

Massillon City School District

**Basic Financial Statements
June 30, 2008**



Mary Taylor, CPA
Auditor of State

Board of Education
Massillon City School District
207 Oak Avenue SE
Massillon, Ohio 44646

We have reviewed the *Independent Auditors' Report* of the Massillon City School District, Stark County, prepared by Ciuni & Panichi, Inc., for the audit period July 1, 2007 through June 30, 2008. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Massillon City School District is responsible for compliance with these laws and regulations.

Mary Taylor

Mary Taylor, CPA
Auditor of State

June 10, 2009

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Massillon City School District

For The Year Ended June 30, 2008

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Massillon City School District

For The Year Ended June 30, 2008

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Independent Auditors' Report

Board of Education
Massillon City School District
Massillon, Ohio

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Massillon City School District (the "District"), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 the 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, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Massillon City School District, as of June 30, 2008, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 3 to the financial statements, during the year ended June 30, 2008, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions"; GASB Statement No. 48, "Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues"; GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations" and GASB Statement No. 50, "Pension Disclosures."

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2009, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Board of Education
Massillon City School District

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Cini & Panichi, Inc.

Cleveland, Ohio
May 8, 2009

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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

Financial Highlights

Key financial highlights for 2008 are as follows:

- In total, net assets of governmental activities decreased \$417,995.
- Revenues for governmental activities totaled \$49,940,235 in 2008. Of this total, \$38,944,537 or approximately 78 percent consisted of general revenues, while program revenues accounted for the balance \$10,995,698 or approximately 22 percent.
- Total assets of governmental activities decreased by \$1,644,168.
- Total program expenses were \$50,358,230.
- Outstanding debt, excluding capital leases, increased from \$16,930,983 to \$17,791,857 during 2008 due to the issuance of bond anticipation note.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Massillon City School District as a whole entire operating entity. The statements begin at a summary level and expand to detailed financial activities.

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2008?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets* and *liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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 causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

In the Statement of Net Assets and the Statement of Activities, Governmental Activities include the School District's programs and services, including instruction, support services, operation and maintenance of plant, pupil transportation, extracurricular activities, non-instructional services, food service operations and interest and fiscal charges.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The analysis of the School District's major funds begins on page 13. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for 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 bond retirement 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 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 you determine whether there are fewer or greater 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.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 18 and 19. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

The School District as a Whole

You may recall 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 2008 compared to 2007:

Table 1
 Net Assets
 Governmental Activities

	2008	Restated 2007
Assets		
Current and Other Assets	\$ 34,833,245	\$ 36,350,537
Capital Assets, Net	40,851,303	40,978,179
<i>Total Assets</i>	<u>75,684,548</u>	<u>77,328,716</u>
Liabilities		
Current Liabilities	20,371,633	22,646,450
Long-term Liabilities		
Due Within One Year	4,092,833	2,075,564
Due in More Than One Year	16,677,749	17,646,374
<i>Total Liabilities</i>	<u>41,142,215</u>	<u>42,368,388</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	27,592,913	28,911,993
Restricted For:		
Capital Outlay	2,615,766	2,881,540
Debt Service	1,704,028	1,537,531
Set Asides	12,755	0
Other Purposes	2,338,030	969,987
Unrestricted	278,841	659,277
<i>Total Net Assets</i>	<u>\$ 34,542,333</u>	<u>\$ 34,960,328</u>

Total assets decreased by \$1,644,168. This decrease is mainly due to a reduction in taxes receivable.

Total liabilities decreased by \$1,226,173. The majority of this decrease was the result of decrease in deferred revenue from taxes receivable.

The vast majority of revenues supporting governmental activities are the general revenues. General revenue totaled \$38,944,537 which is approximately 78 percent of total revenue. The most significant portions of the general revenue are the intergovernmental section, which is approximately 44 percent of total revenue. The intergovernmental revenues consist of state foundation, Ohio School Facilities Commission grant, homestead and rollback, and personal property tax exemption. Taxes, including property taxes and income taxes, account for 32 percent of total revenues, interest income accounts for 2 percent of total revenue, miscellaneous revenue accounts for 1 percent of total revenues. The remaining amount of revenue received was in the form of program revenues, which equaled \$10,995,698 or 22 percent of total revenue.

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Table 2
Change in Net Assets
Governmental Activities

	2008	2007
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 3,314,183	\$ 3,572,365
Operating Grants and Contributions	7,664,467	7,335,636
Capital Grants and Contributions	17,048	1,613,476
<i>Total Program Revenues</i>	<u>10,995,698</u>	<u>12,521,477</u>
General Revenues		
Property Taxes	15,900,357	15,801,812
Income Taxes	34,464	279,400
Grants and Entitlements	21,893,493	21,865,065
Investment Earnings	842,809	936,996
Miscellaneous	271,904	142,074
Premium on Notes	1,510	0
Gain on Sale of Capital Assets	0	368,267
<i>Total General Revenues</i>	<u>38,944,537</u>	<u>39,393,614</u>
Total Revenues	<u>49,940,235</u>	<u>51,915,091</u>
Program Expenses		
Instruction:		
Regular	\$ 19,650,791	19,551,183
Special	4,835,952	4,331,362
Vocational	1,851,054	1,970,495
Adult/Continuing	37,574	40,716
Other	1,315,526	1,281,925
Support Services:		
Pupils	3,394,391	2,831,689
Instructional Staff	2,203,615	1,727,385
Board of Education	319,451	174,388
Administration	2,982,845	3,992,426
Fiscal	789,860	1,257,837
Business	42,366	88,322
Operation and Maintenance of Plant	5,537,030	7,501,629
Pupil Transportation	1,677,079	1,757,172
Central	494,761	412,644
Operation of Food Services	1,631,257	1,677,933
Other Non-Instructional Services	372,734	371,974
Extracurricular Activities	1,691,955	1,570,225
Interest and Fiscal Charges	1,529,989	1,363,035
<i>Total Program Expenses</i>	<u>50,358,230</u>	<u>51,902,340</u>
Change in Net Assets	(417,995)	12,751
Net Assets Beginning of Year, Restated	<u>34,960,328</u>	<u>35,871,912</u>
Net Assets End of Year	<u>\$ 34,542,333</u>	<u>\$ 35,884,663</u>

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases and new construction. Property taxes made up 32 percent of revenues for governmental activities for Massillon City School District in fiscal year 2008. 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 cost.

Instruction comprises 55 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 35 percent. The remaining 10 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.

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

Table 3
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services 2008	Total Cost of Services 2007	Net Cost of Services 2008	Net Cost of Services 2007
Program Expenses				
Instruction:				
Regular	\$ 19,650,791	\$ 19,551,183	\$ (17,097,220)	\$ (15,204,165)
Special	4,835,952	4,331,362	(817,722)	(1,509,260)
Vocational	1,851,054	1,970,495	(1,364,924)	(1,488,429)
Adult/Continuing	37,574	40,716	(9,150)	(2,947)
Other	1,315,526	1,281,925	(1,221,103)	(838,834)
Support Services:				
Pupils	3,394,391	2,831,689	(2,678,702)	(2,105,137)
Instructional Staff	2,203,615	1,727,385	(1,851,161)	(1,006,331)
Board of Education	319,451	174,388	(319,451)	(174,388)
Administration	2,982,845	3,992,426	(2,982,845)	(3,992,426)
Fiscal	789,860	1,257,837	(773,570)	(1,242,561)
Business	42,366	88,322	(42,366)	(88,322)
Operation and Maintenance of Plant	5,537,030	7,501,629	(5,371,344)	(7,381,702)
Pupil Transportation	1,677,079	1,757,172	(1,602,304)	(1,625,395)
Central	494,761	412,644	(467,791)	(388,644)
Operation of Food Services	1,631,257	1,677,933	(39,139)	(67,794)
Other Non-Instructional Services	372,734	371,974	(72,562)	(51,931)
Extracurricular Activities	1,691,955	1,570,225	(1,121,189)	(849,562)
Interest and Fiscal Charges	1,529,989	1,363,035	(1,529,989)	(1,363,035)
<i>Total</i>	<u>\$ 50,358,230</u>	<u>\$ 51,902,340</u>	<u>\$ (39,362,532)</u>	<u>\$ (39,380,863)</u>

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

The dependence upon tax revenues for governmental activities is apparent. 31 percent of expenses are directly supported by local property taxes. Program revenues only account for 21 percent of all governmental expenses. Program revenues include charges for services, grants and contributions that are program specific. Surrounding schools with resident students attending Massillon City School District pay the School District \$5,403 per pupil under Ohio's open enrollment plan. The community is the second largest area of support for the Massillon City School District students.

The School District's Funds

Information about the School District's major funds starts on page 13. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$51,591,763 and expenditures of \$51,084,271. The net change in fund balance for the year was \$507,492.

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 budgeted fund is the main operating fund of the School District, the general fund.

During the course of fiscal year 2008, the School District amended its general fund budget several times. The most significant amendments occurred due to changes in the expenditure priorities in the buildings. For the general fund, the final budget basis revenue was \$38,375,000 (including other financing sources) remained the same as original budget estimate. The original budget estimate was amended with the June 2008 amended certificate of resources. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$8,367,285.

For the other non-significant budget amendments, the School District uses a site-based style of budgeting and has in place systems that are designed to tightly control site budgets, but provide flexibility for site management. Building principals are given a per pupil allocation for textbooks, instructional materials and equipment.

