



**Auditor of State
Betty Montgomery**

**CANFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Statement of Net Assets - June 30, 2004	11
Statement of Activities – For the Fiscal Year Ended June 30, 2004	12
Balance Sheet – Governmental Funds - June 30, 2004.....	13
Reconciliation of Total Governmental Fund Balances to Net Assets of Governmental Activities - June 30, 2004.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – For the Fiscal Year Ended June 30, 2004	15
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, 2004	16
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund – For the Fiscal Year Ended June 30, 2004	17
Statement of Fund Net Assets – Internal Service Fund - June 30, 2004	18
Statement of Revenues, Expenses and Changes in Fund Net Assets – Internal Service Fund – For the Fiscal Year Ended June 30, 2004.....	19
Statement of Cash Flows – Internal Service Fund - For the Fiscal Year Ended June 30, 2004	20
Statement of Fiduciary Net Assets – Fiduciary Funds - June 30, 2004.....	21
Statement of Changes in Fiduciary Net Assets – Private Purpose Trust Fund – For the Fiscal Year Ended June 30, 2004	22
Notes to the Basic Financial Statements	23
Schedule of Federal Awards Expenditures For the Year Ended June 30, 2004	47
Notes to the Federal Awards Expenditures Schedule - June 30, 2004	48
Independent Accountants' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	49
Independent Accountants' Report on Compliance With Requirements Applicable to Its Major Federal Program and On Internal Control Over Compliance In Accordance With OMB Circular A-133	51
Schedule of Findings – June 30, 2004.....	53

This page intentionally left blank.



Auditor of State Betty Montgomery

INDEPENDENT ACCOUNTANTS' REPORT

Canfield Local School District
Mahoning County
100 Wadsworth Street
Canfield, Ohio 44406

To the Board of Education:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canfield Local School District, Mahoning County, Ohio (the "District"), as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Canfield Local School District, Mahoning County, Ohio, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 23, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should be read it in conjunction with this report in assessing the results of our audit.

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

Voinovich Government Center / 242 Federal Plaza W. / Suite 302 / Youngstown, OH 44503
Telephone: (330) 797-9900 (800) 443-9271 Fax: (330) 797-9949
www.auditor.state.oh.us

We conducted our audit to opine on the financial statements that collectively comprise the District's basic financial statements. The federal awards expenditure schedule is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. We subjected the federal awards expenditure schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

Betty Montgomery
Auditor of State

May 23, 2005

Canfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

This discussion and analysis of Canfield Local School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2004. The intent of this discussion and analysis is to look at the School District's financial performance as a whole. Readers should also review the financial statements and the notes to the basic financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2004 are as follows:

- In total, net assets increased by \$2,742,664.
- Revenues for governmental activities totaled \$26,006,300 in 2004. Of this total, 92 percent consisted of general revenues while program revenues accounted for the balance of 8 percent.
- Program expenses totaled \$23,263,636. Instructional expenses made up 56 percent of this total while support services accounted for 36 percent. Other expenses rounded out the remaining 8 percent.
- Outstanding general obligation debt decreased by \$1,231,243.
- The general fund balance was \$2,831,668 on a budget basis at fiscal year end, up from \$1,135,930 at June 30, 2003.

Using this Annual Financial Report

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

The Statement of Net Assets and Statement of Activities provide information about the activities of the whole School District, presenting both an aggregate and longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements explain how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in one column. In the case of Canfield Local School District, the general fund and the bond retirement fund are the most significant funds.

Canfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains all the funds used by the School District to provide programs and activities, the view of the School District as a whole considers all financial transactions and asks the question, "How did we do financially in 2004?" The *Statement of Net Assets* and the *Statement of Activities* answer this question. These statements include all non-fiduciary assets and liabilities using the accrual basis of accounting, similar to the accounting used by most private-sector companies. Accrual accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the School District as a whole, the financial position of the School District has improved or diminished. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's performance, demographic and socioeconomic factors and willingness of the community to support the School District. On the other hand, financial factors may include the School District's financial position, liquidity and solvency, fiscal capability and risk and exposure.

In the Statement of Net Assets and the Statement of Activities, all activities of the School District are classified as governmental. All of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, operation of food service and extracurricular activities.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 9. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and the bond retirement debt service fund.

Governmental Funds Most of the School 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 fiscal year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Canfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The School District as a Whole

Recall that the statement of net assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2004 compared to 2003:

Table 1
 Net Assets
 Governmental Activities

	2004	2003
Assets		
Current and Other Assets	\$21,200,657	\$19,025,749
Capital Assets	16,800,114	17,462,153
<i>Total Assets</i>	38,000,771	36,487,902
Liabilities		
Current Liabilities	18,038,179	18,036,535
Long-Term Liabilities		
Due within One Year	228,076	253,525
Due in More than One Year	12,686,830	13,892,820
<i>Total Liabilities</i>	30,953,085	32,182,880
Net Assets		
Invested in Capital Assets		
Net of Related Debt	5,974,633	5,358,446
Restricted for:		
Capital Projects	90,443	119,962
Debt Service	1,280,383	1,350,325
Other Purposes	238,599	177,527
Set Asides	247,010	83,211
Instructional Materials and Supplies:		
Expendable	4,246	3,242
Nonexpendable	25,052	25,052
Unrestricted (Deficit)	(812,680)	(2,812,743)
<i>Total Net Assets</i>	\$7,047,686	\$4,305,022

Total assets increased by \$1,512,869. The increase can be attributed to an increase in cash and cash equivalents from receiving a full year's property tax collection from the 6.9 mill levy passed in 2002.

Total liabilities decreased by \$1,229,795. The majority of this decrease was due to a decrease in principal owed on the school improvement notes as a result of payments made on the debt.

By comparing assets and liabilities, one can see the overall position of the School District has improved as evidenced by the increase in net assets of \$2,742,664.

Canfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The vast majority of revenue supporting all governmental activities is general revenue. General revenue totaled \$24,011,551 or 92 percent of the total revenue. The most significant portion of the general revenue is local property tax. The remaining amount of revenue received was in the form of program revenues, which equated to \$1,994,749 or 8 percent of total revenue.

Table 2 shows the changes in net assets for fiscal year 2004.

