



**Mary Taylor, CPA**  
Auditor of State



**CANTON ACADEMY COMMUNITY SCHOOL  
STARK COUNTY**

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# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

Canton Academy Community School  
Stark County  
1312 5<sup>th</sup> Street S.W.  
Canton, Ohio 44707

To the Board of Directors:

We have audited the accompanying basic financial statements of the Canton Academy Community School, Stark County, Ohio, (the Academy) a component unit of the Canton City School District, as of June 5, 2008 and for the period July 1, 2007 to June 5, 2008, as listed in the table of contents. These financial statements are the responsibility of the Academy's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, for the Canton Academy Community School, Stark County, Ohio, the respective changes in financial position and its cash flows for the period July 1, 2007 to June 5, 2008 in conformity with accounting principles generally accepted in the United States of America.

As described in Note 8, the Academy ceased operations effective June 5, 2008 at which time all assets, liabilities, and net assets were distributed to the sponsor, Canton City School District.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 30, 2009, on our consideration of the Academy's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

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

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

**Mary Taylor, CPA**  
Auditor of State

January 30, 2009

**CANTON ACADEMY COMMUNITY SCHOOL  
(A Component Unit of the Canton City School District)  
STARK COUNTY, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 5, 2008  
(UNAUDITED)**

The discussion and analysis of the Canton Academy Community School's (the "Academy") financial performance provides an overall review of the Academy's financial activities for the period July 1, 2007 through June 5, 2008. The intent of this discussion and analysis is to look at the Academy's financial performance as a whole; readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the Academy's financial performance.

**Financial Highlights**

The Academy ceased operations effective June 5, 2008. The Academy began operations on September 14, 2004. The Academy averaged 58 students per year over four years of operations. The assets and liabilities of the Academy reverted to the Canton City School District (as Sponsor) upon the dissolution. Canton City School District will use these assets to continue addressing the needs of students who benefited from the Academy's curriculum.

**Using these Basic Financial Statements**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand the Academy's financial activities. The statement of revenues, expenses and changes in net assets provides information about the activities of the Academy.

**Reporting the Academy's Financial Activities**

*Statement of Revenues, Expenses, and Changes in Net Assets and the Statement of Cash Flows*

These documents look at all financial transactions and ask the question, "How did we do financially during 2008?" The statement of revenues, expenses and changes in net assets answers this question. This statement includes all revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

This statement reports the Academy's net assets and changes in those assets. This change in net assets is important because it tells the reader that, for the Academy as a whole, the financial position of the Academy has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. The statement of revenues, expenses and changes in net assets can be found on page 7 of this report.

The statement of cash flows provides information about how the Academy finances and meets the cash flow needs of its operations. The statement of cash flows can be found on page 8 of this report.

*Notes to the Basic Financial Statements*

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. These notes to the basic financial statements can be found on pages 9-14 of this report.

**CANTON ACADEMY COMMUNITY SCHOOL**  
**(A Component Unit of the Canton City School District)**  
**STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 5, 2008  
(UNAUDITED)

The table below provides a summary of the Academy's assets, liabilities and net assets at June 5, 2008 and at June 30, 2007:

	<b>Net Assets</b>	
	<u>2008</u>	<u>2007</u>
<b><u>Assets</u></b>		
Current assets	\$ -	\$ 92,843
Capital assets, net	-	<u>224,514</u>
Total assets	<u>-</u>	<u>317,357</u>
<b><u>Liabilities</u></b>		
Current liabilities	-	<u>106,063</u>
Total liabilities	<u>-</u>	<u>106,063</u>
<b><u>Net Assets</u></b>		
Invested in capital assets	-	224,514
Restricted		52,212
Unrestricted	<u>-</u>	<u>(65,432)</u>
Total net assets	<u>\$ -</u>	<u>\$ 211,294</u>

The Academy ceased operations on June 5, 2008 and transferred all assets and liabilities to the Canton City School District. The Academy transferred \$213,765 in cash, \$1,612 in prepayments, \$31,939 in intergovernmental receivables, \$206,986 in capital assets, net of accumulated depreciation, \$257 in accounts payable and \$93,635 in intergovernmental payables to the Canton City School District on June 5, 2008. See Note 8 to the basic financial statements for more detail.

**CANTON ACADEMY COMMUNITY SCHOOL  
(A Component Unit of the Canton City School District)  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 5, 2008  
(UNAUDITED)

The table below shows the changes in net assets for the period July 1, 2007 through June 5, 2008 and fiscal year 2007.