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2008, the School District had \$40,851,303 invested in land, land improvements, buildings and improvements, furniture and fixtures, and vehicles. Table 4 shows fiscal 2008 values compared to 2007. More detailed information is presented in Note 7 of the notes to the basic financial statements.

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

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

	2008	Restated 2007
Land	\$ 3,552,636	\$ 3,540,236
Construction in Progress	0	292,545
Land Improvements	3,042,041	2,899,394
Buildings and Improvements	30,980,411	30,843,310
Furniture and Fixtures	2,964,393	3,034,670
Vehicles	311,822	368,024
	\$ 40,851,303	\$ 40,978,179

All capital assets, except land and construction in progress, are reported net of depreciation. As one can see, the main changes in capital assets during the fiscal year occurred in construction in progress. The changes were due primarily to the completion Ohio School Facilities building project.

Senate Bill 345 requires the School District to set aside \$162.09 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2008, this amounted to \$695,483 for each set aside for Massillon City School District. The School District had qualifying disbursements or offsets exceeding these requirements for textbooks. At June 30, 2008, the School District was required to set aside \$12,755 for the purchase of capital improvements in future fiscal years. More detailed information is presented in Note 20 of the notes to the basic financial statements.

Debt

At June 30, 2008, the School District had \$17,791,857 outstanding in general obligation bonds and bond anticipation note, with \$4,040,000 due within one year. Table 5 shows fiscal year 2008 values compared to 2007. More detailed information regarding the School District is presented in Note 15 of the notes to the basic financial statements.

Table 5
Outstanding Debt, at June 30
Governmental Activities

	2008	2007
2003 Middle School General Obligation Bonds:		
Serial Bonds	\$ 2,515,000	\$ 2,780,000
Term Bonds	8,235,000	8,235,000
1994 High School General Obligation Bonds:		
Capital Appreciation Bonds	681,040	919,678
Accretion on Capital Appreciation Bonds	4,360,817	4,996,305
2007 Bond Anticipation Note	2,000,000	0
Total	\$ 17,791,857	\$ 16,930,983

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2008

Current Issues

Massillon City School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. Recent national events and their impact on the Massillon City School District and the surrounding areas are very much under review and analysis. Economic recession will continue to impact our primary industries. However, the City of Massillon has seen an increase in residential housing evidenced by several new single home developments and condominium growth. The Board of Education and administration closely monitor its revenues and expenditures in accordance with its five-year forecast.

The financial future of the School District is not without its challenges though. These challenges are internal and external in nature. The internal challenges will continue to exist, as the School District must rely heavily on local property taxes to fund its operations. Thus, management must diligently plan expenses by carefully operating within its five-year forecast. Additional revenues not projected must not be treated as a windfall to expand programs, but as an opportunity to extend the time horizon of the five-year forecast.

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State directed its tax revenue growth toward school districts with little property tax wealth. 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 . . ."

In general, it is expected that the decision would result in an increase in overall State funding for education.

The concern is that, to meet the requirements of the court, the State may require the redistribution of commercial and industrial property taxes. With 42.1 percent of the taxes for the School District coming from local businesses and industry, one can see the significant impact this change would have on the School District and ultimately, the residential taxpayers. This percentage was taken from the SF-3 report of the Ohio Department of Education, Division of School Finance, Final SF3 fiscal year 2008.

As a result of the challenges mentioned above, it is imperative that the School district's management continue to carefully and prudently plan to provide the resources required to meet student needs over the next several years.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, 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 Teresa L. Emmerling, Treasurer at Massillon City School District, 207 Oak Street S.E., Massillon, OH 44646.

Massillon City School District
Statement of Net Assets
June 30, 2008

	Primary Government	Component Unit
	Governmental Activities	Massillon Digital Academy
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 16,138,419	\$ 0
Cash and Cash Equivalents in Segregated Accounts	0	332,265
Receivables:		
Taxes	16,866,637	0
Accounts	172,927	0
Accrued Interest	52,106	0
Intergovernmental	1,374,730	0
Prepaid Items	29,584	0
Inventory Held for Resale	17,967	0
Materials and Supplies Inventory	13,394	0
Deferred Charges	167,481	0
Nondepreciable Capital Assets	3,552,636	0
Depreciable Capital Assets, Net	37,298,667	89,444
<i>Total Assets</i>	<u>75,684,548</u>	<u>421,709</u>
Liabilities		
Accounts Payable	122,214	0
Contracts Payable	218,666	0
Accrued Wages and Benefits	3,962,258	0
Intergovernmental Payable	1,409,556	0
Accrued Vacation Payable	21,438	0
Matured Compensated Absences Payable	4,052	0
Deferred Revenue	14,472,308	0
Accrued Interest Payable	161,141	0
Long-Term Liabilities:		0
Due Within One Year	4,092,833	0
Due in More Than One Year	16,677,749	0
<i>Total Liabilities</i>	<u>41,142,215</u>	<u>0</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	27,592,913	89,444
Restricted for:		
Capital Outlay	2,615,766	0
Debt Service	1,704,028	0
Set Asides	12,755	0
Other Purposes	2,338,030	10,396
Unrestricted	278,841	321,869
<i>Total Net Assets</i>	<u>\$ 34,542,333</u>	<u>\$ 421,709</u>

The notes to the basic financial statements are an integral part of this statement.

Massillon City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2008

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Unit
					Governmental Activities	Massillon Digital Academy
Governmental Activities						
Instruction:						
Regular	\$ 19,650,791	\$ 1,935,932	\$ 617,639	\$ 0	\$ (17,097,220)	\$ 0
Special	4,835,952	271,056	3,747,174	0	(817,722)	0
Vocational	1,851,054	20,880	465,250	0	(1,364,924)	0
Adult Continuing	37,574	0	28,424	0	(9,150)	0
Other	1,315,526	0	94,423	0	(1,221,103)	0
Support Services:						
Pupils	3,394,391	9,238	706,451	0	(2,678,702)	0
Instructional Staff	2,203,615	0	352,454	0	(1,851,161)	0
Board of Education	319,451	0	0	0	(319,451)	0
Administration	2,982,845	0	0	0	(2,982,845)	0
Fiscal	789,860	823	15,467	0	(773,570)	0
Business	42,366	0	0	0	(42,366)	0
Operation and Maintenance of Plant	5,537,030	53,552	112,134	0	(5,371,344)	0
Pupil Transportation	1,677,079	41,354	16,373	17,048	(1,602,304)	0
Central	494,761	0	26,970	0	(467,791)	0
Operation of Non-instructional Services:						
Food Service Operations	1,631,257	457,040	1,135,078	0	(39,139)	0
Community Services	244,842	0	300,172	0	55,330	0
Other	127,892	0	0	0	(127,892)	0
Extracurricular Activities	1,691,955	524,308	46,458	0	(1,121,189)	0
Interest and Fiscal Charges	1,529,989	0	0	0	(1,529,989)	0
<i>Total Primary Government</i>	<u>\$ 50,358,230</u>	<u>\$ 3,314,183</u>	<u>\$ 7,664,467</u>	<u>\$ 17,048</u>	<u>(39,362,532)</u>	<u>0</u>
Component Unit						
Massillon Digital Academy	<u>\$ 223,908</u>	<u>\$ 0</u>	<u>\$ 322,237</u>	<u>\$ 0</u>	<u>0</u>	<u>98,329</u>
General Revenues						
Property Taxes Levied for:						
General Purposes					13,295,192	0
Debt Service					2,436,481	0
Other Purposes					168,684	0
Income Taxes					34,464	0
Grants and Entitlements not Restricted to Specific Programs					21,893,493	4,486
Investment Earnings					842,809	804
Miscellaneous					271,904	65
Premium on Notes					1,510	0
<i>Total General Revenues</i>					<u>38,944,537</u>	<u>5,355</u>
<i>Change in Net Assets</i>					(417,995)	103,684
<i>Net Assets Beginning of Year, Restated</i>					<u>34,960,328</u>	<u>318,025</u>
<i>Net Assets End of Year</i>					<u>\$ 34,542,333</u>	<u>\$ 421,709</u>

The notes to the basic financial statements are an integral part of this statement.

Massillon City School District
Balance Sheet
Governmental Funds
June 30, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$ 9,325,356	\$ 1,489,101	\$ 5,311,207	\$ 16,125,664
Restricted Cash and Cash Equivalents	12,755	0	0	12,755
Receivables:				
Taxes	13,990,895	2,699,909	175,833	16,866,637
Accounts	171,731	0	1,196	172,927
Interfund	346,834	0	0	346,834
Accrued Interest	52,106	0	0	52,106
Intergovernmental	275,081	0	1,099,649	1,374,730
Prepaid Items	29,584	0	0	29,584
Inventory Held For Resale	0	0	17,967	17,967
Materials and Supplies Inventory	8,563	0	4,831	13,394
<i>Total Assets</i>	<u>\$ 24,212,905</u>	<u>\$ 4,189,010</u>	<u>\$ 6,610,683</u>	<u>\$ 35,012,598</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 91,722	\$ 0	\$ 30,492	\$ 122,214
Contracts Payable	0	0	218,666	218,666
Accrued Wages and Benefits	3,199,367	0	762,891	3,962,258
Interfund Payable	0	0	346,834	346,834
Intergovernmental Payable	1,222,213	0	187,343	1,409,556
Matured Compensated Absences Payable	4,052	0	0	4,052
Deferred Revenue	13,249,804	2,544,669	1,022,671	16,817,144
<i>Total Liabilities</i>	<u>17,767,158</u>	<u>2,544,669</u>	<u>2,568,897</u>	<u>22,880,724</u>
Fund Balances				
Fund Balance:				
Reserved for Encumbrances	864,396	0	109,274	973,670
Reserved for Property Taxes	768,660	155,240	12,480	936,380
Reserved for Capital Improvements	12,755	0	0	12,755
Unreserved, Undesignated, Reported in:				
General Fund	4,799,936	0	0	4,799,936
Special Revenue Funds	0	0	1,086,201	1,086,201
Debt Service Fund	0	1,489,101	0	1,489,101
Capital Projects Funds	0	0	2,833,831	2,833,831
<i>Total Fund Balances</i>	<u>6,445,747</u>	<u>1,644,341</u>	<u>4,041,786</u>	<u>12,131,874</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 24,212,905</u>	<u>\$ 4,189,010</u>	<u>\$ 6,610,683</u>	<u>\$ 35,012,598</u>

The notes to the basic financial statements are an integral part of this statement.