Table 2
Change in Net Assets
Governmental Activities

	2004	2003
Revenues		
<i>Program Revenues</i>		
Charges for Services and Sales	\$1,158,374	\$1,005,138
Operating Grants and Contributions	818,584	650,810
Capital Grants and Contributions	17,791	95,359
<i>Total Program Revenues</i>	<u>1,994,749</u>	<u>1,751,307</u>
<i>General Revenues</i>		
Property Taxes	15,344,399	13,215,187
Intergovernmental	8,510,116	8,043,715
Investment Earnings	82,951	181,485
Miscellaneous	74,085	24,493
<i>Total General Revenues</i>	<u>24,011,551</u>	<u>21,464,880</u>
<i>Total Revenues</i>	<u>26,006,300</u>	<u>23,216,187</u>
<i>Program Expenses</i>		
Current:		
Instruction:		
Regular	11,639,055	11,310,820
Special	1,258,630	1,130,454
Vocational	223,468	223,371
Support Services:		
Pupil	893,397	748,653
Instructional Staff	1,283,015	1,203,984
Board of Education	45,723	39,102
Administration	1,591,457	1,449,080
Fiscal	469,363	452,952
Business	217,870	249,556
Operation and Maintenance of Plant	2,055,200	2,046,624
Pupil Transportation	1,640,651	1,469,395
Central	114,334	239,879

Canfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

<i>Program Expenses (continued)</i>		
Operation of Non-Instructional Services	\$23,998	\$56,549
Operation of Food Services	747,820	702,187
Extracurricular Activities	877,714	825,095
Interest and Fiscal Charges	181,941	179,164
<i>Total Program Expenses</i>	23,263,636	22,326,865
<i>Increase in Net Assets</i>	2,742,664	889,322
Net Assets Beginning of Year	4,305,022	3,415,700
<i>Net Assets End of Year</i>	\$7,047,686	\$4,305,022

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenditures over the next five fiscal years. In November of 2002, the School District successfully passed a 6.9 mill five-year operating levy that is generating over \$3,000,000 in additional revenue per year. This additional income is currently being used and will continue to be dedicated to the operational and capital needs of the School District.

Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating costs. Approximately 56 percent of the School District's budget is used to fund instructional expenses. Additional supporting services for pupils, staff and business operations encompass 36 percent. The remaining amount of program expenses, 8 percent, is budgeted to pay for other obligations of the School District such as interest and fiscal charges, the food service program and numerous extracurricular activities.

The Statement of Activities shows the total net cost of program services. Table 3 shows the total cost of services for governmental activities and the net cost of those services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State entitlements.

Canfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

Table 3
 Total and Net Cost of Program Services
 Governmental Activities

	2004		2003	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Program Expenses				
Instruction:				
Regular	\$11,639,055	\$11,416,308	\$11,310,820	\$11,054,468
Special	1,258,630	1,165,015	1,130,454	1,084,268
Vocational	223,468	204,284	223,371	203,596
Support Services:				
Pupil	893,397	820,956	748,653	675,381
Instructional Staff	1,283,015	1,126,573	1,203,984	1,100,217
Board of Education	45,723	45,411	39,102	39,102
Administration	1,591,457	1,414,868	1,449,080	1,339,669
Fiscal	469,363	466,047	452,952	452,952
Business	217,870	204,351	249,556	249,556
Operation and Maintenance of Plant	2,055,200	2,040,606	2,046,624	2,032,844
Pupil Transportation	1,640,651	1,612,005	1,469,395	1,393,382
Central	114,334	102,187	239,879	239,879
Operation of Non-Instructional Services	23,998	(18,622)	56,549	11,185
Food Service Operation	747,820	12,896	702,187	7,928
Extracurricular Activities	877,714	474,061	825,095	511,967
Interest and Fiscal Charges	181,941	181,941	179,164	179,164
<i>Total Expenditures</i>	<u>\$23,263,636</u>	<u>\$21,268,887</u>	<u>\$22,326,865</u>	<u>\$20,575,558</u>

As one can see, the reliance upon local tax revenues for governmental activities is crucial. Approximately 66 percent of expenses are directly supported by local property taxes. Grants and entitlements not restricted to specific programs support 37 percent and program revenues support the majority of the remaining expenses.

The School District's Funds

Information regarding the School District's major funds begins on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$25,447,435 and note proceeds of \$9,970,000 to offset expenditures of \$33,929,936. The net change in fund balance for the year was most significant in the general fund, which increased \$1,629,922. As one can see from the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, property taxes are the largest revenue source, accounting for nearly 58 percent of total governmental revenue. Clearly, the community is the greatest source of financial support for the students of the Canfield Local School District.

General Fund Budgeting Highlights

The School 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 fund to be budgeted is the main operating fund of the School District, the General fund.

Canfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

During the course of fiscal year 2004, the School District did not require any amendments to its original general fund appropriations. The School District uses an operational unit budget process and has in place systems that are designed to tightly control expenses but provide flexibility for program based decision and management.

For the general fund, actual revenue totaled \$499,821 more than original estimates. The majority of this increase was due to increased property tax collections. Actual expenditures totaled \$298,517 less than original appropriations. The majority of this difference was due to a reduction in health care premiums due to plan changes, additional wages and benefits being charged to federal grants and overall conservative spending by all School District personnel.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2004, the School District had \$16,800,114 invested in land, buildings and improvements, furniture, fixtures and equipment and vehicles. Table 4 shows fiscal year 2004 balances compared to fiscal year 2003:

Table 4
 Capital Assets at June 30 (Net of Depreciation)

	2004	2003
Land	\$361,849	\$361,849
Buildings and Improvements	14,936,034	15,422,295
Furniture and Equipment	724,837	834,691
Vehicles	777,394	843,318
<i>Total</i>	\$16,800,114	\$17,462,153

All capital assets, except land, are reported net of depreciation. As one can see, a decrease in capital assets during the fiscal year occurred in all categories due to the annual depreciation. For more information about the School District's capital assets, see Note 7 to the basic financial statements.

Debt

Table 5 summarizes the School District's long-term obligations outstanding at fiscal year end.

Table 5
 Outstanding Debt at Year End

	2004	2003
School Improvement Bonds	\$213,000	\$284,000
Energy Conservation Loan	642,481	694,493
School Improvement Notes	9,987,571	11,095,802
Capital Leases	0	35,214
<i>Total</i>	\$10,843,052	\$12,109,509

Canfield Local School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2004
Unaudited

The School Improvement Bonds were issued in 2001 to purchase acreage for future school expansion. The energy conservation loan was issued for capital improvements under House Bill 264. These improvements were approved by the Ohio Department of Education for energy conservation measures which have resulted in operating cost savings. The school improvement notes were issued in 1998 to provide for additions and renovations to all buildings within the School District. For more information about the School District's debt, see Note 12 to the basic financial statements.

School District Outlook

The Canfield Local School District has continued to maintain a high level of service to our students, parents and community. Since the inception of the State rating scale, the Canfield Local School District has continuously earned an "Excellent" rating while maintaining an average cost per pupil well below the state average. The Board of Education and administration closely monitor its revenue and expenditures in accordance with its financial forecast and are doing everything in their power to make sure tax dollars are being used efficiently and effectively.

However, the financial future of the School District is not without its challenges. The School District is not anticipating any meaningful growth in State revenue due to uncertainties surrounding the State budget and the States unwillingness to funnel funds to school districts with higher property valuations per pupil. Therefore the School District relies heavily on its taxpayers to support its operations and while the community has supported the School District in the past, most recently with the passage of a 6.9 mill operating levy in 2002, passage rates are declining and it is becoming increasingly more difficult to secure the local support.

As a result of the challenges mentioned above, it is imperative the School District's management continue to carefully and prudently plan in order to provide the resources required to meet student needs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information contact Patricia P. Kesner, Treasurer, Canfield Local School District, 100 Wadsworth Street, Canfield, Ohio 44406 or email at canf_pk@access-k12.org.

