



Rea & associates *a brighter way*

# Massillon City School District Stark County, Ohio

## *Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2013





# Dave Yost • Auditor of State

Board of Education  
Massillon City School District  
930 17th Street NE  
Massillon, Ohio 44646

We have reviewed the *Independent Auditor's Report* of the Massillon City School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2012 through June 30, 2013. 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.

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

Dave Yost  
Auditor of State

March 5, 2014

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**Massillon City School District**  
**Stark County, Ohio**  
*Table of Contents*  
*June 30, 2013*

	<i>Page</i>
Independent Auditor’s Report .....	1
Management’s Discussion and Analysis .....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position.....	13
Statement of Activities .....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund.....	19
Statement of Fiduciary Net Position – Fiduciary Funds .....	20
Statement of Changes in Fiduciary Net Position – Private Purpose Trust Fund.....	21
Notes to the Basic Financial Statements .....	22
Independent Auditor’s 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 .....	57
Independent Auditor’s Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133 .....	59
Schedule of Expenditures of Federal Awards .....	61
Notes to Schedule of Expenditures of Federal Awards .....	62
Schedule of Findings and Questioned Costs .....	63
Schedule of Prior Audit Findings .....	64
Independent Accountant’s Report on Applying Agreed-Upon Procedure .....	65

December 28, 2013

To the Board of Education  
Massillon City School District  
Stark County, Ohio  
930 17<sup>th</sup> Street NE  
Massillon, Ohio 44646

## **Independent Auditor's Report**

### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

***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 discretely presented component unit, each major fund, and the aggregate remaining fund information of Massillon City School District, Stark County, Ohio, as of June 30, 2013, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The schedule of expenditures of federal awards, as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 28, 2013 on our consideration of the School 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

New Philadelphia, Ohio



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**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

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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, 2013. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for fiscal year 2013 are as follows:

- Net position decreased \$156,363, which represents a .43 percent decrease from fiscal year 2012.
- Capital assets decreased \$2,271,601 during fiscal year fiscal year 2013.
- During the year, outstanding debt, excluding unamortized premiums and refunding losses, decreased from \$11,686,898 to \$11,181,124 due to principal payments made by the School District.

***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 then proceed to provide an increasingly detailed look at specific financial activities.

The *Statement of Net Position and Statement of Activities* provide information about the activities of the whole School 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 is by far the most significant fund.

***Reporting the School District as a Whole***

*Statement of Net Position and the Statement of Activities*

While the basic financial statements contain 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 2013?" The *Statement of Net Position* 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**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

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These two statements report the School District's net position and changes in those assets. This change in net position 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 Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non instructional services, i.e., food service operations.

***Reporting the School District's Most Significant Funds***

***Fund Financial Statements***

The major funds financial statements begin on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general 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 more or fewer financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the 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 the agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 20 and 21. 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**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2013 compared to fiscal year 2012:

**Table 1**  
**Net Position**

	Governmental Activities	
	2013	2012
<b>Assets</b>		
Current and Other Assets	\$ 34,092,635	\$ 30,048,023
Capital Assets	37,658,864	39,930,465
<i>Total Assets</i>	71,751,499	69,978,488
<b>Liabilities</b>		
Other Liabilities	21,001,909	18,434,548
Long-Term Liabilities	14,367,976	15,005,963
<i>Total Liabilities</i>	35,369,885	33,440,511
<b>Net Position</b>		
Net Investment in Capital Assets	26,825,528	28,501,114
Restricted	7,792,107	7,570,572
Unrestricted	1,763,979	466,291
<i>Total Net Position</i>	\$ 36,381,614	\$ 36,537,977

At year end, capital assets represented 52 percent of total assets. Capital assets include, land, land improvements, buildings and improvements, furniture and fixtures and vehicles. Net investments in capital assets were \$26,825,528 at June 30, 2013. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$7,792,107 or 21 percent represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$1,763,979 may be used to meet the government's ongoing obligations to students and creditors.

Total assets increased \$1,773,011. The largest increase was in taxes receivable due to an emergency operating levy being passed. Capital assets decreased \$2,271,601 as depreciation outpaced additions.

Other liabilities increased by \$2,567,361 due to deferred revenue increasing related to the new tax levy. Long term liabilities decreased by \$637,987 due to principal payments made by the School District. The net result is an \$1,929,374 increase in total liabilities.

**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

Table 2 shows the changes in net position for fiscal year 2013 and 2012.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2013	2012
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,791,672	\$ 3,661,657
Operating Grants	4,779,769	5,916,852
Capital Grants	0	22,345
<i>Total Program Revenues</i>	<u>7,571,441</u>	<u>9,600,854</u>
<i>General Revenues:</i>		
Property Taxes	15,370,049	13,646,808
Income Taxes	25,302	36,171
Grants and Entitlements Not Restricted	23,673,717	23,263,244
Other	254,282	378,136
<i>Total General Revenues</i>	<u>39,323,350</u>	<u>37,324,359</u>
<i>Total Revenues</i>	<u>46,894,791</u>	<u>46,925,213</u>
<b>Program Expenses</b>		
<i>Instruction:</i>		
Regular	19,550,690	19,926,416
Special	4,600,588	5,215,272
Vocational	1,860,105	2,031,532
Adult/Continuing	53,938	47,229
Student Intervention Services	92,552	190,974
Other	715,374	834,967
<i>Support Services:</i>		
Pupils	2,995,043	3,042,934
Instructional Staff	1,366,487	1,641,888
Board of Education	138,673	187,267
Administration	2,708,782	3,173,475
Fiscal	1,005,027	1,082,293
Business	8,019	8,716
Operation and Maintenance of Plant	5,461,315	4,732,163
Pupil Transportation	1,708,738	1,700,045
Central	495,765	636,196
<i>Operation of Non-Instructional Services:</i>		
Food Service Operations	1,541,425	1,782,846
Community Services	175,254	229,790
Other	78,405	29,260
Extracurricular Activities	1,986,806	1,956,794
<i>Debt Service:</i>		
Interest and Fiscal Charges	508,168	698,603
<i>Total Expenses</i>	<u>47,051,154</u>	<u>49,148,660</u>
<i>Increase (Decrease) in Net Position</i>	(156,363)	(2,223,447)
<i>Net Position at Beginning of Year</i>	<u>36,537,977</u>	<u>38,761,424</u>
<i>Net Position at End of Year</i>	<u>\$ 36,381,614</u>	<u>\$ 36,537,977</u>

**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

Expenses and revenues both decreased in fiscal year 2013 by \$2,097,506 and \$30,422, respectively. The decrease in charges for services of \$869,985 is due to a change in open enrollment. Operating grants decreased due to the expiration of Ed Jobs grant at the end of fiscal year 2012. Property taxes also showed an increase in the amount of \$1,723,241. This increase is due to the passing of an emergency operating levy. There was a decrease in instruction expenses of \$1,373,143 due to the closing of three elementary schools and reduction of twenty-eight positions. The operation of maintenance expense increased by \$729,152. This was due to an increase in the permanent improvement maintenance on the buildings.