Massillon City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2008*

Total Governmental Fund Balances \$ 12,131,874

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 40,851,303

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Tuition and Fees	\$ 125,346
Grants	859,318
Delinquent Property Taxes	1,345,596
Income Taxes	<u>14,576</u>

Total 2,344,836

Bond issuance costs are reported as an expenditure in the funds are allocated as an expense over the life of the bonds on a full accrual basis.

Issuance Costs	226,593
Accumulated Amortization	<u>(59,112)</u>

Total 167,481

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. (161,141)

Long-term liabilities, including capital leases and compensated absences payable, are not due and payable in the current period and, therefore, are not reported in the funds:

General Obligation Bonds	(10,750,000)
Capital Appreciation Bonds	(681,040)
Bond Accretion	(4,360,817)
Bond Anticipation Note	(2,000,000)
Compensated Absences	(2,720,447)
Accrued Vacation Payable	(21,438)
Capital Leases Payable	<u>(258,278)</u>

Total (20,792,020)

Net Assets of Governmental Activities \$ 34,542,333

The notes to the basic financial statements are an integral part of this statement.

Massillon City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2008

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 13,411,136	\$ 2,418,966	\$ 166,329	\$ 15,996,431
Income Taxes	94,296	0	0	94,296
Intergovernmental	21,976,096	483,293	6,470,030	28,929,419
Investment Income	685,307	0	157,502	842,809
Tuition and Fees	2,039,012	0	51,592	2,090,604
Extracurricular Activities	0	0	527,652	527,652
Rentals	53,552	0	6,909	60,461
Customer Sales and Services	178,618	0	456,848	635,466
Gifts and Donations	200	0	127,768	127,968
Miscellaneous	248,288	0	23,625	271,913
<i>Total Revenues</i>	<u>38,686,505</u>	<u>2,902,259</u>	<u>7,988,255</u>	<u>49,577,019</u>
Expenditures				
Current:				
Instruction:				
Regular	15,877,742	0	1,994,988	17,872,730
Special	3,738,804	0	1,052,705	4,791,509
Vocational	1,788,418	0	51,510	1,839,928
Adult Continuing	0	0	40,592	40,592
Other	781,285	0	590,940	1,372,225
Support Services:				
Pupils	2,842,567	0	522,271	3,364,838
Instructional Staff	1,260,657	0	893,598	2,154,255
Board of Education	319,451	0	0	319,451
Administration	2,668,097	0	316,030	2,984,127
Fiscal	714,583	45,662	27,198	787,443
Business	40,124	0	0	40,124
Operation and Maintenance of Plant	5,240,871	0	99,143	5,340,014
Pupil Transportation	1,521,047	0	41,864	1,562,911
Central	439,017	0	61,341	500,358
Operation of Non-Instructional Services:				
Food Service Operations	0	0	1,601,891	1,601,891
Community Services	1,635	0	310,647	312,282
Other	16,689	0	53,129	69,818
Extracurricular Activities	866,647	0	538,123	1,404,770
Capital Outlay	0	0	2,122,925	2,122,925
Debt Service:				
Principal Retirement	50,564	503,638	0	554,202
Interest and Fiscal Charges	13,863	2,034,015	0	2,047,878
<i>Total Expenditures</i>	<u>38,182,061</u>	<u>2,583,315</u>	<u>10,318,895</u>	<u>51,084,271</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>504,444</u>	<u>318,944</u>	<u>(2,330,640)</u>	<u>(1,507,252)</u>
Other Financing Sources (Uses)				
Proceeds of Notes	0	0	2,000,000	2,000,000
Proceeds from Sale of Capital Assets	12,094	0	1,140	13,234
Premium on Notes	0	0	1,510	1,510
<i>Total Other Financing Sources (Uses)</i>	<u>12,094</u>	<u>0</u>	<u>2,002,650</u>	<u>2,014,744</u>
<i>Net Change in Fund Balances</i>	516,538	318,944	(327,990)	507,492
<i>Fund Balances Beginning of Year</i>	<u>5,929,209</u>	<u>1,325,397</u>	<u>4,369,776</u>	<u>11,624,382</u>
<i>Fund Balances End of Year</i>	<u>\$ 6,445,747</u>	<u>\$ 1,644,341</u>	<u>\$ 4,041,786</u>	<u>\$ 12,131,874</u>

The notes to the basic financial statements are an integral part of this statement.

Massillon City 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, 2008*

Net Change in Fund Balances - Total Governmental Funds \$ 507,492

*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 Asset Additions	\$ 2,602,532	
Current Year Depreciation	<u>(2,605,799)</u>	
Total		(3,267)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (123,609)

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

Tuition and Fees	(119,508)	
Grants	637,119	
Delinquent Property Taxes	(96,073)	
Income Taxes	<u>(59,832)</u>	
Total		361,706

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. The governmental funds report the effects of premiums and issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bond Issuance Cost	(9,852)	
Accrued Interest	(107,747)	
Accretion on Capital Appreciation Bonds	<u>635,488</u>	
Total		517,889

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

Bond Principal	503,638	
Capital Leases	<u>50,564</u>	
Total		554,202

Proceeds of note transactions are recorded as revenues in the funds, however, on the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net assets. (2,000,000)

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.

Compensated Absences	(238,334)	
Accrued Vacation Payable	<u>5,926</u>	
Total		<u>(232,408)</u>

Change in Net Assets of Governmental Activities \$ (417,995)

The notes to the basic financial statements are an integral part of this statement.

Massillon City 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, 2008

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 13,383,568	\$ 13,383,568	\$ 13,436,616	\$ 53,048
Income Tax	213,096	213,096	213,096	0
Intergovernmental	21,962,882	21,829,157	21,972,119	142,962
Investment Income	683,322	679,161	683,609	4,448
Tuition and Fees	1,888,618	1,877,118	1,889,412	12,294
Rentals	53,302	52,977	53,324	347
Charges for Services	200	199	200	1
Payment in Lieu of Taxes	19,371	19,253	19,379	126
Contributions and Donations	3,975	3,951	3,977	26
Miscellaneous	66,667	66,261	66,695	434
<i>Total Revenues</i>	<u>38,275,001</u>	<u>38,124,741</u>	<u>38,338,427</u>	<u>213,686</u>
Expenditures				
Current:				
Instruction:				
Regular	16,917,377	16,795,915	16,354,007	441,908
Special	3,967,469	3,938,983	3,835,347	103,636
Vocational	1,982,268	1,968,036	1,916,256	51,780
Other	870,098	863,851	841,123	22,728
Support Services:				
Pupils	3,070,219	3,048,175	2,967,976	80,199
Instructional Staff	1,326,925	1,317,397	1,282,736	34,661
Board of Education	438,641	435,492	424,034	11,458
Administration	2,934,338	2,913,270	2,836,621	76,649
Fiscal	863,538	857,338	834,781	22,557
Business	41,506	41,208	40,124	1,084
Operation and Maintenance of Plant	5,889,957	5,847,668	5,693,814	153,854
Pupil Transportation	1,647,634	1,635,805	1,592,766	43,039
Central	546,616	542,691	528,413	14,278
Operation of Non-instructional Services:				
Other	1,691	1,679	1,635	44
Extracurricular Activities	909,154	902,626	878,878	23,748
<i>Total Expenditures</i>	<u>41,407,431</u>	<u>41,110,134</u>	<u>40,028,511</u>	<u>1,081,623</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(3,132,430)</u>	<u>(2,985,393)</u>	<u>(1,690,084)</u>	<u>1,295,309</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	12,094	12,094	0
Refund of Prior Year Expenditures	50,000	136,925	136,925	0
Insurance Recoveries	0	40,844	40,844	0
Refund of Prior Year Receipts	0	(93,015)	(93,015)	0
Advances In	50,000	60,396	60,396	0
Advances Out	(60,369)	(349,181)	(349,183)	(2)
<i>Total Other Financing Sources (Uses)</i>	<u>39,631</u>	<u>(191,937)</u>	<u>(191,939)</u>	<u>(2)</u>
<i>Net Change in Fund Balance</i>	<u>(3,092,799)</u>	<u>(3,177,330)</u>	<u>(1,882,023)</u>	<u>1,295,307</u>
<i>Fund Balance Beginning of Year</i>	<u>8,869,034</u>	<u>8,869,034</u>	<u>8,869,034</u>	<u>0</u>
Prior Year Encumbrances Appropriated	<u>1,380,274</u>	<u>1,380,274</u>	<u>1,380,274</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$ 7,156,509</u>	<u>\$ 7,071,978</u>	<u>\$ 8,367,285</u>	<u>\$ 1,295,307</u>

The notes to the basic financial statements are an integral part of this statement.