Canfield Local School District

Statement of Net Assets

June 30, 2004

	Governmental Activities
Assets	
Equity in Pooled Cash and Cash Equivalents	\$4,651,442
Accounts Receivable	12,460
Accrued Interest Receivable	2,248
Intergovernmental Receivable	325,294
Prepaid Items	18,967
Inventory Held for Resale	6,694
Materials and Supplies Inventory	49,637
Property Taxes Receivable	16,133,915
Nondepreciable Capital Assets	361,849
Depreciable Capital Assets, Net	16,438,265
<i>Total Assets</i>	<u>38,000,771</u>
Liabilities	
Accounts Payable	11,288
Accrued Wages Payable	1,944,563
Intergovernmental Payable	650,400
Matured Compensated Absences Payable	29,710
Deferred Revenue	14,985,645
Accrued Interest Payable	165,492
Claims Payable	251,081
Long-Term Liabilities:	
Due Within One Year	228,076
Due In More Than One Year	12,686,830
<i>Total Liabilities</i>	<u>30,953,085</u>
Net Assets	
Invested in Capital Assets, Net of Related Debt	5,974,633
Restricted for:	
Capital Projects	90,443
Debt Service	1,280,383
Other Purposes	238,599
Set-asides	247,010
Instructional Materials and Supplies:	
Expendable	4,246
Nonexpendable	25,052
Unrestricted (Deficit)	(812,680)
<i>Total Net Assets</i>	<u>\$7,047,686</u>

See accompanying notes to the basic financial statements

Canfield Local School District
Statement of Activities
For the Fiscal Year Ended June 30, 2004

	Program Revenues			Net (Expense)	
	Expenses	Charges for Services and Sales	Operating Grants, Interest and Contributions	Revenue and Changes in Net Assets	
			Capital Grants and Contributions	Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$11,639,055	\$82,465	\$140,282	\$0	(\$11,416,308)
Special	1,258,630	8,469	85,146	0	(1,165,015)
Vocational	223,468	1,596	17,588	0	(204,284)
Support Services:					
Pupil	893,397	5,985	66,456	0	(820,956)
Instructional Staff	1,283,015	8,390	148,052	0	(1,126,573)
Board of Education	45,723	312	0	0	(45,411)
Administration	1,591,457	9,831	166,758	0	(1,414,868)
Fiscal	469,363	3,316	0	0	(466,047)
Business	217,870	1,519	12,000	0	(204,351)
Operation and Maintenance of Plant	2,055,200	14,594	0	0	(2,040,606)
Pupil Transportation	1,640,651	10,855	0	17,791	(1,612,005)
Central	114,334	763	11,384	0	(102,187)
Operation of Non-Instructional Services	23,998	0	42,620	0	18,622
Operation of Food Services	747,820	619,191	115,733	0	(12,896)
Extracurricular Activities	877,714	391,088	12,565	0	(474,061)
Interest and Fiscal Charges	181,941	0	0	0	(181,941)
Totals	\$23,263,636	\$1,158,374	\$818,584	\$17,791	(21,268,887)

General Revenues

Property Taxes Levied for:

General Purposes	14,073,479
Debt Service	1,138,977
Capital Outlay	131,943
Grants and Entitlements not Restricted to Specific Programs	8,510,116
Investment Earnings	82,951
Miscellaneous	74,085

Total General Revenues 24,011,551

Change in Net Assets 2,742,664

Net Assets Beginning of Year 4,305,022

Net Assets End of Year \$7,047,686

See accompanying notes to the basic financial statements

Canfield Local School District

Balance Sheet

Governmental Funds

June 30, 2004

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$2,319,778	\$1,391,489	\$423,875	\$4,135,142
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	247,010	0	0	247,010
Receivables:				
Accounts	6,671	0	5,789	12,460
Accrued Interest	2,248	0	0	2,248
Intergovernmental	312,447	0	12,847	325,294
Taxes	14,797,505	1,197,406	139,004	16,133,915
Prepaid Items	18,967	0	0	18,967
Inventory Held for Resale	0	0	6,694	6,694
Materials and Supplies Inventory	48,465	0	1,172	49,637
<i>Total Assets</i>	<u>\$17,753,091</u>	<u>\$2,588,895</u>	<u>\$589,381</u>	<u>\$20,931,367</u>
Liabilities				
Accounts Payable	\$5,710	\$0	\$5,578	\$11,288
Accrued Wages Payable	1,923,223	0	21,340	1,944,563
Intergovernmental Payable	439,460	0	8,114	447,574
Matured Compensated Absences Payable	29,710	0	0	29,710
Deferred Revenue	14,797,505	1,197,406	139,004	16,133,915
<i>Total Liabilities</i>	<u>17,195,608</u>	<u>1,197,406</u>	<u>174,036</u>	<u>18,567,050</u>
Fund Balances				
Reserved for Textbooks	247,010	0	0	247,010
Unreserved:				
Designated				
Underground Storage Tanks	0	0	11,000	11,000
Undesignated, Reported in:				
General Fund	310,473	0	0	310,473
Debt Service Fund	0	1,391,489	0	1,391,489
Special Revenue Funds	0	0	285,551	285,551
Capital Projects Funds	0	0	89,496	89,496
Permanent Fund	0	0	29,298	29,298
<i>Total Fund Balances</i>	<u>557,483</u>	<u>1,391,489</u>	<u>415,345</u>	<u>2,364,317</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$17,753,091</u>	<u>\$2,588,895</u>	<u>\$589,381</u>	<u>\$20,931,367</u>

See accompanying notes to the basic financial statements

Canfield Local School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2004*

Total Governmental Fund Balances	\$2,364,317
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	16,800,114
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. These deferrals are attributed to property taxes.	1,148,270
Due to other governments includes contractually required pension contributions not expected to be paid with expendable available financial resources and therefore not reported in the funds.	(202,826)
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	18,209
In the statement of activities, interest is accrued on outstanding general obligation bonds and notes, whereas in governmental funds, an interest expenditure is reported when due.	(165,492)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Notes Payable	(9,970,000)
General Obligation Bonds	(213,000)
Energy Conservation Loan	(642,481)
Premium on Notes	(17,571)
Compensated Absences	<u>(2,071,854)</u>
Total	<u>(12,914,906)</u>
 <i>Net Assets of Governmental Activities</i>	 <u><u>\$7,047,686</u></u>