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**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2013	2012	2013	2012
Instruction:				
Regular	\$ 19,550,690	\$ 19,926,416	\$ 17,811,993	\$ 16,875,373
Special	4,600,588	5,215,272	3,598,246	3,603,235
Vocational	1,860,105	2,031,532	1,348,806	1,489,474
Adult/Continuing	53,938	47,229	854	(9,887)
Student Intervention Services	92,552	190,974	92,552	61,102
Other	715,374	834,967	434,697	470,935
Support Services:				
Pupils	2,995,043	3,042,934	2,784,384	2,839,404
Instructional Staff	1,366,487	1,641,888	790,173	1,262,604
Board of Education	138,673	187,267	138,673	187,267
Administration	2,708,782	3,173,475	2,425,188	2,878,235
Fiscal	1,005,027	1,082,293	1,005,027	1,082,293
Business	8,019	8,716	8,019	8,716
Operation and Maintenance of Plant	5,461,315	4,732,163	5,234,963	4,504,489
Pupil Transportation	1,708,738	1,700,045	1,643,054	1,615,738
Central	495,765	636,196	484,965	621,796
Operation of Non-Instructional Services:				
Food Service Operations	1,541,425	1,782,846	(192,803)	(53,671)
Community Services	175,254	229,790	(53,216)	33,306
Other	78,405	29,260	78,405	29,260
Extracurricular Activities	1,986,806	1,956,794	1,337,565	1,349,534
Debt Service:				
Interest and Fiscal Charges	508,168	698,603	508,168	698,603
<i>Total Expenses</i>	<b>\$ 47,051,154</b>	<b>\$ 49,148,660</b>	<b>\$ 39,479,713</b>	<b>\$ 39,547,806</b>

The dependence upon general revenues for governmental activities is apparent. Nearly 84 percent of governmental activities are supported through taxes and other general revenues; such revenues are 84 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

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***Governmental Funds***

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$46,648,252 and expenditures of \$45,379,347 for fiscal year. The net change in fund balances for the fiscal year was an increase of \$1,462,849 for all governmental funds with the most significant increase in the general fund.

The general fund's net change in fund balance for fiscal year 2013 was an increase of \$754,117. Revenues increased by \$643,652, mainly in tax revenue. This increase is due the passing of an emergency operating levy. Expenses also decreased by \$1,282,856, due to cost savings measures in fiscal year 2013.

***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 general fund.

During the course of fiscal year 2013, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

For the general fund, actual budget basis revenue was \$38,720,130, which was lower than the final budget basis revenue by \$597,430. Most of this difference is due to an overestimation of intergovernmental revenue.

Final expenditure appropriations of \$39,990,441 were \$1,274,265 higher than the actual expenditures of \$38,716,176 as cost savings were recognized throughout the School District. Final expenditure appropriations were \$2,048,439 higher than original appropriations of \$37,942,002, as regular instruction expenses were conservatively budgeted for in anticipation of an increase in property taxes from the recently passed emergency levy.

**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

**Capital Assets and Debt Administration**

**Capital Assets**

At the end of fiscal year 2013, the School District had \$37,658,864 invested in capital assets. Table 4 shows fiscal year 2013 balances compared with 2012.

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

	2013	2012
Land	\$ 3,544,936	\$ 3,552,636
Land Improvements	1,584,179	1,860,974
Buildings and Improvements	29,748,693	31,368,728
Furniture and Fixtures	2,226,666	2,468,803
Vehicles	554,390	679,324
Totals	\$ 37,658,864	\$ 39,930,465

The \$2,271,601 decrease in capital assets was attributable to depreciation and disposals exceeding additional purchases in the current year. See Note 6 for more information about the capital assets of the School District.

**Debt**

At June 30, 2013, the School District had \$11,181,124 in debt outstanding. See Note 14 for additional details. Table 5 summarizes bonds outstanding.

**Table 5**  
**Outstanding Debt at June 30**

	Governmental Activities	
	2013	2012
General Obligation Bonds:		
Various Series/Term Bonds	\$ 10,675,000	\$ 11,315,000
Various Capital Appreciation Bonds	209,995	209,995
Accretion on Capital Appreciation Bonds	296,129	161,903
Totals	\$ 11,181,124	\$ 11,686,898



**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2013*

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***Current Issues***

Massillon City School District continued to uphold the highest standards of service to our students, parents and community which for the first year remained within our funding capability. The ultimate goal of the district is to offer the best educational and extra-curricular experience for all students.

The Board and Administration has been working over the past couple years to right-size the District. The first phase was in fiscal year 2012, the Massillon City Board of Education voted to close three (3) elementary schools, reduce five (5) administrative positions, twenty-eight (28) certified positions and twenty (20) classified positions. All staff voted to take a wage and step increase freeze for fiscal year 2013 and fiscal year 2014. The second phase was to pass a \$3.4 million Emergency Levy with a term of 5 years to enable the District to maintain the current programs being offered. This was accomplished on November 6, 2012.

Massillon is a proud community with a rich history. We need to preserve that. We are examining ways to reduce expenditures while minimizing the impact on students. Our immediate priority must be to stabilize our financial situation so that we may continue to provide the basic education services necessary for students and their families. Although the decisions being made are not easy, they are necessary to meet this immediate goal. We will be operating within a five-year forecast. Our long-term goal is to be a school district that inspires our community with our academic, artistic and athletic programs.

***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 Sandy Moeglin, Treasurer of Massillon City School District, 930 17<sup>th</sup> Street N. E., Massillon, Ohio 44646 or [smoeglin@massillonschools.org](mailto:smoeglin@massillonschools.org).

**Massillon City School District**  
**Stark County, Ohio**  
*Statement of Net Position*  
*June 30, 2013*

	Primary Government	Component Unit
	Governmental Activities	Massillon Digital Academy
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 11,329,045	\$ 784,366
Cash and Cash Equivalents in Segregated Accounts	92,708	0
Investments in Segregated Accounts	2,524,044	0
Receivables:		
Accrued Interest	6,272	0
Accounts	178,200	0
Intergovernmental	558,630	44,138
Property Taxes	19,139,152	0
Deferred Charges	264,584	0
Nondepreciable Capital Assets	3,544,936	0
Depreciable Capital Assets (Net)	34,113,928	37,233
<i>Total Assets</i>	<u>71,751,499</u>	<u>865,737</u>
<b>Liabilities</b>		
Accounts Payable	363,670	10,376
Accrued Wages and Benefits	3,391,930	0
Intergovernmental Payable	791,227	0
Accrued Vacation Leave Payable	121,858	0
Matured Compensated Absences Payable	206,502	0
Accrued Interest Payable	29,680	0
Deferred Revenue	16,097,042	0
Long Term Liabilities:		
Due Within One Year	781,922	0
Due In More Than One Year	13,586,054	0
<i>Total Liabilities</i>	<u>35,369,885</u>	<u>10,376</u>
<b>Net Position</b>		
Net Investment in Capital Assets	26,825,528	37,233
Restricted For:		
Capital Outlay	3,757,927	0
Debt Service	619,114	0
Other Purposes	3,415,066	45,398
Unrestricted	1,763,979	772,730
<i>Total Net Position</i>	<u>\$ 36,381,614</u>	<u>\$ 855,361</u>