Massillon City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Cash Equivalents	\$ 28,349	\$ 91,853
Liabilities		
Due to Students	0	\$ 91,853
Net Assets		
Held in Trust for Scholarships	\$ 28,349	

The notes to the basic financial statements are an integral part of this statement.

Massillon City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2008

	<u>Scholarship</u>
Additions	
Interest	\$ 960
Deductions	
Scholarships	3,096
<i>Change in Net Assets</i>	(2,136)
<i>Net Assets Beginning of Year</i>	30,485
<i>Net Assets End of Year</i>	\$ 28,349

The notes to the basic financial statements are an integral part of this statement.

Massillon City School District
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2008

NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

Massillon City School District (the “School District”) is organized under Article VI, Section 2 and 3 of the Constitution of the State of Ohio. The School District operates under a locally-elected board form of government consisting of five members elected at-large for staggered four-year terms. The School District provides educational services as authorized by state statute and federal guidelines.

The School District is located in Stark County and encompasses the entire City of Massillon. It controls the School District’s ten instructional/support facilities, staffed by 278 classified employees, 385 certificated full-time teaching personnel, and 22 administrators, who provide services to 4,300 students and other community members.

Reporting Entity

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the basic financial statements of the School District are not misleading. The primary government consists of all funds, departments, boards, agencies and offices that are not legally separate from the School District. For Massillon City School District, this includes 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. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to, or can otherwise access, the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the School District is obligated for the debt of the organization. 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.

Discretely Presented Component Unit – The component unit column in the entity-wide financial statements identify the financial data of the School District’s component unit, the Massillon Digital Academy, which is reported separately to emphasize that it is legally separate from the School District.

Massillon Digital Academy – The Massillon Digital Academy (the “Academy”) is a nonprofit corporation established pursuant to Ohio Revised Code Chapters 3313 and 3314 which is operated under the direction of a six-member board of directors. The Academy, under contractual agreement with the School District, is to deliver a comprehensive educational program of high quality, tied to state and national standards, which can be delivered to students in the K-12 population entirely through distance learning technologies. It is to be operated in cooperation with public schools to provide an innovative and cost-effective solution to the special problems of disabled students, students removed from school for disciplinary reasons, students needing advanced or specialized courses, which are not available locally, and others including home-schooled students who are not currently enrolled in any public school and who are not receiving a meaningful, comprehensive, and standards-based educational program. The Academy, which is part of the state’s education program, is nonsectarian in its programs, admissions policies,

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY

employment practices and all other operations. The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school. The Academy is fiscally dependent on the School District for all accounting and fiscal purposes and is, therefore, presented as a component unit of the School District. Financial statements can be obtained from the Massillon Digital Academy, 207 Oak Street, S.E., Massillon, Ohio 44646.

The School District participates in one jointly governed organization and two public entity risk pools. These organizations are the Stark/Portage Area Computer Consortium (SPARCC), the Stark County Schools Council of Governments Health Benefit Plan and the Stark County Schools Council of Governments Workers' Compensation Group Rating Plan. They are presented in Notes 18 and 19.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 statement of net assets presents the financial condition of the governmental activities of the School District at 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 limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 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. The various funds of the School District are grouped into the categories governmental 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 School Districts major funds are described below:

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

Bond Retirement Debt Service Fund - The bond retirement debt service fund accounts for the accumulation of resources for and the payment of general obligation principal and interest.

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

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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 which accounts for a college scholarship program for students. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School District's agency fund accounts for student activities.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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., expenditures) 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 a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 8). Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the 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 non-exchange transactions must also be available before it can be recognized.

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

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2008, but which were levied to finance fiscal year 2009 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.

E. Budgetary Process

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. Budgetary modifications at this level require a resolution of the Board of Education. The treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

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.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 School District records. Interest in the pool is presented as “equity in pooled cash and cash equivalents” on the financial statements.

During fiscal year 2008, investments were limited to Federal National Mortgage Association notes, Federal Home Loan Bank notes, Federal Home Loan Mortgage Association notes, First American Treasury Market, repurchase agreements, a money market, certificates of deposit and STAROhio.

Except for nonparticipating investment contracts, investments are reported at fair value, which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

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, 2008.

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2008 amounted to \$685,307, which includes \$161,016 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 considered to be cash equivalents. Investments with an original maturity of more than three months that are not made from the pool are reported as investments.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2008, 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 expensed when used. Inventories consist of materials and supplies held for consumption and donated and purchased food held for resale.

I. Deferred Charges

On the governmental fund statements, bond issuance costs are recorded as an expenditure when incurred. Bond issuance costs are reported as deferred and amortized over the term of the bonds using the straight-line method on the government-wide statements since the results are not significantly different from the effective interest method.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They 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 \$500. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not.

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

Description	Estimated Lives
Land Improvements	20 Years
Buildings and Improvements	20-50 Years
Furniture and Fixtures	8-20 Years
Vehicles	10-15 Years

K. Interfund Balances

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

L. 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 employer will compensate the employees for the benefits through paid time off or some other means.

Sick leave benefits are accrued as a liability using the termination method. An accrual for earned sick leave is made to the extent that it is probable that benefits will result in termination payments. The liability is an estimate based on the School District's past experience of making termination payments. The entire compensated absence liability is reported on the government-wide financial statements.

On the governmental fund statements, compensated absences are recognized as a liability and expenditure 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 funds from which the employee will be paid.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements.

In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the funds. However, claims and judgments, compensated absences and special termination benefits 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. Long-term bonds, notes and capital leases are recognized as a liability on the fund financial statements when due.

N. 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. At June 30, 2008, none of the School District's net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities, grants 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.

O. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriations for expenditures. Unreserved fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund balance reserves are established for encumbrances, capital improvements and property taxes.

The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles, but not available for appropriation under State statute.

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.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Extraordinary and Special Items

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

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.

S. Implementation of New Accounting Policies

For the year ended June 30, 2008, the School District has implemented GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*”, GASB Statement No. 48, “*Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*”, GASB Statement No. 49, “*Accounting and Financial Reporting for Pollution Remediation Obligations*”, and GASB Statement No. 50, “*Pension Disclosures – An Amendment of GASB Statements No. 25 and No. 27.*”

GASB Statement No. 45 provides guidance on all aspects of OPEB reporting by employers. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

GASB Statement No. 48 provides guidance on accounting for sales and pledges of receivables and future revenues. The Statement also requires governments to disclose in the notes to the financial statements the amount of future revenues that have been pledged or sold.

GASB Statement No. 49 provides guidance on how to calculate and report the costs and obligations associated with pollution cleanup efforts.

GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statement No. 25, “*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Deferred Contribution Plans,*” and GASB Statement No. 27, “*Accounting for Pensions by State and Local Governmental Employers,*” to conform with requirements of GASB Statement No. 43, “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,*” and GASB Statement No. 45, “*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*”

Implementation of these GASB Statements did not affect the presentation of the financial statements of the School District.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 3: RESTATEMENT OF NET ASSETS

During fiscal year 2008, it was determined the School District was improperly reporting capital assets that had been disposed of in prior years. As a result, net assets have been restated as follows:

	Governmental Activities
Net Assets, June 30, 2007	\$ 35,884,663
Capital Assets, Cost	(1,227,483)
Accumulated Depreciation	303,148
Restated Net Assets, July 1, 2007	\$ 34,960,328

NOTE 4: FUND DEFICITS

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

	Deficit
Nonmajor Special Revenue Funds:	
Other Local Grants	\$ 57,595
Pre-School Grants	41,197
Ohio Reads Programs	23,597
Title VI-B	165,256
DPIA	332,454
Adult Communication Education	2,324
Carl Perkins Grant	11,051
Title I	15,653
Title VI	131,199
Preschool Grants Handicap	36
Title VI-R	50,024

The deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and will provide transfers when cash is required, not when accruals occur.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 5: BUDGETARY BASIS OF ACCOUNTING

While the School District is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual, is presented for the general fund on the budgetary basis to provide meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues and other sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses and other uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than as a reservation of fund balance (GAAP).
4. Advances in and advances out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary basis statement on a fund type basis for the general fund.

Net Change in Fund Balance

	General
GAAP Basis	\$ 516,538
Net adjustment for revenue accruals	(219,853)
Fair Value Adjustment for Investments	49,544
Advance In	60,396
Advance Out	(349,183)
Net adjustment for expenditure accruals	(1,018,185)
Encumbrances	(921,280)
Budget Basis	\$ (1,882,023)

NOTE 6: DEPOSITS AND INVESTMENTS

State statues classify monies held by the School District into three categories.

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

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and any 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 (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any 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 noted 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, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

According to State law the School District has no deposit policy for custodial risk beyond the requirements of State Statute, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2008, the School District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

Custodial credit risk is the risk that, in the event of a bank failure, the School District's deposits may not be returned. All deposits are collateralized with eligible securities in amounts equal to at least 105 percent of the carrying value of the deposits. Such collateral, as permitted by the Ohio Revised Code, is held in single financial institution collateral pools at Federal Reserve Banks, or at member banks of the federal reserve system, in the name of the respective depository bank and pledged as collateral against all of the uninsured public deposits it holds or as specific collateral held at the Federal Reserve Bank in the name of the School District.