See accompanying notes to the basic financial statements

Canfield Local School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2004

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$13,548,772	\$1,111,440	\$128,183	\$14,788,395
Intergovernmental	8,395,125	147,314	737,236	9,279,675
Interest	79,366	0	2,051	81,417
Tuition and Fees	134,706	0	0	134,706
Extracurricular Activities	0	0	386,474	386,474
Rentals	17,203	0	800	18,003
Contributions and Donations	511	0	64,978	65,489
Charges for Services	0	0	619,191	619,191
Miscellaneous	1,005	0	73,080	74,085
<i>Total Revenues</i>	<u>22,176,688</u>	<u>1,258,754</u>	<u>2,011,993</u>	<u>25,447,435</u>
Expenditures				
Current:				
Instruction:				
Regular	11,080,779	0	118,048	11,198,827
Special	1,173,742	0	86,406	1,260,148
Vocational	215,047	0	0	215,047
Support Services:				
Pupil	808,438	0	66,456	874,894
Instructional Staff	1,127,504	0	147,919	1,275,423
Board of Education	41,724	0	0	41,724
Administration	1,324,862	0	292,713	1,617,575
Fiscal	446,113	17,583	2,039	465,735
Business	205,449	0	12,000	217,449
Operation and Maintenance of Plant	1,983,609	0	0	1,983,609
Pupil Transportation	1,458,207	0	0	1,458,207
Central	102,723	0	11,384	114,107
Operation of Non-Instructional Services	0	0	23,858	23,858
Operation of Food Services	0	0	701,577	701,577
Extracurricular Activities	496,569	0	287,816	784,385
Capital Outlay	0	0	197,478	197,478
Debt Service:				
Principal Retirement	0	11,213,012	35,214	11,248,226
Interest and Fiscal Charges	0	250,364	1,303	251,667
<i>Total Expenditures</i>	<u>20,464,766</u>	<u>11,480,959</u>	<u>1,984,211</u>	<u>33,929,936</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,711,922</u>	<u>(10,222,205)</u>	<u>27,782</u>	<u>(8,482,501)</u>
Other Financing Sources (Uses)				
Bond Anticipation Notes Issued	0	9,970,000	0	9,970,000
Premium on Notes Issued	0	74,576	0	74,576
Proceeds from sale of Capital Assets	3,000	0	0	3,000
Transfers In	0	85,000	0	85,000
Transfers Out	(85,000)	0	0	(85,000)
<i>Total Other Financing Sources (Uses)</i>	<u>(82,000)</u>	<u>10,129,576</u>	<u>0</u>	<u>10,047,576</u>
<i>Net Change in Fund Balances</i>	1,629,922	(92,629)	27,782	1,565,075
<i>Fund Balances (Deficit) Beginning of Year</i>	<u>(1,072,439)</u>	<u>1,484,118</u>	<u>387,563</u>	<u>799,242</u>
<i>Fund Balances End of Year</i>	<u>\$557,483</u>	<u>\$1,391,489</u>	<u>\$415,345</u>	<u>\$2,364,317</u>

See accompanying notes to the basic financial statements

Canfield Local School District
*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, 2004*

Net Change in Fund Balances - Total Governmental Funds \$1,565,075

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

Governmental funds report capital outlays as expenditures.

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

Capital Outlay	126,328
Current Year Depreciation	<u>(788,367)</u>

Total (662,039)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. These revenues were attributed to property taxes.

556,004

Other financing sources in the governmental funds increase long-term liabilities in the statement of net assets.

General Obligation Notes Issued	(9,970,000)
Premium on Notes	<u>(74,576)</u>

Total (10,044,576)

Repayment of long-term debt and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

11,248,226

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest on Bonds	6,919
Amortization of Premium	<u>62,807</u>

Total 69,726

Some expenses reported in the statement of activities, such as compensated absences and contractually required pension contributions, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(35,018)
Pension Obligation	<u>4,409</u>

Total (30,609)

The internal service fund used by management to charge the costs of insurance to individual funds are not reported in the district-wide statement of activities. Governmental fund expenditures and related internal service fund revenues are eliminated. The net revenue (expense) of the internal service fund is allocated among the governmental activities.

40,857

Change in Net Assets of Governmental Activities

\$2,742,664

See accompanying notes to the basic financial statements

Canfield Local School District
Statement of Revenues, Expenditures and Changes
In Fund Balance - Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2004

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$13,245,757	\$13,548,700	\$13,548,772	\$72
Intergovernmental	8,167,990	8,354,800	8,354,771	(29)
Interest	72,834	74,500	75,526	1,026
Tuition and Fees	130,711	133,700	133,733	33
Rentals	16,522	16,900	16,903	3
Contributions and Donations	489	500	511	11
Miscellaneous	97	100	1,005	905
<i>Total Revenues</i>	21,634,400	22,129,200	22,131,221	2,021
Expenditures				
Current:				
Instruction:				
Regular	11,083,930	11,083,930	11,049,670	34,260
Special	1,236,790	1,236,790	1,165,592	71,198
Vocational	212,185	212,185	208,113	4,072
Support Services:				
Pupil	808,940	808,940	799,554	9,386
Instructional Staff	1,130,825	1,130,825	1,126,244	4,581
Board of Education	48,930	48,930	41,724	7,206
Administration	1,295,210	1,295,210	1,269,600	25,610
Fiscal	443,475	443,475	440,214	3,261
Business	224,330	224,330	203,255	21,075
Operation and Maintenance of Plant	2,084,725	2,084,725	1,987,546	97,179
Pupil Transportation	1,474,910	1,474,910	1,472,057	2,853
Central	109,025	109,025	101,818	7,207
Extracurricular Activities	501,725	501,725	491,096	10,629
<i>Total Expenditures</i>	20,655,000	20,655,000	20,356,483	298,517
<i>Excess of Revenues Over Expenditures</i>	979,400	1,474,200	1,774,738	300,538
Other Financing Sources (Uses)				
Proceeds from sale of Capital Assets	0	4,000	3,000	(1,000)
Transfers Out	(85,000)	(85,000)	(85,000)	0
<i>Total Other Financing Sources (Uses)</i>	(85,000)	(81,000)	(82,000)	(1,000)
<i>Net Change in Fund Balance</i>	894,400	1,393,200	1,692,738	299,538
<i>Fund Balance Beginning of Year</i>	1,135,930	1,135,930	1,135,930	0
Prior Year Encumbrances Appropriated	3,000	3,000	3,000	0
<i>Fund Balance End of Year</i>	\$2,033,330	\$2,532,130	\$2,831,668	\$299,538

See accompanying notes to the basic financial statements

Canfield Local School District

Statement of Fund Net Assets

Internal Service Fund

June 30, 2004

	<u>Insurance</u>
Assets	
Equity in Pooled Cash and Cash Equivalents	\$269,290
Liabilities	
Claims Payable	<u>251,081</u>
Net Assets	
Unrestricted	<u><u>\$18,209</u></u>

See accompanying notes to the basic financial statements

Canfield Local School District
*Statement of Revenues,
Expenses and Changes in Fund Net Assets
Internal Service Fund
For the Fiscal Year Ended June 30, 2004*

	Insurance
Operating Revenues	
Charges for Services	\$639,948
Operating Expenses	
Purchased Services	19,248
Claims	582,704
<i>Total Operating Expenses</i>	601,952
<i>Operating Income</i>	37,996
Non-Operating Revenues	
Interest	2,861
<i>Change in Net Assets</i>	40,857
<i>Net Deficit Beginning of Year</i>	(22,648)
<i>Net Assets End of Year</i>	\$18,209

See accompanying notes to the basic financial statements

Canfield Local School District
Statement of Cash Flows
Internal Service Fund
For the Fiscal Year Ended June 30, 2004

	Insurance
<i>Increase in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Interfund Services	\$639,948
Cash Payments for Goods and Services	(19,248)
Cash Payments for Claims	(614,200)
<i>Net Cash Provided by Operating Activities</i>	6,500
Cash Flows from Investing Activities	
Interest on Investments	2,861
<i>Net Increase in Cash and Cash Equivalents</i>	9,361
<i>Cash and Cash Equivalents Beginning of Year</i>	259,929
<i>Cash and Cash Equivalents End of Year</i>	\$269,290
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	\$37,996
Adjustments:	
Decrease in Claims Payable	(31,496)
<i>Net Cash Provided by Operating Activities</i>	\$6,500
 See accompanying notes to the basic financial statements	

Canfield Local School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2004

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$12,577	\$79,525
Liabilities		
Due to Students	0	\$79,525
Net Assets		
Held in Trust for Scholarships	\$12,577	

See accompanying notes to the basic financial statements

Canfield Local School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2004

	Scholarship
Additions	
Interest	\$208
Deductions	
Scholarships Awarded	185
<i>Change in Net Assets</i>	23
<i>Net Assets Beginning of Year</i>	12,554
<i>Net Assets End of Year</i>	\$12,577

See accompanying notes to the basic financial statements

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 1 - Description of the School District and Reporting Entity

The Canfield Local School District (the “School 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 School District operates under a locally-elected five member Board form of government. Each member is elected to a four year term. The School District provides educational services as mandated by state and/or federal agencies. The Board of Education controls the School District’s four instructional support facilities staffed by 144 non-certificated and 197 certified teaching personnel and 11 administrators who provide services to students and other community members.