The accompanying notes are an integral part of the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2013

	Program Revenues			Net (Expense) Revenue Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Primary	Component
				Governmental Activities	Unit Massillon Digital Academy
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 19,550,690	\$ 1,623,948	\$ 114,749	\$ (17,811,993)	\$ 0
Special	4,600,588	66,461	935,881	(3,598,246)	0
Vocational	1,860,105	11,158	500,141	(1,348,806)	0
Adult/Continuing	53,938	0	53,084	(854)	0
Student Intervention Services	92,552	0	0	(92,552)	0
Other	715,374	0	280,677	(434,697)	0
Support Services:					
Pupils	2,995,043	0	210,659	(2,784,384)	0
Instructional Staff	1,366,487	0	576,314	(790,173)	0
Board of Education	138,673	0	0	(138,673)	0
Administration	2,708,782	0	283,594	(2,425,188)	0
Fiscal	1,005,027	0	0	(1,005,027)	0
Business	8,019	0	0	(8,019)	0
Operation and Maintenance of Plant	5,461,315	95,042	131,310	(5,234,963)	0
Pupil Transportation	1,708,738	32,689	32,995	(1,643,054)	0
Central	495,765	0	10,800	(484,965)	0
Operation of Non-Instructional Services:					
Food Service Operations	1,541,425	355,924	1,378,304	192,803	0
Community Services	175,254	0	228,470	53,216	0
Other	78,405	0	0	(78,405)	0
Extracurricular Activities	1,986,806	606,450	42,791	(1,337,565)	0
Debt Service:					
Interest and Fiscal Charges	508,168	0	0	(508,168)	0
<b>Total</b>	<b>\$ 47,051,154</b>	<b>\$ 2,791,672</b>	<b>\$ 4,779,769</b>	<b>(39,479,713)</b>	<b>0</b>
<b>Component Unit</b>					
Massillon Digital Academy	\$ 779,395	\$ 0	\$ 82,105	0	(697,290)

**General Revenues**

Property Taxes Levied for:

General Purposes	13,335,336	0
Debt Service	612,209	0
Capital Outlay	1,422,504	0

Income Taxes Levied for:

General Purposes	25,302	0
Grants and Entitlements Not Restricted to Specific Programs	23,673,717	686,972
Investment Earnings	24,312	(9,595)
Miscellaneous	229,970	8,842

**Total General Revenues** 39,323,350 686,219

**Change in Net Position** (156,363) (11,071)

**Net Position Beginning of Year** 36,537,977 866,432

**Net Position End of Year** \$ 36,381,614 \$ 855,361

The accompanying notes are an integral part of the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2013*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 6,039,914	\$ 5,289,131	\$ 11,329,045
Cash and Cash Equivalents in Segregated Accounts	0	92,708	92,708
Investments in Segregated Accounts	0	2,524,044	2,524,044
Receivables:			
Accrued Interest	6,272	0	6,272
Accounts	143,430	34,770	178,200
Interfund	184,988	0	184,988
Intergovernmental	266,341	292,289	558,630
Property Taxes	16,623,482	2,515,670	19,139,152
<i>Total Assets</i>	<u>\$ 23,264,427</u>	<u>\$ 10,748,612</u>	<u>\$ 34,013,039</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 89,088	\$ 274,582	\$ 363,670
Accrued Wages and Benefits	3,125,628	266,302	3,391,930
Intergovernmental Payable	733,772	57,455	791,227
Matured Compensated Absences Payable	201,181	5,321	206,502
Interfund Payable	0	184,988	184,988
Deferred Revenue	16,555,921	2,513,919	19,069,840
<i>Total Liabilities</i>	<u>20,705,590</u>	<u>3,302,567</u>	<u>24,008,157</u>
<b>Fund Balances</b>			
Restricted	0	7,612,360	7,612,360
Assigned	939,927	0	939,927
Unassigned	1,618,910	(166,315)	1,452,595
<i>Total Fund Balances</i>	<u>2,558,837</u>	<u>7,446,045</u>	<u>10,004,882</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 23,264,427</u>	<u>\$ 10,748,612</u>	<u>\$ 34,013,039</u>

The accompanying notes are an integral part of the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2013*

<b>Total Governmental Fund Balances</b>		\$ 10,004,882
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		37,658,864
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Property Taxes	\$ 2,964,234	
Income Taxes	3,737	
Intergovernmental	4,827	
<u>Total</u>		2,972,798
In the statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.		264,584
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(29,680)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(10,675,000)	
Capital Appreciation Bonds	(209,995)	
Bond Premium	(846,970)	
Refunding Loss	700,473	
Accretion of Interest - Capital Appreciation Bonds	(296,129)	
Capital Leases	(66,430)	
Vacation Payable	(121,858)	
Compensated Absences	(2,973,925)	
<u>Total</u>		<u>(14,489,834)</u>
<i>Net Position of Governmental Activities</i>		<u><u>\$ 36,381,614</u></u>

The accompanying notes are an integral part of the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
For the Fiscal Year Ended June 30, 2013

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 12,564,954	\$ 2,022,449	\$ 14,587,403
Income Taxes	25,881	0	25,881
Intergovernmental	23,690,620	5,235,387	28,926,007
Investment Income	24,312	(169)	24,143
Tuition and Fees	1,183,926	0	1,183,926
Extracurricular Activities	72,450	517,069	589,519
Rentals	92,090	18,161	110,251
Charges for Services	553,282	355,924	909,206
Contributions and Donations	5,761	56,841	62,602
Miscellaneous	191,173	38,141	229,314
<i>Total Revenues</i>	<u>38,404,449</u>	<u>8,243,803</u>	<u>46,648,252</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	18,205,576	102,665	18,308,241
Special	3,366,842	1,200,974	4,567,816
Vocational	1,854,218	22,512	1,876,730
Addult/Continuing	0	53,580	53,580
Student Intervention Services	85,515	7,037	92,552
Other	417,286	311,883	729,169
Support Services:			
Pupils	2,711,047	262,907	2,973,954
Instructional Staff	772,280	585,116	1,357,396
Board of Education	138,187	0	138,187
Administration	2,337,960	319,811	2,657,771
Fiscal	908,964	51,314	960,278
Business	7,968	0	7,968
Operation and Maintenance of Plant	3,823,543	1,225,348	5,048,891
Pupil Transportation	1,493,247	40,149	1,533,396
Central	475,940	10,800	486,740
Extracurricular Activities	1,129,682	478,038	1,607,720
Operation of Non-Instructional Services:			
Food Service Operations	0	1,574,578	1,574,578
Community Services	150	178,876	179,026
Other	0	78,405	78,405
Capital Outlay	0	107,921	107,921
Debt Service:			
Principal Retirement	32,285	640,000	672,285
Interest and Fiscal Charges	1,449	365,294	366,743
<i>Total Expenditures</i>	<u>37,762,139</u>	<u>7,617,208</u>	<u>45,379,347</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>642,310</u>	<u>626,595</u>	<u>1,268,905</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	114,458	11,546	126,004
Insurance Recoveries	1,510	0	1,510
Inception of Capital Lease	0	66,430	66,430
Transfers In	0	276,360	276,360
Transfers Out	(4,161)	(272,199)	(276,360)
<i>Total Other Financing Sources (Uses)</i>	<u>111,807</u>	<u>82,137</u>	<u>193,944</u>
<i>Net Change in Fund Balance</i>	754,117	708,732	1,462,849
<i>Fund Balances Beginning of Year</i>	<u>1,804,720</u>	<u>6,737,313</u>	<u>8,542,033</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,558,837</u>	<u>\$ 7,446,045</u>	<u>\$ 10,004,882</u>