At fiscal year-end, the carrying amount of the School District's deposits was \$548,904, which includes petty cash and cash on-hand in the amount of \$600. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2008, \$794,116 of the School District's bank balance of \$994,116 was exposed to custodial risk as discussed above, while \$144,297 was covered by Federal Deposit Insurance Corporation. Deposits that are not covered by depository insurance are collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

Investments

As of June 30, 2008, the School District had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities</u>			
		<u>6 Months or Less</u>	<u>7 to 12 Months</u>	<u>13 to 18 Months</u>	<u>19 to 24 Months</u>
Federal National Mortgage Association (FNMA) Notes	\$ 2,282,633	\$ 498,150	\$ 1,784,483	\$ 0	\$ 0
Federal Home Loan Bank (FHLB) Notes	4,695,004	1,006,250	2,965,161	323,473	400,120
Federal Home Loan Mortgage Association (FHLMA) Notes	3,122,032	782,505	1,364,182	975,345	0
First American Treasury Market	26,519	26,519	0	0	0
Repurchase Agreements	2,010,000	2,010,000	0	0	0
STAROhio	3,573,529	3,573,529	0	0	0
Total Investments	\$ 15,709,717	\$ 7,896,953	\$ 6,113,826	\$ 1,298,818	\$ 400,120

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 6: DEPOSITS AND INVESTMENTS (Continued)

Interest Rate Risk As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less.

Credit Risk The repurchase agreement is unrated. Standard & Poor's has assigned STAROhio an AAA rating. First American Treasury Market, FNMA notes, FHLB notes and FHLMA notes were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes. Ohio law requires that STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service and that the money market fund be rated in the highest category at the time of purchase by at least one nationally recognized standard rating service.

Concentration of Credit Risk The School District places no limit on the amount the School District may invest in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2008:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Federal National Mortgage Association (FNMA) Notes	\$ 2,282,633	14.89%
Federal Home Loan Bank (FHLB) Notes	4,695,004	30.62%
Federal Home Loan Mortgage Association (FHLMA) Notes	3,122,032	20.36%
First American Treasury Market	26,519	0.17%
Repurchase Agreements	2,010,000	10.66%
STAROhio	<u>3,573,529</u>	<u>23.30%</u>
Total	<u>\$ 15,709,717</u>	<u>100.00%</u>

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 7: CAPITAL ASSETS

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

	Restated Balance <u>06/30/2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>06/30/2008</u>
Governmental Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 3,540,236	\$ 100,000	\$ (87,600)	\$ 3,552,636
Construction in Progress	292,545	147,911	(440,456)	0
<i>Total Capital Assets Not Being Depreciated</i>	<u>3,832,781</u>	<u>247,911</u>	<u>(528,056)</u>	<u>3,552,636</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	6,009,495	440,456	(56,854)	6,393,097
Buildings and Improvements	46,880,343	1,792,054	0	48,672,397
Furniture and Fixtures	9,425,080	527,582	(164,133)	9,788,529
Vehicles	1,917,751	34,985	(127,118)	1,825,618
<i>Total Capital Assets, Being Depreciated</i>	<u>64,232,669</u>	<u>2,795,077</u>	<u>(348,105)</u>	<u>66,679,641</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(3,110,101)	(280,151)	39,196	(3,351,056)
Buildings and Improvements	(16,037,033)	(1,654,953)	0	(17,691,986)
Furniture and Fixtures	(6,390,410)	(596,843)	163,117	(6,824,136)
Vehicles	(1,549,727)	(73,852)	109,783	(1,513,796)
<i>Total Accumulated Depreciation</i>	<u>(27,087,271)</u>	<u>(2,605,799) *</u>	<u>312,096</u>	<u>(29,380,974)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>37,145,398</u>	<u>189,278</u>	<u>(36,009)</u>	<u>37,298,667</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 40,978,179</u>	<u>\$ 437,189</u>	<u>\$ (564,065)</u>	<u>\$ 40,851,303</u>

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 7: CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,756,009
Special	15,398
Vocational	149,961
Adult/Continuing	379
Support Services:	
Pupil	14,431
Instructional Staff	18,374
Administration	26,796
Fiscal	4,439
Business	2,242
Operation and Maintenance of Plant	194,354
Pupil Transportation	93,211
Operation of Non-Instructional Services:	
Operation of Food Services	23,911
Community Services	7,930
Extracurricular Activities	298,364
Total Depreciation Expense	\$ 2,605,799

NOTE 8: 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 2008 represents collections of calendar 2007 taxes. Real property taxes received in calendar year 2008 were levied after April 1, 2007, on the assessed value listed as of January 1, 2007, the lien date. Assessed values for real property taxes are established by State Law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

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

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 8: PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar 2008 (other than public utility property) represents the collection of 2008 taxes. Tangible personal property taxes received in calendar year 2008 were levied after April 1, 2008, on the value as of December 31, 2007. Tangible personal property assessments are being phased out. The assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2008 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the District prior to June 30.

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

The School District receives property taxes from Stark 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, 2008, are available to finance fiscal year 2008 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, 2008 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and 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.

The amount available as an advance at June 30, 2008 was \$768,660 in the general fund, \$155,240 in the bond retirement debt service fund, and \$12,480 in the classroom facilities maintenance special revenue fund.

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.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 8: PROPERTY TAXES (Continued)

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

	2007 Second Half Collections		2008 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential and Other Real Estate	\$ 402,082,020	88.78%	\$ 412,457,460	91.95%
Public Utility Personal	21,666,740	4.78%	18,778,830	4.19%
Tangible Personal Property	29,160,400	6.44%	17,307,553	3.86%
	\$ 452,909,160	100.00%	\$ 448,543,843	100.00%
Tax rate per \$1,000 assessed valuation	\$ 48.60		\$ 49.40	

NOTE 9: RECEIVABLES

Receivables at June 30, 2008 consisted of taxes, accounts (rent, student fees and tuition), interfund, 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 year guarantee of federal funds. All are expected to be received within one year.

NOTE 10: 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 2008, the School District contracted with Indiana Insurance Company for various types of insurance as follows:

Coverage	Amount
General Liability:	
Occurrence	\$ 1,000,000
Aggregate	2,000,000
Umbrella	3,000,000
Buildings and Contents	108,567,698
Automobile Liability	1,000,000

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

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 10: RISK MANAGEMENT (Continued)

B. Employee Health Benefits

The School District participates in the Stark County Schools Council of Governments Health Benefits Program, a shared risk pool (Note 18) to provide employee medical/surgical benefits. The Council is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

The intent of the insurance pool is to achieve a reduced, stable and competitive rate for the School District by grouping with other members of the Health Benefits Program. The experience of all participating districts is calculated as one and a common premium rate is applied to all member districts.

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. For fiscal year 2008 the School District's premiums were \$969.63 for family coverage and \$399.15 for single coverage per employee per month. Dental and vision insurance is also provided by the School District to qualified employees through the Stark County Schools Council of Governments. For fiscal year 2008, the School District's cost was \$125.03 and \$26.54 for family coverage and \$50.68 and \$10.68 for single coverage per employee per month, respectively.

Claims are paid for all participants regardless of claims flow. Upon termination, all School District claims would be paid without regard to the School District's account balance. The Stark County Schools Council of Government Board of Directors has the right to return monies to an existing school district subsequent to the settlement of all expenses and claims.

C. Workers' Compensation

The School District participates in the Stark County Schools Council of Government Workers' Compensation Group Rating Plan, an insurance purchasing pool (Note 18). 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 participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant pays its worker's compensation premium to the State Bureau of Workers' Compensation based on the rate for the group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings 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 school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 11: PENSION PLANS

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (“SERS”), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor 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 can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS’ website at www.ohsers.org under Forms and Publications.

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 rate is 14 percent of annual covered payroll. 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 contributions to SERS for the years ended June 30, 2008, 2007 and 2006 were \$1,027,164, \$969,120 and \$882,528, respectively; 50 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006.

B. State Teachers Retirement System

The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer defined benefit pension plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to STRS Ohio, 275 East Broad Street, Columbus, Ohio 43215-3371, by calling (888) 227-7877, or by visiting the STRS Ohio website at www.strsoh.org.

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. 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 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 DB 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.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 11: PENSION PLANS (Continued)

A DB or Combined Plan member with five or more years of 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, 2008, 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. For fiscal year 2007 (the latest information available), the portion used to fund pension obligations was also 13 percent. 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 employer contributions.

The School District's required contributions for pension obligations to the DB Plan for the fiscal years ended June 30, 2008, 2007 and 2006 were \$2,880,408, \$2,800,200 and \$2,728,836, respectively; 82 percent has been contributed for fiscal year 2008 and 100 percent for the fiscal years 2007 and 2006. Contributions to the DC and Combined Plans for fiscal year 2008 were \$28,784 made by the School District and \$48,157 made by the plan members.

NOTE 12: POSTEMPLOYMENT BENEFITS

The School District provides comprehensive health care benefits to retired teachers and their dependents through the State Teachers Retirement System of Ohio ("STRS Ohio"), 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 Part B premiums. Benefit provisions and the obligations to contribute are established by the Systems based on authority granted by State statute. Both systems are on a pay-as-you-go basis.