The School District is located in Canfield Ohio, Mahoning County. The enrollment for the School District during the 2004 fiscal year was 3,097. The School District operates two elementary schools (K-4), one middle school (5-8), and one high school (9-12).

Reporting Entity

A reporting entity is composed of the primary government, component units, and other organizations that are included to insure that the basic financial statements are not misleading. The primary government of the School District consists of all funds, departments, boards, and agencies that are not legally separate from the School District. For Canfield Local School District, this includes the agencies and departments that provide the following services: general operations, food service and student related activities of the School District.

Component units are legally separate organizations for which the School District is financially accountable. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. There are no component units of the Canfield Local School District.

The School District participates in two jointly governed organizations and three public entity risk pools. These organizations are the Area Cooperative Computerized Educational Service System, the Mahoning County Career and Technical Center, the Ohio School Boards Association Workers’ Compensation Group Rating Program, the Ohio School Plan and the Mahoning County Schools Employee Insurance Consortium. These organizations are presented in Notes 15 and 16 to the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the School District have been prepared in conformity with generally accepted accounting principles (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 School District also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, to its governmental activities and its internal service fund. The more significant of the School District’s accounting policies are described below.

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

A. Basis of Presentation

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses.

The statement of net assets presents the financial condition of the governmental activities of the School District at fiscal year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. 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 charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the School District.

Fund Financial Statements During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The internal service fund is presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

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

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the School District's major governmental funds:

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

Bond Retirement Fund The bond retirement fund accounts for property tax revenues that are used for payment of principal and interest and fiscal charges on general obligation debt.

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

The other governmental funds of the School District account for grants and other resources whose uses are restricted to a particular purpose.

Proprietary Fund Type Proprietary fund reporting focuses on the determination of operating income, changes in net asset, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The School District has no enterprise funds. The following is a description of the School District's internal service fund.

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the School District on a cost reimbursement basis. The School District's only internal service fund is a self-insurance fund that accounts for medical, prescription drug, dental and vision claims of the School District's employees.

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

C. Measurement Focus

Government-wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenses) in total net assets.

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

Like the government-wide statements, the internal service fund is accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of this fund are included on the statement of net assets. The statement of changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the School District finances and meets the cash flow needs of its internal service fund.

The private purpose trust fund is accounted for using the economic resources measurement focus.

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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 and the statements for the proprietary and fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual bases of accounting arise in the recognition of revenue, the recording of deferred revenue and in the presentation of expenses versus expenditures.

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

Nonexchange transactions, in which the School 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 5). 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 year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School 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, fees and rentals.

Deferred Revenue Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of June 30, 2004, but which were levied to finance fiscal year 2005 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

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

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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.

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

E. Budgetary Data

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board's authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the School District Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

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

F. Cash and Cash Equivalents

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

During fiscal year 2004, investments were limited to certificates of deposit and repurchase agreements, reported at cost, and STAROhio.

STAROhio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAROhio 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 STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2004.

Following Ohio statutes, the Board of Education has, by resolution, identified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2004 amounted to \$79,366, which includes \$30,001 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as cash equivalents.

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2004, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

H. Inventory

Inventories are presented at cost on a first-in, first-out basis and are expended/expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food.

I. Restricted Assets

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the general fund include amounts required by State statute to be set-aside for the purchase of textbooks. See Note 14 for additional information regarding set asides.

J. Capital Assets

The School District's only capital assets are general capital assets. General capital assets are those assets not specifically related to activities reported in the proprietary fund. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

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 School District maintains a capitalization threshold of two thousand five hundred dollars. The School 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.

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>Estimated Lives</u>
Buildings and Improvements	40 years
Furniture, Fixtures and Equipment	5 - 10 years
Vehicles	10 years

K. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Sick leave benefits are accrued as a liability using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the School District has identified as probable of receiving payment in the future. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the School District's termination policy. The School District records a liability for accumulated unused sick leave for classified and certified employees and administrators after ten years of service.

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

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account "Matured Compensated Absences Payable" in the fund or funds from which the employees who have accumulated the leave are paid.

L. Accrued Liabilities and Long-term Obligations

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

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and contractually required pension contributions 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 fiscal year. Bonds are recognized as a liability on the fund financial statements when due.

M. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net assets restricted for other purposes include operation of instructional services, food service operations and extracurricular activities.

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

N. Fund Balance Reserves and Designations

The School District reserves those portions of fund equity which are legally segregated for specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves are established for textbooks.

Designations represent tentative plans for future use of financial resources. A designation of fund equity has been established by the Board for the potential liability of leaks in underground storage tanks.

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

O. Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the School District, these revenues are charges for services for self-insurance programs. Operating expenses are necessary costs that are incurred to provide the good or service that is the primary activity of the fund. Any revenue or expense not meeting the definition of operating is reported as non-operating.

P. Interfund Activity

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

Q. 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.

R. Estimates

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

Note 3 - Budgetary Basis of Accounting

While the School District is reporting its 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, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual 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 GAAP (modified accrual) basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures are recorded when paid in cash (budget) as opposed to when the fund liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

4. Unrecorded cash represents amounts received but not reported by the School District on the operating statements (budget), but is reported on the GAAP basis operating statements.

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

	Net Change in Fund Balance	
GAAP Basis		\$1,629,922
Net Adjustment for Revenue Accruals		(280,842)
Beginning Unreported Cash		(34,705)
Ending Unreported Cash		270,080
Net Adjustment for Expenditure Accruals		103,083
Adjustment for Encumbrances		5,200
		\$1,692,738
Budget Basis		\$1,692,738

Note 4 - Deposits and Investments

State statutes classify monies held by the School 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 School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

Inactive deposits are public deposits the Board of Education has identified as not required for use within the current 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.

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

Interim monies may be invested in the following securities:

1. United States treasury bills, bonds, notes, 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;

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain Banker's acceptance and commercial paper notes for a period not to exceed one hundred and eighty days 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 rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. An investment must mature within five years from the date of purchase, unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

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

Deposits At fiscal year-end, the carrying amount of the School District's deposits was \$150,640 and the bank balance was \$326,227. Of the bank balance:

1. \$142,930 of the bank balance was covered by depository insurance; and
2. \$183,297 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the pledging institution's name, and all State statutory

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

requirements for the deposit of money had been followed, noncompliance with federal requirements could potentially subject the School District to a successful claim by the FDIC.