The accompanying notes are an integral part of the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2013*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	1,462,849
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
 Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 447,875	
Current Year Depreciation	<u>(2,451,050)</u>	(2,003,175)
 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.		
		(268,426)
 Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	782,646	
Income Taxes	(579)	
Intergovernmental	<u>(676,961)</u>	105,106
 Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	640,000	
Capital Leases	<u>32,285</u>	672,285
 Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
Inception of Capital Lease		(66,430)
 In the statement of activities, interest is accrued on outstanding bonds, and bond premium and bond issuance costs and the gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	2,642	
Amortization of Issuance Costs	(21,406)	
Amortization of Premium on Bonds	66,866	
Amortization of Refunding Loss	<u>(55,300)</u>	(7,198)
 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	154,792	
Vacation Payable	<u>(71,940)</u>	82,852
 Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.		
		<u>(134,226)</u>
 <i>Change in Net Position of Governmental Activities</i>		 <u><u>\$ (156,363)</u></u>

The accompanying notes are an integral part of the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 12,161,820	\$ 13,266,233	\$ 13,406,027	\$ 139,794
Income Taxes	35,760	35,760	35,760	0
Intergovernmental	23,587,131	23,175,876	23,424,279	248,403
Investment Income	40,526	47,573	44,106	(3,467)
Tuition and Fees	1,277,292	1,109,377	1,131,799	22,422
Rentals	36,091	83,547	91,501	7,954
Charges for Services	300,000	372,439	553,282	180,843
Contributions and Donations	5,015	1,286	1,300	14
Miscellaneous	50,383	30,639	32,106	1,467
<i>Total Revenues</i>	<u>37,494,018</u>	<u>38,122,730</u>	<u>38,720,160</u>	<u>597,430</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	16,720,977	18,785,039	18,453,165	331,874
Special	3,989,434	3,681,722	3,639,663	42,059
Vocational	1,754,215	1,923,419	1,878,519	44,900
Student Intervention Services	83,737	86,322	85,515	807
Other	476,482	451,008	444,526	6,482
Support Services:				
Pupils	2,835,190	2,739,287	2,677,625	61,662
Instructional Staff	930,709	890,633	813,147	77,486
Board of Education	157,457	177,866	164,640	13,226
Administration	2,682,914	2,509,828	2,378,417	131,411
Fiscal	920,443	1,072,448	1,013,160	59,288
Business	8,160	8,227	7,968	259
Operation and Maintenance of Plant	4,141,308	4,301,005	4,018,851	282,154
Pupil Transportation	1,528,372	1,611,339	1,550,035	61,304
Central	756,124	681,346	561,761	119,585
Extracurricular Activities	952,218	1,066,534	1,029,034	37,500
Operation of Non-Instructional Services:				
Community Services	762	964	150	814
Capital Outlay	3,500	3,454	0	3,454
<i>Total Expenditures</i>	<u>37,942,002</u>	<u>39,990,441</u>	<u>38,716,176</u>	<u>1,274,265</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(447,984)</u>	<u>(1,867,711)</u>	<u>3,984</u>	<u>1,871,695</u>
<b>Other Financing Sources</b>				
Proceeds from Sale of Capital Assets	0	114,513	114,458	(5)
Refund of Prior Year Expenditures	0	142,981	2,911	(140,070)
Insurance Recoveries	0	1,510	1,510	0
Advances In	125,000	101,076	105,237	4,161
Advances Out	(125,000)	(6,500)	(4,852)	1,648
Transfers Out	0	0	(4,161)	(4,161)
<i>Total Other Financing Sources</i>	<u>0</u>	<u>353,580</u>	<u>215,103</u>	<u>(138,477)</u>
<i>Net Change in Fund Balance</i>	<u>(447,984)</u>	<u>(1,514,131)</u>	<u>219,087</u>	<u>1,733,218</u>
<i>Fund Balance Beginning of Year</i>	<u>4,529,232</u>	<u>4,529,232</u>	<u>4,529,232</u>	<u>0</u>
Prior Year Encumbrances Appropriated	560,562	560,562	560,562	0
<i>Fund Balance End of Year</i>	<u>\$ 4,641,810</u>	<u>\$ 3,575,663</u>	<u>\$ 5,308,881</u>	<u>\$ 1,733,218</u>

The accompanying notes are an integral part of the basic financial statements.



**Massillon City School District**  
**Stark County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2013*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 30,075	\$ 125,286
Investments	86,117	0
<i>Total Assets</i>	<u>116,192</u>	<u>\$ 125,286</u>
<b>Liabilities</b>		
Accounts Payable	1,000	\$ 500
Intergovernmental Payable	0	291
Undistributed Monies	0	16,695
Due to Students	0	107,800
<i>Total Liabilities</i>	<u>1,000</u>	<u>\$ 125,286</u>
<b>Net Position</b>		
Held in Trust for Scholarships	<u>\$ 115,192</u>	

The accompanying notes are an integral part of the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2013*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 23,000
Investment Earnings	306
	23,306
<i>Total Additions</i>	<i>23,306</i>
<b>Deductions</b>	
Payments in Accordance with Trust Agreements	54,076
	(30,770)
<i>Change in Net Position</i>	<i>(30,770)</i>
<i>Net Position Beginning of Year</i>	<i>145,962</i>
<i>Net Position End of Year</i>	<i>\$ 115,192</i>

The accompanying notes are an integral part of the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**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.

***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, employment practices and all other operations.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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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, 930 17<sup>th</sup> Street N.E., Massillon, Ohio 44646.

The School District participates in one jointly governed organization and one public entity risk pool. These organizations are the Stark/Portage Area Computer Consortium (SPARCC), the Stark County Schools Council of Governments Health Benefit Plan. They are presented in Notes 16 and 17.

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

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The School District's significant 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 position 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 position 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 position 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**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**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 District's only major fund is 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.

The other governmental funds of the School District account for grants and other resources to which the School District is bound to observe constraints imposed upon the use of the resources.

**Fiduciary Funds** – Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds, and agency funds. Trust funds are used to account for assets held by the 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.

**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 position. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenditures) in total net position.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***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 7). 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.

***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, 2013, but which were levied to finance fiscal year 2014 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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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 Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

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

***F. Cash and Investments***

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 investments" on the financial statements.