All STRS Ohio retirees who participated in the DB or Combined Plans and their dependents are eligible for health care coverage. The STRS Ohio Board has statutory authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. All benefit recipients pay a portion of the health care cost in the form of a monthly premium. Of the 14 percent employer contribution rate, 1 percent of covered payroll was allocated to post-employment health care for the years ended June 30, 2008, 2007 and 2006. The School District's contributions for fiscal years ended June 30, 2008, 2007 and 2006 were \$205,743, \$200,014 and \$194,917, respectively.

STRS Ohio pays health care benefits from the Health Care Stabilization Fund. At June 30, 2007 (the latest information available), the balance in the Fund was \$4.1 billion. For the fiscal year ended June 30, 2007, net health care costs paid by STRS Ohio were \$265,558,000 and STRS Ohio had 122,934 eligible benefit recipients.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 12: POSTEMPLOYMENT BENEFITS (Continued)

In addition to a cost-sharing multiple-employer defined benefit pension plan, SERS administers two postemployment benefit plans, the Medicare Part B Plan and the Health Care Plan. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code (ORC) 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B premium for calendar year 2007 was \$93.50; SERS' reimbursement to retirees was \$45.50. The Retirement Board, acting with the advice of the actuary, allocates a portion of the current employer contribution rate to the Medicare B Fund. For fiscal year 2007 (the latest information available), the actuarially required allocation was .68 percent. The School District's contributions for the year ended June 30, 2008 were \$49,890, which equaled the required contributions for the year.

ORC 3309.375 and 3309.69 permit SERS to offer health care benefits to eligible retirees and beneficiaries. SERS' Retirement Board reserves the right to change or discontinue any health plan or program. SERS offers several types of health plans from various vendors, including HMO's, PPO's and traditional indemnity plans. A prescription drug program is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The ORC provides the statutory authority to fund SERS' postemployment benefits through employer contributions. Active members do not make contributions to the postemployment benefit plans.

The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). Each year after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer 14 percent contribution to the Health Care Fund. At June 30, 2007, the health care allocation was 3.32 percent. The actuarially required contribution (ARC), as of the December 31, 2006 annual valuation (the latest information available), was 11.50 percent of covered payroll. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities of the plan over a period not to exceed thirty years. The School District's contributions for the years ended June 30, 2008, 2007 and 2006 were \$340,486, \$365,259 and \$339,353, respectively.

An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2008, the minimum compensation level was established at \$35,800.

The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility and retirement status.

The financial reports of SERS' Health Care and Medicare B plans are included in its Comprehensive Annual Financial Report. The report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Forms and Publications.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 13: OTHER EMPLOYEE BENEFITS

A. *Compensated Absences*

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. All employees earn three days of personal leave per year. This may not be accumulated. Classified employees earn five to 25 days of vacation per fiscal year, depending upon length of service. Vacation days may be accumulated up to a maximum of 25 days. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 303 days for all personnel. Upon completion of ten or more years of service to the School District, state, or other political subdivision, and retirement from the profession, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 74 days for certified employees and 50 days for classified employees.

B. *Life Insurance*

The School District provides life insurance and accidental death and dismemberment insurance to all employees through the Stark County Schools Council of Governments Health Benefit Plan. Coverage is provided for all certified and classified employees depending on salary, ranging from \$50,000 to \$70,000.

NOTE 14: INTERFUND BALANCES

Interfund balances at June 30, 2008 consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable
	General
<i>Nonmajor Special Revenue Funds:</i>	
Miscellaneous State Grants	\$ 30,022
Title I	80,354
Title IV	2,264
Title II	24,316
Ohio Reads	25,780
Title IID	14,538
Other Local Grants	79,382
Public Preschool	53
IDEA B	72,467
Carl Perkins Grant	6,503
Adult Communication Education Fund	11,091
Title VI Fund	64
Total	\$ 346,834

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 14: INTERFUND BALANCES (Continued)

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

NOTE 15: LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2008 were as follows:

	<u>Outstanding 6/30/2007</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 6/30/2008</u>	<u>Due Within One Year</u>
Governmental Activities					
<i>General Obligation Bonds:</i>					
2003 Middle School Bonds:					
\$3,565,000-2.00-4.00% Serial Bonds	\$ 2,780,000	\$ 0	\$ (265,000)	\$ 2,515,000	\$ 280,000
\$8,235,000-4.75-5.25% Term Bonds	8,235,000	0	0	8,235,000	0
1994 High School Bonds:					
\$919,678-5.10-5.30% Capital Appreciation Bonds	919,678	0	(238,638)	681,040	207,926
Accretion on Capital Appreciation Bonds	4,996,305	885,874	(1,521,362)	4,360,817	1,552,074
<i>Total General Obligation Bonds</i>	16,930,983	885,874	(2,025,000)	15,791,857	2,040,000
Other Long-Term Obligations:					
2007 Bond Anticipation Note, 6% interest rate , maturing July 2008	0	2,000,000	0	2,000,000	2,000,000
Capital Leases	308,842	0	(50,564)	258,278	52,833
Compensated Absences	2,482,113	516,328	(277,994)	2,720,447	0
<i>Total General Long-Term Obligations</i>	<u>\$ 19,721,938</u>	<u>\$ 3,402,202</u>	<u>\$(2,353,558)</u>	<u>\$ 20,770,582</u>	<u>\$ 4,092,833</u>

1994 School Improvement Bonds

On January 15, 1994 the School District issued \$18,439,678 in voted general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$17,520,000 and \$919,678, respectively. The bonds were used to renovate and improve the high school. They were issued for an eighteen year period with final maturities at December 1, 2011.

The capital appreciation bonds will mature December 1, 2007 through December 1, 2011. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$8,785,000. The fiscal year 2008 accretion amount is \$885,874.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 15: LONG-TERM OBLIGATIONS (Continued)

2004 Various Purpose Improvement Bonds

On January 15, 2004, the School District issued \$11,800,000 in voted general obligation bonds, which included serial and term bonds in the amount of \$3,565,000 and \$8,235,000, respectively. The bonds were used to purchase land and construct a new middle school. They were issued for a twenty-two year period with final maturities at December 1, 2025.

On July 30, 2007 the School District issued \$2,000,000 in bond anticipation notes to provide funds for the installations, modifications and remodeling of school buildings to conserve energy. The notes were issued for one year, and are backed by the full faith and credit of the School District.

The general obligation bonds will be paid from the bond retirement debt service fund. Capital leases will be paid from the general fund. Compensated absences will be paid from the general fund and the food service fund.

The following is a summary of the School District's annual debt service principal and interest payments on debt outstanding at June 30, 2008:

Fiscal Year Ending June 30,	2007 Bond Anticipation Notes		2003 Middle School Bonds				1994 High School Bonds	
			Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 2,000,000	\$ 120,000	\$ 280,000	\$ 505,140	\$ 0	\$ 0	\$ 207,926	\$ 1,552,074
2010	0	0	295,000	496,146	0	0	180,835	1,574,165
2011	0	0	335,000	485,741	0	0	156,617	1,598,383
2012	0	0	355,000	473,740	0	0	135,662	1,619,338
2013	0	0	375,000	460,319	0	0	0	0
2014-2018	0	0	875,000	872,076	2,200,000	1,453,700	0	0
2019-2023	0	0	0	0	3,995,000	1,029,658	0	0
2024-2026	0	0	0	0	2,040,000	104,500	0	0
Total	<u>\$ 2,000,000</u>	<u>\$ 120,000</u>	<u>\$ 2,515,000</u>	<u>\$ 3,293,162</u>	<u>\$ 8,235,000</u>	<u>\$ 2,587,858</u>	<u>\$ 681,040</u>	<u>\$ 6,343,960</u>

NOTE 16: CAPITAL LEASES

During 2005, the School District entered into a capitalized lease for a telephone system. This lease meets the criteria of a capital lease as defined by Statement of Financial Accounting Standards No. 13, "Accounting for Leases," which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets acquired by the leases have been capitalized in the amount of \$459,311. This amount represents the present value of the minimum lease payments at the time of acquisition. Capital lease payments will be reclassified and reflected as debt service expenditures on the fund financial statements for the governmental funds. These expenditures are reflected as \$50,564 expenditures on the budgetary basis in the general fund.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 16: CAPITAL LEASES (Continued)

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

		Amount
Fiscal Year Ended June 30,	2009	\$ 64,427
	2010	64,427
	2011	64,427
	2012	64,427
	2013	33,734
		291,442
Less: amount representing interest		33,164
Present value of net minimum lease payments		\$ 258,278

NOTE 17: CONTRACTUAL COMMITMENTS

As of June 30, 2008, the School District had a contractual purchase commitment for the following project:

	Purchase Commitment	Amount Paid as of 06/30/2008	Amounts Remaining on Contract
Field Turf, Inc. - New field turf for football field	\$ 292,546	\$ 99,040	\$ 193,506
Vasco Asphalt Company - Turf preparation for football field	147,750	120,000	27,750
	\$ 440,296	\$ 219,040	\$ 221,256

NOTE 18: JOINTLY GOVERNED ORGANIZATION

Stark/Portage Area Computer Consortium

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 school districts, the Stark County Educational Service Center and the Portage County Educational Service Center and the Portage County Education Service Center. The purpose of the organization is to apply modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating district is limited to its representation on the assembly, which appoints the five-member executive board. The executive board exercises total control over the operation of SPARCC including budgeting, appropriating, contracting and designating management. The executive board consists of five superintendents. All revenues are generated from State funding and an annual fee charged to participating districts. The School District paid \$374,333 to SPARCC during the fiscal year 2008. The Stark County Educational Service Center is the fiscal agent of SPARCC. Financial information can be obtained by writing to the Stark County Educational Service Center, 2100 38th Street NW, Canton, OH 44709-2300.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 19: PUBLIC ENTITY RISK POOLS

A. Risk Sharing Pool

The Stark County Schools Council of Governments Health Benefit Plan (Council) is a shared risk pool created pursuant to state statute for the purpose of administering health care benefits. The Council is governed by an assembly, which consists of one representative from each participating school district (usually the superintendent or designee). The assembly elects officers for one-year terms to serve on the board of directors. The assembly exercises control over the operation of the Council. All Council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans.