Investments GASB Statement No. 3 requires the School District's investments to be categorized to give an indication of the level of risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counterparty's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

	Category 3	Carrying Value	Fair Value
Repurchase Agreements	\$4,592,300	\$4,592,300	\$4,592,300
STAROhio	0	604	604
Total	\$4,592,300	\$4,592,904	\$4,592,904

The classification of cash and cash equivalents and investments on the basic financial statements is based on criteria set forth in GASB Statement No. 9, "Reporting Cash Flows of Proprietary and Non-Expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting".

	Cash and Cash Equivalents/Deposits	Investments
<i>GASB Statement No. 9</i>	\$4,743,544	\$0
Investments which are part of a cash management pool:		
Repurchase Agreements	(4,592,300)	4,592,300
STAROhio	(604)	604
<i>GASB Statement No. 3</i>	\$150,640	\$4,592,904

Note 5 - Property Taxes

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

Property taxes include amounts levied against all real, public utility and tangible personal property (used in business) located in the school district. Real property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Real property taxes received in calendar year 2004 were levied after April 1, 2003, on the assessed value listed as of January 1, 2003, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Public utility property tax revenue received in calendar 2004 represents collections of calendar year 2003 taxes. Public utility real and tangible personal property taxes received in calendar year 2004 became a lien December 31, 2002, were levied after April 1, 2003 and are collected in 2004 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Tangible personal property tax revenue received during calendar 2004 (other than public utility property) represents the collection of 2004 taxes. Tangible personal property taxes received in calendar year 2004 were levied after April 1, 2003, on the value as of December 31, 2003. Tangible personal property is currently assessed at twenty-five percent of true value for capital assets and twenty-three percent of true value for inventory. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

The School District receives property taxes from Mahoning County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2004, are available to finance fiscal year 2004 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2004 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 revenue.

At year-end the School District requested, received and appropriated \$9,340,000 available as an advance. At June 30, 2003 the School District requested, received and appropriated \$8,365,000 as an advance.

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

The assessed values upon which the fiscal year 2004 taxes were collected are:

	2003 Second Half Collections		2004 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$428,592,210	93.79 %	\$444,275,040	94.16 %
Public Utility Personal	9,481,380	2.08	9,465,280	2.01
Tangible Personal Property	18,886,070	4.13	18,075,326	3.83
Total	\$456,959,660	100.00 %	\$471,815,646	100.00 %
Tax rate per \$1,000 of assessed valuation	\$58.35		\$58.35	

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 6 - Receivables

Receivables at June 30, 2004, consisted of taxes, accounts (rent, student fees and tuition), accrued interest and intergovernmental grants. 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 fiscal year guarantee of Federal funds. All receivables are expected to be collected within one year.

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities	Amounts
Grant Reimbursements	\$272,093
CAFS Reimbursements	40,354
Federal Lunchroom Reimbursement	12,847
Total	\$325,294

Note 7 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2004, was as follows:

	Balance 6/30/03	Additions	Reductions	Balance 6/30/04
Governmental Activities:				
Capital assets not being depreciated				
Land	\$361,849	\$0	\$0	\$361,849
Capital assets being depreciated				
Buildings and improvements	23,246,377	0	0	23,246,377
Furniture, fixtures and equipment	2,352,576	39,133	0	2,391,709
Vehicles	2,080,045	87,195	(105,117)	2,062,123
Total capital assets being depreciated	27,678,998	126,328	(105,117)	27,700,209
Accumulated depreciation				
Buildings and improvements	(7,824,082)	(486,261)	0	(8,310,343)
Furniture, fixtures and equipment	(1,517,885)	(148,987)	0	(1,666,872)
Vehicles	(1,236,727)	(153,119)	105,117	(1,284,729)
Total accumulated depreciation	(10,578,694)	(788,367) *	105,117	(11,261,944)
Capital assets being depreciated, net	17,100,304	(662,039)	0	16,438,265
Governmental activities capital assets, net	\$17,462,153	(\$662,039)	\$0	\$16,800,114

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$398,811
Special	32,165
Vocational	8,170
Support Services:	
Pupil	19,797
Instructional Staff	4,305
Administration	5,939
Fiscal	1,835
Business	765
Operation and Maintenance of Plant	50,466
Pupil Transportation	142,961
Operation of Non-Instructional Services	269
Operation of Food Services	48,006
Extracurricular	74,878
Total Depreciation Expense	\$788,367

Note 8 - Risk Management

A. Property and Liability

The School 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 2004, the School District contracted for the following insurance coverage:

Type of Coverage	Coverage
Coverage provided by Indiana Insurance:	
Property/Boiler and Machinery (\$2,500 deductible)	\$55,566,824
Inland Marine (\$1,000 deductible)	2,917,110
Crime (\$2,500 deductible)	25,000
Fleet Insurance, single limit (\$250 deductible - comprehensive) (\$500 deductible - collision)	1,000,000
Coverage provided by The Ohio School Plan:	
General Liability	
in aggregate	\$3,000,000
Per occurrence	1,000,000
Coverage provided by The Hartford Plan:	
Excess Liability Coverage	
in aggregate	\$1,000,000
Per occurrence	1,000,000

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

B. Workers' Compensation

The School District participated in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool (Note 16). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participants is calculated as one experience and a common premium rate is applied to all participants 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 performance is compared to the overall savings percentage of the GRP. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to participants that can meet the GRP's selection criteria. The firm of Comp Management, Inc., provides administrative, cost control, and actuarial services to the GRP.

C. Employee Medical Benefits

The School District has contracted with the Mahoning County Insurance Consortium to provide employee medical/surgical benefits since 1982. The Mahoning County Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County school districts. Rates are set through an annual calculation process. The Canfield Local School District pays a monthly contribution, which is placed in a common fund from which claim payments are made for all participating school districts. Claims are paid for all participants regardless of claims flow. The board of directors has the right to return monies to an exiting district subsequent to the settlement of all expenses and claims. The School District pays ninety-five percent of the monthly medical/surgical premiums for certified and OAPSE classified employees, bus drivers and bus mechanics. Coverage for certified and OAPSE classified employees is \$848 for family coverage and \$349 for single coverage. Coverage for bus drivers is \$1,019 for family and \$415 for single and bus mechanics pay \$998 for family coverage and \$411 for single coverage. The School District pays one hundred percent of the monthly medical/surgical premiums for administrators in the amount of \$798 for family coverage and \$329 for single coverage.

The School District has elected to provide vision, dental and prescription drug benefits through a self-insurance program. The School District maintains an insurance reserve internal service fund to account for and finance its uninsured risks of loss in this program. A third party administrator, Professional Risk Management, located in Youngstown, Ohio, reviews all claims which are then paid by the School District. The School District pays into the insurance reserve internal service fund \$14 for family vision coverage or \$8 for single vision coverage per employee per month, \$55 for dental per month and \$170 for family and \$73 for single prescription drug coverage per month which represents the entire premium required. The premium is paid by the fund that pays the salary for the employee and is based on historical cost information.

The claims liability of \$251,081 reported in the internal service fund at June 30, 2004, is based on an estimate provided by the third party administrator and the requirements of the Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claim costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claim adjustment expenses.