**Change in Net Assets**

	<u>2008</u>	<u>2007</u>
<b><u>Operating revenues:</u></b>		
State foundation	\$ 555,699	\$ 555,238
Sales/charges for services	281	-
Total operating revenue	<u>555,980</u>	<u>555,238</u>
<b><u>Operating expenses:</u></b>		
Purchased services	424,111	595,664
Materials and supplies	11,660	157,230
Depreciation	17,528	14,754
Other	12,249	35,693
Total operating expenses	<u>465,548</u>	<u>803,341</u>
<b><u>Non-operating revenues (expenses):</u></b>		
Federal and state grants	58,141	214,313
Interest income	543	68
Contributions and donations	-	1,000
Miscellaneous	-	14
Net assets to Canton City School District upon dissolution	<u>(360,410)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>(301,726)</u>	<u>215,395</u>
Change in net assets	(211,294)	(32,708)
Net assets at beginning of year	<u>211,294</u>	<u>244,002</u>
Net assets at end of year	<u>\$ -</u>	<u>\$ 211,294</u>

As stated in Note 8 to the basic financial statements, the Academy ceased operations effective June 5, 2008. All assets and liabilities at June 5, 2008 were transferred to the Canton City School District in accordance with the Sponsorship Contract.

***Capital Assets***

At June 5, 2008, the Academy ceased operations and capital assets, net of accumulated depreciation, of \$206,986, became the property of the Canton City School District. See Note 3 to the basic financial statements for more detail on capital assets.

**CANTON ACADEMY COMMUNITY SCHOOL  
(A Component Unit of the Canton City School District)  
STARK COUNTY, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 5, 2008  
(UNAUDITED)

**Current Financial Related Activities**

The Academy relied on the state foundation funds as well as federal sub-grants to provide quality educational services to students. The Academy committed itself to the academic and mental health needs of students who were unsuccessful in the traditional school setting. However, due to financial consideration, the Academy ceased operations effective June 5, 2008. The activities of the Academy will continue to be provided through Canton City School District.

At June 5, 2008, all assets and liabilities reverted to the Canton City School District in accordance with the Sponsorship Contract. The Canton City School District is working with the Office of Community Schools to return the value of the supplies and equipment purchased through federal funds to the Ohio Department of Education.

**Contacting the Academy's Financial Management**

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

**CANTON ACADEMY COMMUNITY SCHOOL**  
**(A Component Unit of the Canton City School District)**  
**STARK COUNTY, OHIO**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS  
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 5, 2008

<b>Operating revenues:</b>	
State foundation . . . . .	\$ 555,699
Sales/charges for services . . . . .	281
	555,980
<b>Operating expenses:</b>	
Purchased services . . . . .	424,111
Materials and supplies . . . . .	11,660
Depreciation . . . . .	17,528
Other . . . . .	12,249
	465,548
Operating income . . . . .	90,432
<b>Non-operating revenues (expenses):</b>	
Federal and State grants . . . . .	58,141
Interest income . . . . .	543
Net assets to Canton City School District upon dissolution . . . . .	(360,410)
	(301,726)
Change in net assets . . . . .	(211,294)
<b>Net assets at beginning of period . . . . .</b>	<b>211,294</b>
<b>Net assets at end of period . . . . .</b>	<b>\$ -</b>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANTON ACADEMY COMMUNITY SCHOOL**  
**(A Component Unit of the Canton City School District)**  
**STARK COUNTY, OHIO**

STATEMENT OF CASH FLOWS  
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 5, 2008