During fiscal year 2013, investments were limited to Federal National Mortgage Association notes, Federal Home Loan Bank notes, Federal Home Loan Mortgage Association notes, First American Treasury Market, US Treasury Note, a repurchase agreement, certificates of deposit and STAROhio.

The School District has segregated bank accounts for monies held separate from the School District's central bank account. These interest bearing depository accounts are presented as "cash and cash equivalents in segregated accounts" and "investments in segregated accounts" since they are not required to be deposited into the School District's treasury. See Note 5, "Deposits and Investments."

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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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, 2013.

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 2013 amounted to \$24,312, which includes \$10,206 assigned from other School District funds.

Investment earnings (including fair market value adjustments for investments) during fiscal year 2013 amounted to a loss of \$169.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "equity in pooled cash and investments." Investments with an original maturity of more than three months that are not made from the pool are reported as "investments".

***G. Deferred Charges***

On the governmental fund statements, bond issuance costs are recorded as expenditures 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 bonds outstanding or effective interest methods.

***H. 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 position but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The 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 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:



**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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Description	Estimated Lives
Land Improvements	20 Years
Building and Improvements	20-50 Years
Furniture and Fixtures	3-20 Years
Vehicles	10-15 Years

***I. 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 position.

***J. 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.

***K. Accrued Liabilities and Long-Term Obligations***

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

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

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***L. Net Position***

Net position represents the difference between assets and liabilities. Net investment in capital assets 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 position is 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, 2013, none of the School District's net position was restricted by enabling legislation. Net position 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 position is available.

***M. Fund Balance Reserves***

In accordance with Governmental Accounting Standards Board Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*," the School District classifies its fund balance based on the purpose for which the resources were received and the level of constraint placed on the resources. The classifications are as follows:

*Nonspendable* – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed or assigned.

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

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

*Assigned* – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education. The Board of Education has by resolution authorized the Treasurer to assign fund balance. The Board of Education may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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

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

***N. 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.

***O. 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 2013.

***P. 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.

***Q. Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2013, the School District has implemented Governmental Accounting Standard Board (GASB) Statement No. 60, “*Accounting and Financial Reporting for Service Concession Arrangements*,” GASB Statement No. 61, “*The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*,” GASB Statement No. 62, “*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*,” and GASB Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.”

GASB Statement No. 60 improves financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. The implementation of GASB Statement No. 60 did not have an effect on the financial statements of the School District.

GASB Statement No. 61 improves guidance for including, presenting and disclosing information about component units and equity interest transactions of a financial reporting entity. The implementation of GASB Statement No. 61 did not have an effect on the financial statements of the School District.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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GASB Statement No. 62 incorporated into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. The implementation of GASB Statement No. 62 did not have an effect on the financial statements of the School District.

GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. It also amends the net asset reporting requirements in GASB Statement No. 34 by incorporating deferred outflows and inflows into the definitions and renaming the residual measure as net position, rather than net assets.

**NOTE 3: ACCOUNTABILITY AND COMPLIANCE**

**A. *Accountability***

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

	<u>Deficit</u>
Nonmajor Special Revenue Funds:	
Public Preschool Grants	\$ 326
Title VI-B	114,925
Adult Communication Education	2,002
Title I	49,062

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.

**NOTE 4: 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. Some funds are included in the general fund (GAAP), but have separate legally adopted budgets.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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5. 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	\$ 754,117
Net Adjustment for Revenue Accruals	562,448
Net Adjustment for Expenditure Accruals	(268,742)
Funds Budgeted Elsewhere **	24,310
Adjustment for Encumbrances	(853,046)
Budget Basis	\$ 219,087

\*\* As part of Governmental Accounting Standards Board Statement No. 54, “*Fund Balance Reporting*,” certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes uniform school supplies, rotary fund-special services, internal services rotary and public school support funds.

**NOTE 5: 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.

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;

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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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) and STAR Plus.
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.

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 2013, the School District and public depositories complied with the provisions of these statutes.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**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 \$1,863,840. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2013, \$1,853,406 the School District's bank balance of \$2,279,844 was exposed to custodial risk as discussed above, while \$426,438 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**

***Custodial Credit Risk*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District's investment in repurchase agreements is collateralized by underlying securities pledged by the investment's counterparty, not in the name of the School District. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of the securities subject to a repurchase agreement by 2 percent. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

***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. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

As of June 30, 2013, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities				
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	More Than 25 Months
Federal Home Mortgage Association (FHMA) Notes	\$ 1,834,720	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,834,720
Federal National Mortgage Association (FNMA) Notes	601,761	601,761	0	0	0	0
Federal Home Loan Bank (FHLB) Notes	3,680,943	3,550,908	130,035	0	0	0
Federal Home Loan Bank (FHLB) Discount	229,728	0	229,728	0	0	0
Federal Home Loan Mortgage (FHLM) Discount	139,907	0	139,907	0	0	0
Federal Home Loan Mortgage (FHLM) Notes	900,311	0	0	900,311	0	0
First American Treasury Market	10,847	10,847	0	0	0	0
U.S Treasury notes	1,440,319	814,904	0	0	625,415	0
Repurchase Agreements	3,360,000	3,360,000	0	0	0	0
STAROhio	124,899	124,899	0	0	0	0
<b>Total Investments</b>	<b>\$ 12,323,435</b>	<b>\$ 8,463,319</b>	<b>\$ 499,670</b>	<b>\$ 900,311</b>	<b>\$ 625,415</b>	<b>\$ 1,834,720</b>

**Credit Risk** First American Treasury Market, U. S. Treasury notes, FHMA notes, FNMA notes, FHLB notes, FHLB discounts, FHLM discounts and FHLM notes were rated AAA and Aaa by Standard & Poor's and Moody's Investor Services. The School District's investments in the federal agency securities that underlie the School District's repurchase agreements were rated Aaa by Moody's Investor Services. STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2013, is 58 days and carries a rating of AAAM by Standard and Poor's. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes.



**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**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, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Federal Home Mortgage Association (FHMA) Notes	\$ 1,834,720	14.89%
Federal National Mortgage Association (FNMA) Notes	601,761	4.88%
Federal Home Loan Bank (FHLB) Notes	3,680,943	29.86%
Federal Home Loan Bank (FHLB) Discount	229,728	1.86%
Federal Home Loan Mortgage (FHLM) Discounts	139,907	1.14%
Federal Home Loan Mortgage (FHLM) Notes	900,311	7.31%
U. S. Treasury Notes	1,440,319	11.69%
First American Treasury Market	10,847	0.09%
Repurchase Agreements	3,360,000	27.27%
STAROhio	124,899	1.01%
<b>Total</b>	<b>\$ 12,323,435</b>	<b>100.00%</b>