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Changes in the claims liability amount during the last two fiscal years were as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2003	\$224,137	\$603,014	\$544,574	\$282,577
2004	282,577	582,704	614,200	251,081

Note 9 - Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by State Statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling (614) 222-5853.

Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2004, 9.09 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2003, 8.17 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2004, 2003 and 2002 were \$254,699, \$225,310 and \$110,977 respectively; 95.26 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (STRS Ohio), a cost-sharing, multiple-employer public employee retirement system. 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 43215-3371 or by calling (614) 227-4090.

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 member contributions and earned interest matched by STRS Ohio funds times 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 Combined Plan offers features of both the DC Plan and the DB Plan. In

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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. DC and Combined Plan members will transfer to the Defined Benefit Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001, were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. 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 dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

For the fiscal year ended June 30, 2004, plan members were required to contribute 10 percent of their annual covered salaries. The School 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 School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2004, 2003, and 2002 were \$1,321,110, \$1,296,394, and \$918,868 respectively; 83.02 percent has been contributed for fiscal year 2004 and 100 percent for fiscal years 2003 and 2002. Contributions to the DC and Combined Plans for fiscal year 2004 were \$7,888 made by the School District and \$13,799 made by the plan members.

Note 10 - Postemployment Benefits

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

All STRS benefit recipients and sponsored dependents are eligible for health care coverage. The STRS Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of the health care cost in the form of a monthly premium. By law, the cost of coverage paid from STRS funds is included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2004, the STRS Board allocated employer contributions equal to 1 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$101,624 for fiscal year 2004.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2004, the balance in the Fund was \$3.1 billion. For the year ended June 30, 2004, net health care costs paid by STRS were \$268,739,000 and STRS had 111,853 eligible benefit recipients.

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

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

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2004, employer contributions to fund health care benefits were 4.91 percent of covered payroll, a decrease of .92 percent from fiscal year 2003. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2004, the minimum pay has been established at \$25,400. For the School District, the amount to fund health care benefits, including surcharge, during the 2004 fiscal year equaled \$192,787.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2004, were \$223,443,805 and the target level was \$335.2 million. At June 30, 2004, SERS had net assets available for payment of health care benefits of \$300.8 million. SERS has approximately 62,000 participants currently receiving health care benefits.

Note 11 - Other Employee Benefits

A. Compensated Absences

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

Each employee earns sick leave at the rate of one and one-quarter days per month. Sick leave may be accumulated to a maximum of 260 days for all employees. Upon retirement, classified employees, bus drivers and teachers receive payments for fifty percent of the total sick leave accumulation up to a maximum of 60 days. Administrators receive payment for fifty percent of the total sick leave accumulation up to 75 days.

B. Life Insurance

The School District provides life insurance to all regular employees. Coverage is equal to the annual salary for administrators, the annual salary for certified employees with a minimum of \$28,000 and a maximum of \$50,000, \$40,000 for non-union classified employees, and \$25,000 for classified employees. Life insurance coverage is provided through Canada Life.

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 12 - Long-term Obligations

The changes in the School District's long-term obligations during fiscal year 2004 were as follows:

	Principal Outstanding 6/30/03	Additions	Deductions	Principal Outstanding 6/30/04	Amounts due in One Year
Governmental-Type Activities					
2003 School Improvement Note 1.85%	\$11,090,000	\$0	\$11,090,000	\$0	\$0
2004 School Improvement Note 2.00%	0	9,970,000	0	9,970,000	0
Total School Improvement Notes	11,090,000	9,970,000	11,090,000	9,970,000	0
2002 School Improvement Bonds 4.50%	284,000	0	71,000	213,000	71,000
1990 Energy Conservation Loan 4.75%	694,493	0	52,012	642,481	54,482
Premium on Note Issued	5,802	74,576	62,807	17,571	17,571
Capital Lease	35,214	0	35,214	0	0
Compensated Absences	2,036,836	124,515	89,497	2,071,854	85,023
<i>Total Governmental Long-Term Obligations</i>	<u>\$14,146,345</u>	<u>\$10,169,091</u>	<u>\$11,400,530</u>	<u>\$12,914,906</u>	<u>\$228,076</u>

The \$11,090,000 2003 School Improvement Note at 1.85 percent and outstanding at June 30, 2003, was rolled over into the \$9,970,000 2004 School Improvement Note, issued September 25, 2003 at 2.00 percent and maturing September 23, 2004. The note was issued at a premium of \$74,576 and is backed by the full faith of Canfield Local School District.

The school improvement bond and the energy conservation loan will be paid from the bond retirement debt service fund. Compensated absences will be paid from the general fund and the food service special revenue fund and the capital lease was paid from the permanent improvement capital projects fund.

The School District's overall legal debt margin was \$40,216,438 with an unvoted debt margin of \$471,816 at June 30, 2004. Principal requirements to retire general obligation debt outstanding at June 30, 2004, are as follows:

Fiscal year Ending June 30,	Energy Conservation Loan		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2005	\$54,482	\$30,518	\$71,000	\$9,585
2006	57,070	27,930	71,000	6,390
2007	59,781	25,219	71,000	3,195
2008	62,620	22,380	0	0
2009	65,595	19,405	0	0
2010-2014	342,933	47,222	0	0
<i>Total</i>	<u>\$642,481</u>	<u>\$172,674</u>	<u>\$213,000</u>	<u>\$19,170</u>

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 13 - Capital Lease - Lessee Disclosure

The School District has an existing lease for a computer and computer equipment. The lease obligation meets the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, "Accounting for Leases," and has been recorded on the government-wide statements. The computer and equipment have been capitalized in the amount of \$201,785, the present value of the minimum lease payments at the inception of the lease. These assets are fully depreciated.

The capital lease obligation was paid in full as of June 30, 2004.

Capital lease payments have been reclassified and are reflected as debt service in the fund financial statements for the permanent improvement capital projects fund. These expenditures are reflected as program expenditures on a budgetary basis.

Note 14 - Set-Aside Calculations and Fund Reserves

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

The following cash basis information describes the change in the fiscal year end set aside amounts for textbooks and capital acquisition. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements
Set-Aside Reserve Balance as of June 30, 2003	\$62,749	\$0
Current Year Set-Aside Requirement	440,852	440,852
Qualifying Disbursements	(256,591)	(657,803)
Total	\$247,010	(\$216,951)
Set-Aside Balance Carried Forward to Future Fiscal Years	\$247,010	\$0
Cash balance as of June 30, 2004	\$247,010	\$0

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years.

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 15 - Jointly Governed Organizations

A. Area Cooperative Computerized Educational Service System Council of Governments

The Area Cooperative Computerized Educational Service System (ACCESS) Council of Governments (COG) is a computer network which provides data services to twenty three school districts. The jointly governed organization was formed for the purpose of applying modern technology with the aid of computers and other electronic equipment to the administrative and instructional functions among member districts. Each of the governments of these schools supports COG based upon a per pupil charge. Canfield Local School District paid \$94,159 to COG during fiscal year 2004.

COG is governed by an assembly consisting of superintendents or other designees of the member school districts. The assembly exercises total control over the operation of COG including budgeting, appropriating, contracting and designating management. All of COG revenues are generated from charges for services and State funding.

