<u>Balance 06/30/13</u>
OWDA Loan	0.00%	1/1/10	7/1/29	<u>\$ 81,716</u>	<u>\$ -</u>	<u>\$ (4,669)</u>	<u>\$ 77,047</u>

The following is a summary of the District's future annual debt service requirements to maturity for the OWDA loan:

<u>Fiscal Year Ending</u>	<u>Principal</u>
2014	\$ 4,669
2015	4,669
2016	4,669
2017	4,669
2018	4,669
2019 - 2023	23,347
2024 - 2028	23,347
2029	<u>7,008</u>
Total	<u>\$ 77,047</u>

E. 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 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, 2013, are an overall debt margin of \$22,740,904 and an unvoted debt margin of \$252,677.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 five to twenty days of vacation per fiscal year, depending upon length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time. Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Upon retirement, payment is made to certified and classified employees for one-fourth of accrued, but unused sick leave credit up to a maximum 81 days.

B. Early Retirement Incentive

The District offered two early retirement incentives during fiscal year 2011. Eligible District employees participated in one of the following two options:

The first option, option A, was a one-time cash retirement incentive equal to a percentage of the employee's 2010-2011 severance pay as calculated at the time of retirement. Payment of this enhanced severance pay was paid in two payments. The first payment was equal to 70 percent of the employee's 2010-2011 severance pay as calculated at the time of retirement and was paid no later than sixty days from the date of termination. The second payment was equal to 60 percent of the employee's 2010-2011 severance pay as calculated at the time of retirement and was paid in August 2012. Employees who enrolled in the early retirement incentive plan must have submitted written notification to the Board on or before January 4, 2011. If this cash retirement incentive was implemented and an employee elected this option, he/she must have waived any rights to option B and agree to not be considered for rehire. Two employees took advantage of this early retirement incentive option in fiscal year 2011.

The second option, option B, is an early retirement incentive plan for State Teacher's Retirement System of Ohio (STRS Ohio) employees who were eligible for retirement under STRS Ohio guidelines and retire effective at the end of the fiscal year 2011. This was a one time opportunity for those eligible in fiscal year 2011. Employees who enrolled in the early retirement incentive plan must have submitted written notification to the Board on or before January 4, 2011. If this STRS early retirement incentive was implemented and an employee elected this option, he/she must have waived any rights to option A and their severance pay contained in option A and agree to not be considered for rehire. Three employees took advantage of this early retirement incentive option in fiscal year 2011.

During fiscal year 2013, an early retirement incentive was not offered to employees. However, the District made payments on the early retirement incentive offered in a prior fiscal year.

C. Insurance Benefits

The District provides life insurance and accidental death and dismemberment insurance to most employees through Stark County Council of Governments Health Benefits Program. Coverage in the amount of \$75,000 is provided for administrators, \$70,000 is provided for certified employees and \$60,000 is provided for classified employees.

**CANTON LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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 2013, the District contracted with Ohio Casualty Insurance Company for education liability, commercial auto coverage, property, general and excess liability insurance. The Ohio Casualty Insurance Company also covers boiler and machinery, inland marine, audio/visual equipment and musical instruments. Coverages under these policies are as follows:

<u>Company</u>	<u>Type of Coverage</u>	<u>Coverage Amount</u>
Ohio Casualty Insurance	Commercial Property	\$82,994,200
	Computers and Equipment	2,755,056
	Musical Instruments	310,413
	School Cameras	117,200
	Commercial Auto	1,000,000
	Customer's Autos - Garage Keepers	60,000
	Uninsured Motorists Bodily Injury	50,000
	Uninsured Motorist Property Damage	7,500
	Umbrella Liability	5,000,000
	General Liability, in aggregate	2,000,000
	General Liability, per occurrence	1,000,000
	Fire Damage	300,000
	Medical Expense	15,000

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

B. Employee Health Benefits

The District has contracted with Stark County Schools Council of Governments (a shared risk pool) (Note 2) to provide employee medical/surgical benefits. Rates are set through an annual calculation process. The District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participants. The District's Board of Education pays \$1,415 for family coverage health and dental insurance and \$582 for single coverage health and dental insurance, per month. The average employee's share of monthly premiums is \$138 for family coverage and \$57 for single coverage. The District received three premium holidays for fiscal year 2013 meaning the District's Board and the employees did not have to pay premiums for three months.