<b>Cash flows from operating activities:</b>		
Cash received from State foundation. . . . .	\$	559,389
Cash received from sales/charges for services. . . . .		281
Cash payments to suppliers for goods and services . . . . .		(418,698)
Cash payments for materials and supplies . . . . .		(31,919)
Cash payments for other expenses . . . . .		(12,739)
		<hr/>
Net cash provided by operating activities . . . . .		96,314
<b>Cash flows from noncapital financing activities:</b>		
Federal and state grants. . . . .		73,447
Cash payments to Canton City School District upon dissolution . . . . .		(213,765)
		<hr/>
Net cash used in noncapital financing activities . . . . .		(140,318)
<b>Cash flows from investing activities:</b>		
Interest received . . . . .		543
		<hr/>
Net cash provided by investing activities . . . . .		543
Net decrease in cash and cash equivalents . . . . .		(43,461)
<b>Cash and cash equivalents at beginning of period . . . . .</b>		<b>43,461</b>
<b>Cash and cash equivalents at end of period. . . . .</b>	<b>\$</b>	<b>-</b>
		<hr/> <hr/>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating income . . . . .	\$	90,432
Adjustments:		
Depreciation. . . . .		17,528
Net assets to Canton City School District upon dissolution . . . . .		92,280
Changes in assets and liabilities:		
Decrease in accounts receivable. . . . .		525
Decrease in prepayments . . . . .		1,612
(Decrease) in accounts payable. . . . .		(21,327)
(Decrease) in intergovernmental payable. . . . .		(84,736)
		<hr/>
Net cash provided by operating activities . . . . .	<b>\$</b>	<b>96,314</b>
		<hr/> <hr/>

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CANTON ACADEMY COMMUNITY SCHOOL  
(A Component Unit of the Canton City School District)  
STARK COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 5, 2008**

**NOTE 1 - DESCRIPTION OF THE ACADEMY**

The Canton Academy Community School (the "Academy") was established pursuant to Ohio Revised Code Chapters 3314 and 3314.03 to establish a new conversion school in Canton City School District (the "Sponsor") addressing the needs of students in grades 9-12. The Academy, which was part of the State's education program, was nonsectarian in its programs, admission policies, employment practices and all other operations. The Academy could sue or be sued, acquire facilities as needed, and contract for any services necessary for the operation of the Academy. The Academy was considered a component unit of the Canton City School District for reporting purposes, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 14.

The Academy was designed to meet the academic and mental health needs of high school students, grades 9 through 12, ages 14 through 22, who were unsuccessful in the traditional educational setting. Typically, they were identified as students with special needs or are "at highest risk" for academic failure. Even with such significant issues, these students had a desire for an education when presented in a manner that can optimize learning. This could be done in an environment that did not include most ancillary components of a more traditional education, and supported the mental health needs of the student. Enrollment was limited to students within the attendance area of the Sponsor. The Academy used the services of the Sponsor to assist with overall operations.

The Academy was approved under a Community School Sponsorship Contract (the "Sponsorship Contract") with the Sponsor for a period of five years commencing July 1, 2004 through July 31, 2009 after which, the Academy was required to apply for an additional Sponsorship Contract with the Sponsor. The Academy began operations on September 14, 2004 and ceased operations on June 5, 2008 (see Note 8). The Sponsor was responsible for evaluating the performance of the Academy and had the authority to deny renewal of the contract at expiration.

The Academy operated under the direction of a five-member Board of Directors (the "Governing Authority"). The Governing Authority was composed of one member from each of the following organizations: Stark County Community Mental Health Board, Stark County Family Council, City of Canton, Stark County Department of Job and Family Services and Canton City Schools. The Governing Authority was responsible for carrying out the provisions of the contract, which included, but were not limited to, state-mandated provisions regarding student population, curriculum, academic goals, performance standards, admission standards and qualification of teachers.

The Sponsor, under a purchased services basis with the Academy, provided planning, instructional, administrative and technical services. Personnel who provided services to the Academy on behalf of the Sponsor under the purchased services basis were considered employees of the Sponsor, and the Sponsor was solely responsible for all payroll functions. The Academy provided services to approximately 49 students during the period July 1, 2007 through June 5, 2008.

**CANTON ACADEMY COMMUNITY SCHOOL  
(A Component Unit of the Canton City School District)  
STARK COUNTY, OHIO**

**NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 5, 2008**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the Academy have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Academy also applies Financial Accounting Standards Board (FASB) Statements and Interpretations issued prior to November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Academy has elected not to apply FASB Statements and Interpretations issued after November 30, 1989.

The Academy's significant accounting policies are described below.

**A. Basis of Presentation**

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

**B. Measurement Focus and Basis of Accounting**

Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The difference between total assets and liabilities are defined as net assets. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The accrual basis of accounting is utilized for reporting purposes. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

In accordance with the Sponsorship Contract and as discussed in Note 8, the Academy transferred all assets, liabilities and net assets to the Canton City School District on June 5, 2008; therefore, the Academy does not present a statement of net assets at June 5, 2008.