Financial information can be obtained by contacting the Treasurer for the Mahoning County Educational Service Center, who serves as fiscal agent, at 100 Debartolo Place, Suite 105, Youngstown, Ohio 44512-7019.

B. Mahoning County Career and Technical Center

The Mahoning County Career and Technical Center is a political subdivision of the State of Ohio operated under the direction of a Board consisting of the five members of the Mahoning County Educational Service Center Governing Board, representing the eleven local school district's and one representative from each of the two city school districts. During fiscal year 2004, no monies were received from the School District. To obtain financial information write to the Treasurer at the Mahoning County Career and Technical Center, 7300 North Palmyra Road, Canfield, Ohio, 44406.

Note 16 - Public Entity Risk Pools

A. Insurance Purchasing Pools

Ohio School Boards Association Workers' Compensation Group Rating Program - The School District participates in the Ohio School Boards Association Workers' Compensation Group Rating Program (GRP), an insurance purchasing pool. The GRP's business and affairs are conducted by a three member Board of directors consisting of the President, the President-Elect and the Immediate Past President of the OSBA. The Executive Director of the OSBA, or his designee, serves as coordinator of the program. Each year, the participating school districts pay an enrollment fee to the GRP to cover the costs of administering the program.

Ohio School Plan - The School District participates in the Ohio School Plan (OSP), an insurance purchasing pool. The OSP is created and organized pursuant to and as authorized by Section 2744.081 of the Ohio Revised Code. The OSP is an unincorporated, non-profit association of its members and an instrumentality for each member for the purpose of enabling members of the Plan to provide for a formalized, joint insurance purchasing program to maintain adequate insurance protection, risk management programs and other administrative services. The OSP's business and affairs are conducted by a fifteen member Board of directors consisting of school district superintendents and treasurers, as well as the president of Harcum-Hyre Insurance Agency, Inc. and a partner of the Hylant Group, Inc. Hylant

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Group Inc. is the Administrator of the OSP and is responsible for processing claims. Harcum-Hyre Insurance Agency, Inc. is the sales and marketing representative, which establishes agreements between OSP and member schools.

B. Shared Risk Pool

Mahoning County Schools Employee Insurance Consortium - The Mahoning County Schools Employee Insurance Consortium is a shared risk pool comprised of thirteen Mahoning County School Districts. The Consortium is governed by an assembly which consists of one representative from each participating school district (usually the superintendent or designee). The assembly exercises control over the operation of the Consortium. All Consortium revenues are generated from charges for services. To obtain the financial information write to Mahoning County Insurance Consortium, 100 Debartolo Place, Suite 105, Youngstown, Ohio 44512-7019.

Note 17 - Contingencies

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the School District at June 30, 2004.

B. Litigation

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

Note 18 - Interfund Transfers

The only transfer made during fiscal year 2004 was for \$85,000 from the general fund to the bond retirement debt service fund. The transfer was made to meet a debt service requirement paid from the bond retirement fund.

Note 19 – Subsequent Event

On September 23, 2004 the School District retired \$9,970,000 of school improvement notes and reissued \$8,930,000 at an interest rate of 3.0 percent. The new notes will mature on September 22, 2005.

Canfield Local School District
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2004

Note 20 - State School Funding Decision

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

The Supreme Court relinquished jurisdiction over the case and directed "...the Ohio General Assembly to enact a school funding scheme that is thorough and efficient..."

The School District is currently unable to determine what effect, if any, this decision will have on its future State funding and on its financial operations.

This page intentionally left blank.

**CANFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FEDERAL AWARDS EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2004**

FEDERAL GRANTOR <i>Pass Through Grantor</i> Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Disbursements	Non-Cash Disbursements
UNITED STATES DEPARTMENT OF AGRICULTURE						
Passed Through Ohio Department of Education:						
Nutrition Cluster:						
Food Donation		10.550		\$33,375		\$33,375
National School Lunch Program		10.555	<u>78,229</u>		<u>78,229</u>	
Total Department of Agriculture - Nutrition Cluster			<u>78,229</u>	<u>33,375</u>	<u>78,229</u>	<u>33,375</u>
 UNITED STATES DEPARTMENT OF EDUCATION						
Passed Through Ohio Department of Education:						
Special Education Cluster						
Title I Grants to Local Educational Agencies	C1-S1-04	84.010	56,628		49,134	
Special Education Grants to States	6B-SF-02 6B-SF-04	84.027 84.027	1,440 <u>59,728</u>		1,440 <u>331,821</u>	
Total - Special Education Grants to States			61,168		333,261	
Safe and Drug Free Schools and Communities	DR-S1-04	84.186	7,144		7,144	
State Grants for Innovative Programs	C2-S1-04	84.298	16,871		16,871	
Education Technology State Grants	TJ-S1-04	84.318	2,485		2,356	
Improving Teacher Quality State Grants	TR-S1-03 TR-S1-04	84.367 84.367	35,126 <u>50,269</u> 85,395		50,269 <u>50,269</u>	
Total Department of Education			<u>229,691</u>		<u>459,035</u>	
 UNITED STATES DEPARTMENT OF HEALTH AND HUMAN SERVICES						
passed through Ohio Department of MRDD						
Medical Assistance Program		93.778	<u>13,887</u>		<u>13,887</u>	
Totals			<u><u>\$321,807</u></u>	<u><u>\$33,375</u></u>	<u><u>\$551,151</u></u>	<u><u>\$33,375</u></u>

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

**CANFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE
JUNE 30, 2004**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - CHILD NUTRITION CLUSTER

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

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



**Auditor of State
Betty Montgomery**

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

Canfield Local School District
Mahoning County
100 Wadsworth Street
Canfield, Ohio 44406

To the Board of Education:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Canfield Local School District, Mahoning County (the "District") as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 23, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting to determine our auditing procedures in order to express our opinion on the financial statements and not to opine on the internal control over financial reporting. Our consideration of the internal control would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts material to the financial statements we audited may occur and not be timely detected by employees when performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. In a separate letter to the District's management dated May 23, 2005, we reported another matter involving internal control over financial reporting we did not deem a reportable condition.

Compliance and Other Matters

As part of reasonably assuring whether the District's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*. In a separate letter to the District's management dated May 23, 2005, we reported other matters related to noncompliance we deemed immaterial.

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

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

Betty Montgomery
Auditor of State

May 23, 2005



Auditor of State Betty Montgomery

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

Canfield Local School District
Mahoning County
100 Wadsworth Street
Canfield, Ohio 44406

To the Board of Education:

Compliance

We have audited the compliance of Canfield Local School District, Mahoning County (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement that apply to its major federal program for the year ended June 30, 2004. The summary of auditor's results section of the accompanying schedule of findings identifies the District's major federal program. The District's management is responsible for complying with the requirements of laws, regulations, contracts and grants applicable to its major federal program. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended June 30, 2004.

Internal Control Over Compliance

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

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

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

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

Betty Montgomery
Auditor of State

May 23, 2005

**CANFIELD LOCAL SCHOOL DISTRICT
MAHONING COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
JUNE 30, 2004**

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under §.510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Title VI-B – CFDA #84.027
<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



**Auditor of State
Betty Montgomery**

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

**CANFIELD LOCAL SCHOOL DISTRICT
MAHONING 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
JULY 5, 2005**