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

**CANTON LOCAL SCHOOL DISTRICT
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NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

NOTE 12 - RISK MANAGEMENT - (Continued)

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). The intent of the GRP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the GRP.

Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the GRP. Participation in the GRP is limited to districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 13 - 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, disability, survivor 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 "*Employers/Audit Resources*".

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 2013, 13.05 percent and 0.05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. 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 and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$411,968, \$406,945 and \$358,642, respectively; 69.06 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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 website at www.strsoh.org, under "*Publications*".

**CANTON LOCAL SCHOOL DISTRICT
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**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 13 - PENSION PLANS - (Continued)

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

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

Funding Policy - For fiscal year 2013, plan members were required to contribute 10 percent of their annual covered salaries. The District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The District's required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012 and 2011 were \$1,469,010, \$1,480,889 and \$1,473,086, respectively; 82.99 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$41,523 made by the District and \$29,659 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, 2013, certain members of the Board of Education have elected Social Security. The District's liability is 6.2 percent of wages paid.

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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, Medicare Advantage, and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Section 3309.69 of the Ohio Revised Code. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2013 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income and the SERS' reimbursement to retirees was \$45.50. 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. It is also posted on the SERS' Ohio website, www.ohsers.org, under "Employers/Audit Resources".

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, 0.16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012 and 2011 were \$49,788, \$79,027 and \$110,625, respectively; 69.06 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For fiscal year 2013, this actuarially required allocation was 0.74 percent of covered payroll. The District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$23,271, \$24,032 and \$23,079, respectively; 69.06 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

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, under "Publications" 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 2013, 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, 2013, 2012 and 2011 were \$113,001, \$113,915 and \$113,314, respectively; 82.99 percent has been contributed for fiscal year 2013 and 100 percent for fiscal years 2012 and 2011.

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 assigned or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis); and,
- (d) Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

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

NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

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	\$ 287,824
Net adjustment for revenue accruals	(226,195)
Net adjustment for expenditure accruals	(35,437)
Net adjustment for other sources/uses	(105,381)
Funds budgeted elsewhere	(16,643)
Adjustment for encumbrances	238,866
GAAP basis	<u>\$ 143,034</u>

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the special rotary fund, public school support fund and the uniform school supplies fund.

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.

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

**NOTES TO BASIC FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

NOTE 17 - SET-ASIDES

The District is required by State law to annually set-aside certain general fund revenue amounts, as defined by statutory formula, for the acquisition and construction of capital improvements. Amounts not spent by the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at fiscal year-end. This amount must be carried forward to be used for the same purpose in future years. Expenditures exceeding the set-aside requirement may not be carried forward to the next fiscal year.

The following cash-basis information describes the change in the fiscal year-end set-aside amount for capital improvements. Disclosure of this information is required by State statute.

	<u>Capital Improvements</u>
Set-aside balance June 30, 2012	\$ -
Current year set-aside requirement	359,480
Current year qualifying expenditures	(69,585)
Current year offsets	<u>(494,411)</u>
Total	<u>\$ (204,516)</u>
Balance carried forward to fiscal year 2014	<u>\$ -</u>
Set-aside balance June 30, 2013	<u>\$ -</u>

NOTE 18 - COMMITMENTS

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

<u>Fund Type</u>	<u>Year-End Encumbrances</u>
General fund	\$ 164,955
Other governmental	<u>22,454</u>
Total	<u>\$ 187,409</u>

NOTE 19 - SUBSEQUENT EVENT

The District put an 8.0 mil levy on the November 2013 ballot. The levy passed and will generate approximately \$36.6 million. Funds are to be used for construction and renovation of school facilities and improvements of school sites.

**CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	FISCAL YEAR	RECEIPTS	NON-CASH RECEIPTS	EXPENDITURES	NON-CASH EXPENDITURES
<u>U.S. DEPARTMENT OF EDUCATION</u>						
<i>(Passed Through Ohio Department of Education)</i>						
Title I, Part A Cluster:						
Title I Grants to Local Educational Agencies	84.010	2013	\$519,085		\$551,006	
		2012	74,636		143,540	
Total Title I, Part A Cluster			593,721	0	694,546	0
Special Education Cluster:						
Special Education Grants to States	84.027	2013	402,522		357,590	
		2012	52,382		81,357	
Total Special Education Cluster			454,904	0	438,947	0
Improving Teacher Quality State Grants	84.367	2013	83,678		72,112	
		2012	8,852		14,852	
Total Improving Teacher Quality State Grants			92,530	0	86,964	0
Career and Technical Education - Basic Grants to States	84.048	2013	114,771		107,902	
		2012	14,042		28,119	
Total Career and Technical Education - Basic Grants to States			128,813	0	136,021	0
Race-to-the-Top Grants:						
ARRA - Race-to-the-Top Incentive Grants	84.395	2013	52,080		39,071	
		2012	18,686		23,677	
ARRA - Race-to-the-Top Grant - FAMS	84.395	2013	36,142		18,137	
ARRA - Race-to-the-Top Grant - OPAPP	84.395	2012	3,076		0	
ARRA - Race-to-the-Top Grant - Resident Educator	84.395	2012	2,100		2,100	
			112,084	0	82,985	0
ARRA - Race-to-the-Top Grant - HS/HE Alignment Initiative	84.395A	2013	47,075		24,915	
Total U.S. Department of Education			1,429,127	0	1,464,378	0
<u>U.S. DEPARTMENT OF AGRICULTURE</u>						
<i>(Passed Through Ohio Department of Education)</i>						
Child Nutrition Cluster:						
Non-Cash Assistance (Food Distribution):						
National School Lunch Program	10.555	2013		\$21,283		\$21,283
Cash Assistance:						
National School Lunch Program	10.555	2013	513,580		513,580	
School Breakfast Program	10.553	2013	177,309		177,309	
Total Child Nutrition Cluster			690,889	21,283	690,889	21,283
Total U.S. Department of Agriculture			690,889	21,283	690,889	21,283
Total			\$2,120,016	\$21,283	\$2,155,267	\$21,283

The accompanying notes are an integral part of this schedule.

**CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS RECEIPTS AND EXPENDITURES SCHEDULE
FISCAL YEAR ENDED JUNE 30, 2013**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

NOTE C – FOOD DONATION PROGRAM

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



Dave Yost • Auditor of State

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

Canton Local School District
Stark County
4526 Ridge Avenue SE
Canton, Ohio 44707

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Canton Local School District, Stark County, (the District) as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated January 31, 2014, wherein we noted the District adopted the provisions of Governmental Accounting Standard Board Statements No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*" and No. 65, "*Items Previously Reported as Assets and Liabilities*".

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the District's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the District's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining 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*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2014



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Canton Local School District
Stark County
4526 Ridge Avenue SE
Canton, Ohio 44707

To the Board of Education:

Report on Compliance for Each Major Federal Program

We have audited the Canton Local School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that could directly and materially affect the Canton Local School District's major federal program for the year ended June 30, 2013. The *Summary of Audit Results* in the accompanying schedule of findings identifies the District's major federal program.

Management's Responsibility

The District's Management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to its federal program.

Auditor's Responsibility

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the District's major program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on the Major Federal Program

In our opinion, the Canton Local School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

The District's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the District's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not to the extent needed to opine on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program's applicable compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control compliance tests and the results of this testing based on OMB Circular A-133 requirements. Accordingly, this report is not suitable for any other purpose.



Dave Yost
Auditor of State
Columbus, Ohio

January 31, 2014

**CANTON LOCAL SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2013**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unmodified
<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 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 significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unmodified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title I Grants to Local Educational Agencies – CFDA # 84.010
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

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Dave Yost • Auditor of State

Independent Accountants' Report on Applying Agreed-Upon Procedure

Canton Local School District
Stark County
4526 Ridge Avenue SE
Canton, Ohio 44707

To the Board of Education:

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on February 11, 2013 to include prohibiting harassment, intimidation, or bullying of any student "on a school bus" or by an "electronic act".

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

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost
Auditor of State

January 31, 2014

101 Central Plaza South, 700 Chase Tower, Canton, Ohio 44702-1509
Phone: 330-438-0617 or 800-443-9272 Fax: 330-471-0001

www.ohioauditor.gov

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CANTON LOCAL SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
FEBRUARY 7, 2014**