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 6: CAPITAL ASSETS**

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

	Balance <u>06/30/2012</u>	Additions	Deletions	Balance <u>06/30/2013</u>
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 3,552,636	\$ 0	\$ (7,700)	\$ 3,544,936
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	6,372,082	0	(93,669)	6,278,413
Buildings and Improvements	55,273,628	0	(294,905)	54,978,723
Furniture and Fixtures	10,242,486	447,875	(948,160)	9,742,201
Vehicles	<u>2,283,728</u>	<u>0</u>	<u>(1,193)</u>	<u>2,282,535</u>
<i>Total Capital Assets, Being Depreciated</i>	<u>74,171,924</u>	<u>447,875</u>	<u>(1,337,927)</u>	<u>73,281,872</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(4,511,108)	(265,693)	82,567	(4,694,234)
Buildings and Improvements	(23,904,900)	(1,550,815)	225,685	(25,230,030)
Furniture and Fixtures	(7,773,683)	(509,608)	767,756	(7,515,535)
Vehicles	<u>(1,604,404)</u>	<u>(124,934)</u>	<u>1,193</u>	<u>(1,728,145)</u>
<i>Total Accumulated Depreciation</i>	<u>(37,794,095)</u>	<u>(2,451,050) *</u>	<u>1,077,201</u>	<u>(39,167,944)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>36,377,829</u>	<u>(2,003,175)</u>	<u>(260,726)</u>	<u>34,113,928</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 39,930,465</u>	<u>\$ (2,003,175)</u>	<u>\$ (268,426)</u>	<u>\$ 37,658,864</u>

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,385,580
Special	68,255
Vocational	106,373
Adult/Continuing	358
Other	17,999
Support Services:	
Pupil	7,777
Instructional Staff	7,040
Administration	5,088
Fiscal	398
Business	51
Operation and Maintenance of Plant	287,317
Pupil Transportation	119,173
Central	559
Operation of Non-Instructional Services:	
Operation of Food Services	8,150
Community Services	11,725
Extracurricular Activities	<u>425,207</u>
 Total Depreciation Expense	 <u>\$ 2,451,050</u>

**NOTE 7: 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 and public utility property located in the School District. Real property tax revenue received in calendar year 2013 represents collections of calendar year 2012 taxes. Real property taxes received in calendar year 2013 were levied after April 1, 2012, on the assessed value listed as of January 1, 2012, 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 semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2013 represents collections of calendar year 2012 taxes. Public utility real and tangible personal property taxes received in calendar year 2013 became a lien December 31, 2011, were levied after April 1, 2012 and are collected in 2013 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**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

House Bill No. 66 was signed into law on June 30, 2005. House Bill No. 66 phased out the tax on tangible personal property of general businesses, telephone and telecommunications companies, and railroads. The tax on general business and railroad property was eliminated in calendar year 2009, and the tax on telephone and telecommunications property was eliminated in calendar year 2010. The tax was phased out by reducing the assessment rate on the property each year. The bill replaced the revenue lost by the School District due to the phasing out of the tax. In calendar years 2006-2010, the School District was fully reimbursed for the lost revenue. In calendar years 2011-2017, the reimbursements are being phased out. On June 30, 2011, House Bill No. 153 was signed into law, which further reduced the amounts of these reimbursements.

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, 2013, are available to finance fiscal year 2013 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 and public utility property taxes which are measurable as of June 30, 2013, and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the 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, 2013 was \$41,135 in the general fund, \$1,775 in the bond retirement debt service fund, \$522 in the classroom facilities maintenance special revenue fund and \$4,281 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2012, was \$882,208 in the general fund, \$58,210 in the bond retirement debt service fund, \$11,608 in the classroom facilities maintenance special revenue fund and \$101,163 in the permanent improvement capital projects fund.

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

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

	2012 Second		2013 First	
	Half Collections		Half Collections	
	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>
Real Estate	\$ 401,686,130	94.85%	\$ 351,753,290	94.00%
Public Utility Personal Property	<u>21,792,640</u>	<u>5.15%</u>	<u>22,443,140</u>	<u>6.00%</u>
	<u>\$ 423,478,770</u>	<u>100.00%</u>	<u>\$ 374,196,430</u>	<u>100.00%</u>
Tax rate per \$1,000 assessed valuation	<u>\$ 45.70</u>		<u>\$ 50.20</u>	

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**NOTE 8: RECEIVABLES**

Receivables at June 30, 2013 consisted of taxes, accounts (tuition and fees), 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 9: 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 2013, the School District contracted with Leonard Insurance/Ohio Casualty for various types of insurance as follows:

<u>Coverage</u>	<u>Amount</u>
General Liability:	
Occurrence	\$ 1,000,000
Aggregate	2,000,000
Umbrella	5,000,000
Buildings and Contents	125,586,625
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.

***B. Employee Health Benefits***

The School District participates in the Stark County Schools Council of Governments Health Benefits Program, a shared risk pool (Note 17) 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 2013 the School District's premiums were \$1,238.24 for family coverage and \$509.72 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 2013, the School District's cost was \$168.96 and \$68.48 for family coverage and \$35.87 and \$14.44 for single coverage per employee per month, respectively.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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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 Ohio Association of School Business Officials Group Retrospective Rating Program ("GRRP"). The intent of the GRRP 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 GRRP. 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 continues to pay their own individual premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the GRRP. Depending on that performance, the participating employers can receive either a premium refund or assessment. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRRP.

**NOTE 10: PENSION PLANS**

***A. School Employees Retirement System***

Plan Description - 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](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - 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. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits. For fiscal year 2013, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2013, 2012 and 2011 were \$868,443, \$910,444 and \$478,944, respectively; 100 percent for the fiscal years 2013, 2012 and 2011.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***B. State Teachers Retirement System***

Plan Description - The School District participates in the State Teachers Retirement System of Ohio (“STRS Ohio”), a cost-sharing, multiple-employer public employee retirement plan. STRS Ohio provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS Ohio issues a publicly-available, stand-alone financial report that 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](http://www.strsoh.org).

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

A DB or Combined Plan member with five or more years 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.

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

The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2013, 2012, and 2011 were \$2,715,284, \$2,607,066 and \$2,620,077, respectively; 83 percent has been contributed for fiscal year 2013 and 100 percent for the fiscal years 2012 and 2011. Contributions to the DC and Combined Plans for fiscal year 2013 were \$73,722 made by the School District and \$52,658 made by the plan members.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**NOTE 11: POSTEMPLOYMENT BENEFITS**

***A. School Employees Retirement System***

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 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 monthly premium for calendar year 2012 (the latest information available) was \$99.90 for most participants, but could be as high as \$319.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2013, .16 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2013, the actuarially determined amount was \$20,525.

Active members do not contribute to the postemployment benefit plans. The 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. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2013, 2012, and 2011 were \$112,643, \$39,429, and \$88,813, respectively; 100 percent for fiscal years 2013, 2012 and 2011.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2013, the actuarially required allocation was .74 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2013, 2012, and 2011 were \$49,057, \$53,766, and \$30,821, respectively; 100 percent for fiscal years 2013, 2012 and 2011.



**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***B. State Teachers Retirement System***

Plan Description - The School District contributes to the cost sharing, multiple-employer defined benefit Health Plan (the "Plan") administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the financial report of STRS. Interested parties can view the most recent Comprehensive Annual Financial Report by visiting [www.strsoh.org](http://www.strsoh.org) or by requesting a copy by calling toll-free (888) 227-7877.