**C. Budgetary Process**

Unlike other public schools located in the State of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Revised Code Section 5705, unless specifically provided in the Academy's contract with its Sponsor, except for Ohio Revised Code Section 5705.391 as it relates to five year forecasts. The contract between the Academy and its Sponsor required a detailed school budget for each year of the contract; however, the budget did not have to follow the provisions of Ohio Revised Code Section 5705.

**CANTON ACADEMY COMMUNITY SCHOOL  
(A Component Unit of the Canton City School District)  
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 5, 2008

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

**D. Cash**

All monies received by the Academy were deposited in a demand deposit account. In accordance with the Sponsorship Contract and as discussed in Note 8, the Academy transferred all remaining cash to the Canton City School District on June 5, 2008.

**E. Capital Assets and Depreciation**

All capital assets were capitalized at cost and updated for additions and reductions during the year. Donated capital assets were recorded at their fair market value on the date donated. The Academy maintained a capitalization threshold of \$500. The Academy did not have any infrastructure. Improvements were 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 were not capitalized.

All capital assets except land were depreciated. Improvements were depreciated over the remaining useful lives of the related capital assets. Depreciation was computed using the straight-line method. Building improvements were depreciated over twenty years and furniture and equipment were depreciated over five to ten years.

In accordance with the Sponsorship Contract and as discussed in Note 8, the Academy transferred all capital assets, net of accumulated depreciation, to the Canton City School District on June 5, 2008.

**F. Operating Revenues and Expenses**

Operating revenues were those revenues that were generated directly from the primary activity of the Academy. Operating expenses were necessary costs incurred to provide the service that was the primary activity of the Academy. All revenues and expenses not meeting this definition were reported as non-operating.

**G. Intergovernmental Revenue**

The Academy participated in the State Foundation Program through the Ohio Department of Education. Revenues from this program were recognized as operating revenue in the accounting period in which they were earned, essentially the same as the fiscal year.

Grants and entitlements were recognized as non-operating revenues in the accounting period in which all eligibility requirements had been met. Eligibility included timing requirements, which specify the year when the resources were required to be used or the fiscal year when use was first permitted; matching requirements, in which the Academy was required to provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources were provided to the Academy on a reimbursement basis. The Academy received the State of Ohio Educational Management Information Systems (EMIS) and various State and Federal grants during fiscal year 2007. Federal and State grant revenue for the period July 1, 2007 through June 5, 2008 was \$58,141.

In accordance with the Sponsorship Contract and as discussed in Note 8, the Academy transferred all intergovernmental receivables to the Canton City School District on June 5, 2008.

**CANTON ACADEMY COMMUNITY SCHOOL  
(A Component Unit of the Canton City School District)  
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 5, 2008

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

**H. Estimates**

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

**NOTE 3 - CAPITAL ASSETS**

Capital asset activity for the period July 1, 2007 through June 5, 2008, was as follows:

	<u>Balance at June 30, 2006</u>	<u>Additions</u>	<u>Transfer of Assets to Sponsor</u>	<u>Balance at June 5, 2008</u>
Land	\$ 900	\$ -	\$ (900)	\$ -
Building improvements	206,103	-	(206,103)	-
Furniture and equipment	39,186	-	(39,186)	-
Less: accumulated depreciation	<u>(21,675)</u>	<u>(17,528)</u>	<u>39,203</u>	<u>-</u>
Capital assets, net	<u>\$ 224,514</u>	<u>\$ (17,528)</u>	<u>\$(206,986)</u>	<u>\$ -</u>

In accordance with the Sponsorship Contract and as discussed in Note 8, the Academy transferred all capital assets, net of accumulated depreciation, to the Canton City School District on June 5, 2008.

**NOTE 4 - RISK MANAGEMENT**

The Academy was exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to contracted personnel; and natural disasters. For the period July 1, 2007 through June 5, 2008, the Academy was named on the Sponsor's policy for property and general liability insurance. The Academy provided employee bond coverage through Ohio Casualty Insurance in the following amounts: Treasurer \$50,000, Executive Director \$20,000 and Board of Directors \$20,000.

Settled claims of the Sponsor have not exceeded commercial coverage in any of the past three fiscal years, and there was no significant reduction in coverage from the prior fiscal year.