B. Insurance Purchasing Pool

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

NOTE 20: CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is 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 effect on the overall financial position of the School District at June 30, 2008.

B. Litigation

The School District is party to various legal proceedings. The amount of the liability, if any, cannot be reasonably estimated at this time.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 21: SET-ASIDE CALCULATIONS

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 the end of the fiscal year or offset by similarly restricted resources received during the year must be held in cash at year-end. These amounts must be carried forward to be used for the same purposes in future years.

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

	Textbooks	Capital Improvements	Totals
Set-Aside Reserve Balance as of June 30, 2007	\$ 0	\$ 0	\$ 0
Current Year Set-Aside Requirement	695,483	695,483	1,390,966
Balance Carried over from Prior Year	(147,335)	0	(147,335)
Qualifying Disbursements	(795,000)	(682,728)	(1,477,728)
 Totals	 \$ (246,852)	 \$ 12,755	 \$ (234,097)
 Set-Aside Balance Carried Forward to Future Fiscal Years	 \$ (246,852)	 \$ 12,755	
 Set-Aside Reserve Balance as of June 30, 2008	 \$ 0	 \$ 12,755	

The School District had qualifying disbursements during the fiscal year that reduced the textbook set-aside amount below zero. This extra amount may be used to reduce the set-aside requirement in future years. The School District did not have qualifying disbursements during the fiscal year that reduced the capital improvements set-aside amount below zero, and is required to establish a fund balance reserve.

NOTE 22: RELATED PARTY TRANSACTIONS

During 2008, the School District provided accounting and fiscal services to the Massillon Digital Academy (the "Digital Academy"), a discretely presented component unit of the School District. The School District acts as the Sponsor for the Academy. The School District and the Academy entered into a 5-year sponsorship agreement commencing on the first day of the 2002 academic year whereby terms of the sponsorship were established. Pursuant to this agreement, the School District's treasurer serves as the Academy's fiscal officer. The School District is to be paid an initial payment of \$25,000 and \$150 per student per year for various services by the Academy; however, the School District waived the \$150 per student for fiscal year 2008.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 23: SUBSEQUENT EVENT

On July 31, 2008, the District issued \$2 million in Energy Conservation Improvement Notes.

NOTE 24: MASSILLON DIGITAL ACADEMY

The Massillon Digital Academy (the “Digital Academy”) has been determined to be a discrete component unit. The School District Management has determined it is significant; therefore, it has been included as part of the School District’s basic financial statements. The Digital Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to Massillon Digital Academy, 207 Oak Street S.E., Massillon, Ohio 44646.

A. *Significant Accounting Policies*

Accounting Basis The basic financial statements of the Digital Academy 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 Digital Academy also applies Financial Accounting Standards Board (FASB) statements and interpretations issued on or before November 30, 1989, provided those pronouncements do not conflict with or contradict GASB pronouncements. The Digital Academy has elected not to apply FASB pronouncements and interpretations issued after November 30, 1989. The Digital Academy’s significant accounting policies are described below.

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.

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 statement of revenues, expenses and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows reflects how the Digital Academy finances and meets its cash flow needs.

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. The Digital Academy’s financial statements are prepared using the accrual basis of accounting. Revenues resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded when the exchange takes place. Revenues resulting from nonexchange transactions, in which the Digital Academy receives values without directly giving equal value in return, such as grants and entitlements, are recognized in the 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 Academy must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Digital Academy on a reimbursement basis. Expenses are recognized at the time they are incurred.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 24: MASSILLON DIGITAL ACADEMY (Continued)

Budget Process Unlike other public schools located in the state of Ohio, community schools are not required to follow budgetary provisions set forth in Ohio Rev. Code Chapter 5705, unless specifically provided in the Digital Academy's contract with its sponsor. The contract between the Digital Academy and its Sponsor does not prescribe a budgetary process for the Digital Academy.

Cash and Cash Equivalents Cash held by the Digital Academy is reflected as "Cash and Cash Equivalents with Fiscal Agents" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During 2008, the Academy had no investments.

Intergovernmental Revenues The Digital Academy currently participates in the State Foundation Program. Revenue received from this program is recognized as operation revenues (foundation payments) in the accounting period in which they are earned and become measurable.

Grants and entitlements are recognized as non-operating revenues in the accounting period in which all eligibility requirements have been met.

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 Digital Academy must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the Digital Academy on a reimbursement basis.

The Digital Academy also participates in several state and federal grant programs. Revenue received from these programs is recognized as non-operating revenue in the accompanying financial statements.

Amounts awarded under the grant programs for the years ended June 30, 2008 and 2007 totaled \$4,486 and \$3,000, per year, respectively.

Capital Assets and Depreciation 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 Digital Academy maintains a capitalization threshold of five hundred dollars. The Digital Academy does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

All reported capital assets are depreciated. Capital leases are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method. Furniture and equipment is depreciated over a period of five to eight years.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 24: MASSILLON DIGITAL ACADEMY (Continued)

Net Assets Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitation imposed on their use either through the enabling legislation adopted by the academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Digital Academy had unrestricted net assets of \$321,869 and \$10,396 of restricted net assets at year end. The Digital Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

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

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.

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

B. Deposits

At June 30, 2008 the carrying amount of the Digital Academy's deposits was \$332,265 and the bank balance was \$488,580. At year-end, \$388,580 of the Digital Academy's bank balance was exposed to custodial risk, while \$100,000 was covered by Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

C. Capital Assets

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

	06/30/2007	Additions	Disposals	06/30/2008
Furniture	\$ 2,646	\$ 0	\$ 0	\$ 2,646
Computer Equipment	198,691	0	0	198,691
Less: Accumulated Depreciation	<u>(71,824)</u>	<u>(40,069)</u>	<u>0</u>	<u>(111,893)</u>
Total Capital Assets, Net	<u>\$ 129,513</u>	<u>\$ (40,069)</u>	<u>\$ 0</u>	<u>\$ 89,444</u>

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 24: MASSILLON DIGITAL ACADEMY (Continued)

D. Fiscal Officer

The sponsorship agreement states the Treasurer of the Massillon City School District shall serve as the Fiscal Officer of the Digital Academy.

The Treasurer of Massillon City School District shall perform the following functions while serving as the fiscal officer of the Digital Academy:

- A. Maintain the financial records of the Digital Academy in conformance with generally accepted accounting principles as required by the State Auditor;
- B. Comply with the operating policies recommended by the State Auditor, including those related to the presentation, review, discussion, and approval or rejection of a line item budget and regular reports of current and encumbered expense;
- C. Comply with the requirements and procedures for financial audits by the Auditor of the State.

E. Related Party Transactions

The Digital Academy is a component unit of the Massillon City School District (the "School District"). The School District is the Academy's sponsor. The Digital Academy and the School District entered into a 5-year sponsorship agreement commencing on the first day of the 2002 academic year, whereby terms of the sponsorship were established. Pursuant to this agreement, the School District's treasurer serves as the Digital Academy's fiscal officer. The Digital Academy is required to pay an initial payment of \$25,000 and \$150 per student per year to the School District, from funding provided to the Academy by the Ohio Department of Education pursuant to Section 3314.08 of the Ohio Revised Code. The Sponsor has not requested payment of the \$150 per student since the Academy's inception. The Sponsor realizes that the survival of the Academy's existence rests on the operational funds provided through the State Foundation program.

F. Purchased Services

For fiscal year ended June 30, 2008, purchased services expenses were as follows:

Professional and Technical Services	\$ 174,855
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G. Contingencies

Grants The Digital Academy 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 agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of the management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Digital Academy at June 30, 2008.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2008

NOTE 24: MASSILLON DIGITAL ACADEMY (Continued)

Full Time Equivalency 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 conclusions of this review could result in state funding being adjusted. This information was not available as of the date of this report. The Digital Academy does not anticipate any significant adjustments to state funding for fiscal year 2008 as a result of such review.

H. Risk Management

The Digital Academy 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. For the year ended 2008, the Digital Academy contracted with the Indiana Insurance Company through its agent Leonard Insurance Services of Canton, Ohio. Settlements have not exceeded coverage in the prior fiscal years. There has not been a significant reduction in coverage from the prior year.

**Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Education
Massillon City School District
Massillon, Ohio

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Massillon City School District (the "District"), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 8, 2009, wherein we noted the District implemented GASB Statement No.'s 45, 48, 49 and 50, as described in Note 2. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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

We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting: 2008-1.

Board of Education
Massillon City School District

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider finding number 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the District's Finance Committee, Board of Education, management, the Auditor of State's Office, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cini & Paricki, Inc.

Cleveland, Ohio
May 8, 2009

**Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133**

Board of Education
Massillon City School District
Massillon, Ohio

Compliance

We have audited the compliance of the Massillon City School District (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 are applicable to each of its major federal programs for the year ended June 30, 2008. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District’s management. 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 obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District’s compliance with those requirements.