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2013, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2013, 2012, and 2011 were \$208,868, \$200,544, and \$201,544, respectively; 83 percent has been contributed for fiscal year 2012 and 100 percent for fiscal years 2011 and 2010.

**NOTE 12: 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 26 days of vacation per fiscal year, depending upon length of service and position. Vacation days may be accumulated up to a maximum of 26 days. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 313 days for union personnel. Administrators and executive staff may accumulate up to a maximum of 320 days. 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 78 days for certified employees and classified employees; the bargaining unit for the secretarial staff (OAPSE 148) has no maximum days for severance payout.

***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.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**NOTE 13: INTERFUND TRANSFERS AND BALANCES**

***A. Interfund Transfers***

During the fiscal year, the general fund transferred \$4,161 to the nutrition education grant fund to provide additional resources for current operations. The debt service fund transferred \$272,199 to the permanent improvement fund for the payment of debt. Interfund transfers between governmental funds are eliminated in the statement of activities.

***B. Interfund Balances***

Interfund balances at June 30, 2013 consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable General
<i>Nonmajor Special Revenue Funds:</i>	
IDEA Preschool Handicapped	181,467
Other Local Grants	3,521
Total	<u>\$ 184,988</u>

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.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**NOTE 14: LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2013 were as follows:

	Outstanding 6/30/2012	Additions	Deductions	Outstanding 6/30/2013	Due Within One Year
<b>Governmental Activities</b>					
<i>General Obligation Bonds:</i>					
2011 Limited Tax General Obligation Various Purpose Bonds:					
\$1,355,000-1.00-3.00% Serial Bonds	\$ 1,180,000	\$ 0	\$ (140,000)	\$ 1,040,000	\$ 140,000
\$1,090,000-3.25-3.75% Term Bonds	1,070,000	0	0	1,070,000	0
2011 Classroom Facilities Refunding Bonds:					
\$8,810,000-2.00-4.00% Serial Bonds	8,595,000	0	(125,000)	8,470,000	465,000
\$209,995-2.55-2.8% Capital Appreciation Bonds	209,995	0	0	209,995	0
Accretion on Capital Appreciation Bonds					
	161,903	134,226	0	296,129	0
Unamortized Premium	913,836	0	(66,866)	846,970	0
Refunding Loss	(755,773)	0	55,300	(700,473)	0
2004 Middle School Bonds:					
\$3,565,000-2.00-4.00% Serial Bonds	470,000	0	(375,000)	95,000	95,000
<b>Total General Obligation Bonds</b>	<b>11,844,961</b>	<b>134,226</b>	<b>(651,566)</b>	<b>11,327,621</b>	<b>700,000</b>
Other Long-Term Obligations:					
Capital Leases	32,285	66,430	(32,285)	66,430	19,670
Compensated Absences	3,128,717	17,297	(172,089)	2,973,925	62,252
<b>Total General Long-Term Obligations</b>	<b>\$ 15,005,963</b>	<b>\$ 217,953</b>	<b>\$ (855,940)</b>	<b>\$ 14,367,976</b>	<b>\$ 781,922</b>

***2011 Limited Tax General Obligation Various Purpose Bonds***

On July 13, 2011, the School District issued \$2,425,000 of limited tax general obligation various purpose bonds, which included serial and term bonds in the amount of \$1,355,000 and \$1,070,000, respectively. Interest rates range from 1.00 to 3.00 percent on the serial bonds and 3.25 to 3.75 percent on the term bonds. They were issued for a fourteen year period with final maturities at December 1, 2025. The bonds refunded \$2,425,000 of outstanding 2010 bond anticipation notes. The bonds were issued for the purchase of buses, installations, modifications and remodeling of school buildings to conserve energy.

***2011 Classroom Facilities Refunding General Obligation Bonds***

On March 10, 2011, the School District issued \$9,019,995 in voted general obligation bonds, which included serial and capital appreciation (deep discount) bonds in the amount of \$8,810,000 and \$209,995, respectively. The bonds advance refunded \$9,015,000 of outstanding 2003 Classroom Facilities General Obligation Bonds. The bonds were issued for a fifteenth year period and the 2003 bonds were issued for a twenty-three year period with final maturities at December 1, 2025.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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At the date of refunding, \$9,844,506 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$9,015,000 of the 2003 Series Bonds are considered to be defeased. The liability of the bonds was removed from the financial statements at the time of the refunding. The advance refunding reduced cash flows required for debt service by \$424,543 over the next thirteen years and resulted in an economic gain of \$345,154. As of June 30, 2013 the entire amount of defeased bonds were outstanding.

The bonds were issued with a premium of \$1,002,991, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2013 was \$66,866. The issuance costs of \$173,325 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2013 was \$11,555. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$829,506. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2013 was \$55,300.

The bond issue consists of serial and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 2.0 - 4.0 percent. The bonds that mature on or after December 1, 2021 are subject to prior redemption, by and at the sole option of the School District, in whole or in part as selected by the School District (in whole multiples of \$5,000), on any date on or after December 1, 2020, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to date.

The capital appreciation bonds will mature on December 1, 2015 and December 1, 2016. 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 \$1,230,000. The fiscal year 2013 accretion amount is \$134,226.

***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.

The issuance costs of \$226,593 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2013 was \$9,852.

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.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

The following is a summary of the School District's annual debt service principal and interest payments on debt outstanding at June 30, 2013:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2014	\$ 700,000	\$ 348,562	\$ 0	\$ 0	\$ 700,000	\$ 348,562
2015	715,000	333,812	0	0	715,000	333,812
2016	150,000	325,162	119,476	475,524	269,476	800,686
2017	150,000	322,162	90,519	544,481	240,519	866,643
2018	790,000	310,137	0	0	790,000	310,137
2019-2023	4,665,000	1,122,017	0	0	4,665,000	1,122,017
2024-2026	3,505,000	214,031	0	0	3,505,000	214,031
Total	<u>\$ 10,675,000</u>	<u>\$ 2,975,883</u>	<u>\$ 209,995</u>	<u>\$ 1,020,005</u>	<u>\$ 10,884,995</u>	<u>\$ 3,995,888</u>

**NOTE 15: CAPITAL LEASES**

During fiscal year 2013, the School District entered into a new equipment capital lease. This lease meets the criteria of a capital lease as defined by generally accepted accounting standards, 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 \$66,430. 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 support service expenditures on the budgetary basis in the general fund.

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, 2013.

	Amount
Fiscal Year Ended June 30, 2013	\$ 21,247
2014	23,179
2015	23,179
2016	1,932
	<u>69,537</u>
Less: amount representing interest	<u>3,107</u>
Present value of net minimum lease payments	<u>\$ 66,430</u>

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**NOTE 16: JOINTLY GOVERNED ORGANIZATION**

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 \$89,390 to SPARCC during the fiscal year 2013. 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 38<sup>th</sup> Street NW, Canton, OH 44709-2300.

**NOTE 17: PUBLIC ENTITY RISK 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.

**NOTE 18: CONTINGENCIES**

***A. Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant 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, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2013, if applicable, cannot be determined at this time.