**CANTON ACADEMY COMMUNITY SCHOOL**  
**(A Component Unit of the Canton City School District)**  
**STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 5, 2008

**NOTE 5 - PURCHASED SERVICES**

For period July 1, 2007 through June 5, 2008, purchased services expenses were as follows:

Professional and technical services	\$ 397,958
Property services	21,180
Travel, mileage and meetings	91
Communications	849
Utility services	2,535
Contracted craft or trade services	45
Other	<u>1,453</u>
Total	<u>\$ 424,111</u>

**NOTE 6 - CONTINGENCIES**

**A. Grants**

The Academy received financial assistance from state agencies in the form of grants. The expense of funds received under these programs generally requires compliance with terms and conditions, specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. The Academy ceased operations on June 5, 2008 and all assets and liabilities were transferred to the Canton City School District. As such, any resulting liabilities would become a liability of the Canton City School District. In the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Canton City School District at June 30, 2008.

**B. State Foundation Funding**

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. The review for the period July 1, 2007 through June 5, 2008 resulted in a liability of \$3,690 which was transferred to the Canton City School District upon ceasing of operation on June 5, 2008.

**NOTE 7 - RELATED PARTY TRANSACTIONS**

For the period July 1, 2007 through June 5, 2008, the Academy had expenses of \$397,470 to their Sponsor.

**CANTON ACADEMY COMMUNITY SCHOOL  
(A Component Unit of the Canton City School District)  
STARK COUNTY, OHIO**

NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE PERIOD JULY 1, 2007 THROUGH JUNE 5, 2008

**NOTE 8 - CONTINUED EXISTENCE**

On May 12, 2008, the Board of Directors of the Academy passed a resolution to transfer all property of every description, and every interest therein, and all obligations of or belonging to or due the Academy including all budgets and appropriations to the Canton City School District effective June 6, 2008. Due to a lack of grant funding and the expectations of the operations of the Academy that would have resulted in the ineffective spending and an overuse of personnel, the Academy ceased operations effective June 5, 2008.

In accordance with the Sponsorship Contract, upon dissolution, any remaining assets and liabilities of the Academy are to be conveyed to the Sponsor (Canton City School District). On June 5, 2008, the Academy transferred the following assets and liabilities to the Canton City School District in accordance with the Sponsorship Contract:

<u>Assets:</u>	
Cash	\$ 213,765
Prepayments	1,612
Intergovernmental receivables	31,939
Capital assets, net of accumulated depreciation	<u>206,986</u>
Total assets to Canton City School District upon dissolution	<u>454,302</u>
 <u>Liabilities:</u>	
Accounts payable	257
Intergovernmental payable	<u>93,635</u>
Total liabilities to Canton City School District upon dissolution	<u>93,892</u>
Total net assets to Canton City School District upon dissolution	<u>\$ 360,410</u>

This transfer of assets to the Sponsor is reflected on the financial statements as “Net assets to Canton City School District upon dissolution”.

During the dissolution process the Academy consulted the Ohio Department of Education, Office of Community Schools. One of the procedures required of the Academy and Sponsor was to obtain fair market values for property acquired using federal grants. As of the date of this report, this process is ongoing.



# Mary Taylor, CPA

Auditor of State

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

Canton Academy Community School  
Stark County  
1312 5<sup>th</sup> Street S.W.  
Canton, Ohio 44707

To the Board of Directors:

We have audited the financial statements of the Canton Academy Community School, Stark County, Ohio, (the Academy) a component unit of the Canton City School District, as of June 5, 2008 and for the period July 1, 2007 to June 5, 2008, and have issued our report thereon dated January 30, 2009, in which we noted the Academy ceased operations as of June 5, 2008 at which time all assets, liabilities, and net assets were distributed to the sponsor, Canton City School District. 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 Academy's internal control over financial reporting as a basis for designing our audit procedures for expressing our opinion on the financial statements, but not to opine on the effectiveness of the Academy's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the Academy's internal control over financial reporting.

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

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

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

We noted certain internal control matters that we reported to the Academy's management in a separate letter dated January 30, 2009.

### **Compliance and Other Matters**

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

We did note certain noncompliance or other matters that we reported to the Academy's management in a separate letter dated January 30, 2009.

We intend this report solely for the information and use of management, the Board of Directors, and the Canton Academy's Sponsor (the Canton City School District). We intend it for no one other than these specified parties.

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

**Mary Taylor, CPA**  
Auditor of State

January 30, 2009



**Mary Taylor, CPA**  
Auditor of State

**CANTON ACADEMY COMMUNITY SCHOOL  
STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
MARCH 24, 2009**