In our opinion, the Massillon City School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2008, and have issued our report thereon dated May 8, 2009, wherein we noted the District implemented GASB Statement No.'s 45, 48, 49 and 50, as described in Note 2.

Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the District's Finance Committee, Board of Education, management, the Auditor of State's Office, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Cleveland, Ohio
May 8, 2009

Massillon City School District

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Non-cash Receipts	Disbursements	Non-Cash Disbursements
U.S. Department of Agriculture: Passed-Through Ohio Department of Education:						
Food Distribution Program	10.550	N/A	\$ -	\$ 134,206	\$ -	\$ 134,206
Nutrition Cluster:						
National School Lunch Program	10.555	N/A	1,639,360	-	1,142,265	-
Total U.S. Department of Agriculture			1,639,360	134,206	1,142,265	134,206
U.S. Department of Education: Passed-Through Ohio Department of Education:						
Adult Basic Education Grant Program	84.002	044354-ABS1-2007	6,399	-	6,399	-
Adult Basic Education Grant Program	84.002	044354-ABS1-2008	58,047	-	72,986	-
Total Adult Basic Education Grant Program			64,446	-	79,385	-
Title I, Part A, ESEA	84.010	044354-C1SN-2007	15,511	-	17,739	-
Title I, Part A, ESEA	84.010	044354-C1SN-2008	8,491	-	-	-
Title I, Part A, ESEA	84.010	044354-C1S1-2007	-	-	114,704	-
Title I, Part A, ESEA	84.010	044354-C1S1-2008	826,889	-	906,859	-
Total Title I, Part A, ESEA			850,891	-	1,039,302	-
Special Education Cluster:						
Special Education Grants to States	84.027	044354-6BSF-2007	157,101	-	200,415	-
Special Education Grants to States	84.027	044354-6BSF-2008	974,260	-	1,046,649	-
Total Special Education Grants to States			1,131,361	-	1,247,064	-
Special Education Preschool Grants	84.173	044354-PGS1-2007	15,714	-	15,792	-
Special Education Preschool Grants	84.173	044354-PGS1-2008	-	-	654	-
Total Special Education Preschool Grants			15,714	-	16,446	-
Total Special Education Cluster			1,147,075	-	1,263,510	-
Vocational Education Basic Grants to States	84.048	044354-20C1-2006	-	-	(216)	-
Vocational Education Basic Grants to States	84.048	044354-20C1-2007	1,813	-	8,676	-
Vocational Education Basic Grants to States	84.048	044354-20C1-2008	66,822	-	73,326	-
Total Vocational Education Basic Grants to States			68,635	-	81,786	-
Title IV, Drug-Free Schools Grant	84.186	044354-DRS1-2008	5,626	-	5,822	-
Twenty-First Century Community Learning Center						
Kaleidoscope Grant	84.287	044354-T1S1-2008	169,059	-	171,295	-
Kaleidoscope Grant	84.287	044354-T1S1-2008	181,209	-	182,870	-
Total Twenty-First Century Community Learning Center			350,268	-	354,165	-

Continued

The accompanying notes are an integral part of this schedule

Massillon City School District

Schedule of Expenditures of Federal Awards (continued)

For the year ended June 30, 2008

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Number	Receipts	Non-cash Receipts	Disbursements	Non-Cash Disbursements
Title V, Innovative Education Program Strategies 84.298		044354-C2S1-2007	6,042	-	10,389	-
Title V, Innovative Education Program Strategies 84.298		004354-C2S1-2008	6,067	-	6,131	-
Total Title V, Innovative Education Program Strategies			12,109	-	16,520	-
Title II-D Technology Literacy Grant	84.318	044354-TJS1-2007	1,793	-	1,336	-
Title II-D Technology Literacy Grant	84.318	044354-TJS1-2008	2,436	-	6,919	-
Total Title II-D Technology Literacy Grant			4,229	-	8,255	-
Comprehensive School Reform Demonstration 84.332		044354-RFCC-2007	4,754	-	999	-
Comprehensive School Reform Demonstration 84.332		044354-RFCC-2008	5,178	-	5,178	-
Total Comprehensive School Reform Demonstration			9,932	-	6,177	-
Title II-A, Improving Teacher Quality State Grant 84.367		044354-TRS1-2007	29,081	-	34,455	-
Title II-A, Improving Teacher Quality State Grant 84.367		044354-TRS1-2008	246,240	-	270,555	-
Total Title II-A, Improving Teacher Quality State Grant			275,321	-	305,010	-
Total U.S. Department of Education			2,788,532	-	3,159,932	-
U.S. Department of Health and Human Services						
Passed through the Ohio Department of Mental Retardation and Developmental Disabilities:						
Medical Assistance Program (CAFS)	93.778	N/A	16,374	-	-	-
Student Intervention TANF Demonstration Project 93.558		N/A	-	-	39,596	-
Student Intervention TANF Demonstration Project 93.558		N/A	7,590	-	2,962	-
Student Intervention TANF Demonstration Project 93.558		N/A	-	-	2,130	-
Total Student Intervention TANF Demonstration Project			7,590	-	44,688	-
Total U.S. Department of Health and Human Services			23,964	-	44,688	-
Total Expenditures of Federal Awards			\$ 4,451,856	\$ 134,206	\$ 4,346,885	\$ 134,206

The accompanying notes are an integral part of this schedule

Massillon City School District

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2008

Note 1: Significant Accounting Policies

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the District and is presented on the cash basis of accounting. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

Non-Cash Support

The District receives non-cash support in the form of food subsidies from the National School Lunch Program ("NSLP"), CFDA 10.550 through the U.S. Department of Agriculture. The value of the food subsidies is determined by using the fair market value of the food items as quoted by local food suppliers.

Negative Receipts

The negative receipts for the Vocational Education Basic Grants to States, CFDA #84.048 in the amount of \$216 represents the amount that was transferred or refunded to the State due to expiration of the period of availability.

CFDA – Catalog of Federal Domestic Assistance

Massillon City School District

Schedule Of Findings

OMB Circular A-133 Section .505

June 30, 2008

1. Summary of Auditors' Results

(d)(I)(i)	Type of Financial Statement Opinion	Unqualified
(d)(I)(ii)	Were there any significant deficiencies reported at the financial statement level (GAGAS)?	Yes
(d)(I)(ii)	Were there any material weaknesses reported at the financial statement level (GAGAS)?	Yes
(d)(I)(iii)	Was there any material noncompliance reported at the financial statement level (GAGAS)?	No
(d)(I)(iv)	Was there any material weaknesses reported for major federal programs?	No
(d)(I)(iv)	Were there any other significant control deficiencies reported for major federal programs?	No
(d)(I)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(I)(vi)	Are there any reportable findings under Section .501?	No
(d)(I)(vii)	Major Programs	Nutrition Cluster CFDA 10.555, 21 st Century CFDA 84.287, Improving Teacher Quality CFDA 84.367
(d)(I)(viii)	Dollar Threshold: Type A/B Programs	Type A: >\$300,000 Type B: All Others
(d)(I)(ix)	Low Risk Auditee?	Yes

Massillon City School District

Schedule Of Findings (continued)
OMB Circular A-133 Section .505

June 30, 2008

2. Findings Related to the Financial Statements Required to be Reported in Accordance with GAGAS

Findings	Findings Summary
2008-1	<p data-bbox="305 552 1105 583"><i>Financial Reporting – Significant Deficiency / Material Weakness</i></p> <p data-bbox="305 615 1419 705">Sound financial reporting is the responsibility of the Treasurer and the Board of Education and is essential to ensure the information provided to the readers of the financial statements is complete and accurate.</p> <p data-bbox="305 737 1419 800">The following audit adjustments were made to the financial statements, and where applicable, to the District's accounting records:</p> <ol data-bbox="354 831 1419 894" style="list-style-type: none"><li data-bbox="354 831 1419 894">1. Restated capital assets for a disposal of a building that had not been recorded in a prior period. <p data-bbox="305 926 1419 1016">The lack of controls over the recording of capital asset disposals and capital asset financial reporting can result in errors and irregularities that may go undetected and decreases the reliability of financial data at year-end.</p> <p data-bbox="305 1047 1419 1138">We recommend the District review their policies and procedures for controls over disposals of capital assets to help ensure the information accurately reflects the activity of the District and thereby increases the reliability of the financial data at year-end.</p> <p data-bbox="305 1169 1419 1232">Officials Response: Management will develop a process to oversee the capital asset disposal process more closely.</p>

3. Findings for Federal Awards

None.

Massillon City School District

Schedule Of Prior Audit Findings
OMB Circular A-133 Section .315(b)

June 30, 2008

Finding No.	Findings Summary	Fully Corrected	Explanation
2007-1	<p><i>Financial Reporting – Significant Deficiency / Material Weakness</i></p> <p>The following audit adjustments were made to the financial statements, and where applicable, to the District’s accounting records:</p> <ol style="list-style-type: none"> 1. Adjusted contracts payable for amounts that were not originally recorded. 2. Adjusted accounts payable for amounts that were not originally recorded. 3. Adjusted intergovernmental payable for amounts that were not originally recorded. 4. Adjusted capital assets for buildings, furniture, and fixtures for disposal of a building that had not been originally recorded. 5. Adjusted buildings for expense paid during the year that was not recorded as current year addition. 	No	There was a restatement of Net Assets for the fiscal year 2008 audit.



Mary Taylor, CPA
Auditor of State

MASSILLON CITY SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
JUNE 23, 2009**