***B. Litigation***

The School District is not party to any claims or lawsuits that would, in the School District's opinion, have a material effect of the basic financial statements.

***C. Encumbrance Commitments***

Outstanding encumbrances for governmental funds include \$770,573 in the general fund and \$540,852 in nonmajor governmental funds.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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**NOTE 19: 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 acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purposes in future years.

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

	Capital Improvements
Set-Aside Restricted Balance as of June 30, 2012	\$ 0
Current Year Set-Aside Requirement	681,219
Current Year Qualifying Disbursements	(420,472)
Current Year Offsets	(285,385)
 Totals	 \$ (24,638)
 Balance Carried Forward to Fiscal Year 2014	 \$ 0
 Set-Aside Restricted Balance as of June 30, 2013	 \$ 0

**NOTE 20: RELATED PARTY TRANSACTIONS**

During fiscal year 2013, 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 2013 academic year whereby terms of the sponsorship were established. Pursuant to this agreement, the District’s treasurer/CFO serves as the Academy’s fiscal officer. The Academy is required to pay \$150 per student per year to the 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 waived the \$150 per student since the Academy’s inception.

**NOTE 21: FUND BALANCE**

Fund balance can be classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the School District is bound to observe constraints imposed upon the use of the resources in governmental funds.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

The constraints placed on fund balance for the major governmental funds and all other funds are presented as follows:

	General	Other Governmental Funds	Total
Restricted for:			
Debt Service	\$ 0	\$ 539,958	\$ 539,958
Capital Outlay	0	3,523,070	3,523,070
Other Purposes	0	677,895	677,895
Classroom Facilities Maintenance	0	2,162,748	2,162,748
Student Activities Programs	0	675,129	675,129
Federally Funded Programs	0	7,594	7,594
State Funded Programs	0	25,966	25,966
Total Restricted	<u>0</u>	<u>7,612,360</u>	<u>7,612,360</u>
Assigned for:			
Subsequent Years Appropriations	169,354	0	169,354
Encumbrances:			
Instruction	223,698	0	223,698
Support Services	546,088	0	546,088
Extracurricular Activities	787	0	787
Total Assigned	<u>939,927</u>	<u>0</u>	<u>939,927</u>
Unassigned	<u>1,618,910</u>	<u>(166,315)</u>	<u>1,452,595</u>
Total Fund Balance	<u>\$ 2,558,837</u>	<u>\$ 7,446,045</u>	<u>\$ 10,004,882</u>

**NOTE 22: MASSILLON DIGITAL ACADEMY**

The Massillon Digital Academy (the “Digital Academy”) has been determined to be a discretely presented 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, 930 17<sup>th</sup> Street N.E., Massillon, Ohio 44646.

**A. Significant Accounting Policies**

**Accounting Basis** The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental nonprofit organizations. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the Academy's accounting policies are described below.



**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***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 position. The statement of revenues, expenses and changes in net position presents increases (e.g. revenues) and decreases (e.g. expenses) in net position. 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.

***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 Agent" on the statement of net position. 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 fiscal year 2013, the Academy had no investments.

Investment earnings (including fair market value adjustments for investments) during fiscal year 2013 amounted to a loss of \$9,595.

***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.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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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 received under the grant programs for the year ended June 30, 2013 was \$82,105.

**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.

**Net Position** Net position represent the difference between assets and liabilities. Net position 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 position of \$772,730 and \$45,398 of restricted net position at year end. The Digital Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is 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 fiscal year ended 2013.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

**B. Deposits**

At June 30, 2013 the carrying amount of the Digital Academy's deposits was \$296,531 and the bank balance was \$306,368. At year-end, \$56,368 of the Digital Academy's bank balance was exposed to custodial risk while \$250,000 was covered by Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Investments are reported at fair value. As of June 30, 2013, the Academy had the following investments:

Investment Type	Fair Value	Investment Maturity 48-60 Months	% of Investments
Federal Farm Credit System Bank Bonds	\$487,835	\$ 487,835	100.00%

**C. Capital Assets**

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

	Balance 07/01/2012	Additions	Disposals	Balance 06/30/2013
Furniture	\$ 2,646	\$ 0	\$ 0	\$ 2,646
Computer Equipment	228,715	18,185	0	246,900
Less: Accumulated Depreciation	(205,556)	(6,757)	0	(212,313)
<b>Total Capital Assets, Net</b>	<b>\$ 25,805</b>	<b>\$ 11,428</b>	<b>\$ 0</b>	<b>\$ 37,233</b>

**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:

1. Maintain the financial records of the Digital Academy in conformance with generally accepted accounting principles as required by the State Auditor;
2. 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;
3. Comply with the requirements and procedures for financial audits by the Auditor of the State.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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***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 2013 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 \$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 the year ended June 30, 2013, purchased service expenses were recognized for professional services rendered by various vendors as follows:

Massillon Board of Education	\$ 607,830
SPARCC	32,147
Verizon	68,699
Other	47,339
Total Purchased Services	<u>\$ 756,015</u>

For the year ended June 30, 2013, the Academy recognized \$607,830 in expenses for educational services and curriculum provided by the Massillon Board of Education.

***G. Contingencies***

*Grants*

The 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 of the Academy. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2013, if applicable, cannot be determined at this time.

*Litigation*

The Academy is not party to any claims or lawsuits that would, in the School District’s opinion, have a material effect of the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2013*

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*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. This information was not available as of the date of this report. The Academy does not anticipate any material adjustments to state funding for fiscal year 2013, 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 2013, the Digital Academy contracted with the Ohio Casualty Insurance Company through its agent Leonard Insurance Services of Canton, Ohio. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

December 28, 2013

To the Board of Education  
Massillon City School District  
Stark County, Ohio  
930 17<sup>th</sup> Street NE  
Massillon, Ohio 44646

**Independent Auditor's 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***

We have audited, in accordance with the 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, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Massillon City School District, Stark County, Ohio (the "School District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 28, 2013.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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 School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control.

A *deficiency in internal control* 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the School District's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School District's financial statements are free from 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*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kea & Associates, Inc.*

New Philadelphia, Ohio

December 28, 2013

To the Board of Education  
Massillon City School District  
Stark County, Ohio  
930 17<sup>th</sup> Street NE  
Massillon, Ohio 44646

**Independent Auditor's Report on Compliance for Each Major Federal Program and  
Report on Internal Control over Compliance Required by OMB Circular A-133**

**Report on Compliance for Each Major Federal Program**

We have audited Massillon City School District's, Stark County, Ohio (the "School District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2013. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. 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 School 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the School District's compliance.



***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

**Report on Internal Control over Compliance**

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

**Massillon City School District**  
**Stark County, Ohio**  
*Schedule of Expenditures of Federal Awards - Cash Basis*  
*For the Year Ended June 30, 2013*

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Cash Receipts	Cash Disbursements
<b>U. S. Department of Education</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I	84.010	2012	\$ 320,328	\$ 238,169
Title I	84.010	2013	1,104,897	1,286,364
Total Title I			<u>1,425,225</u>	<u>1,524,533</u>
21st Century Community Learning Centers	84.287	2012	111,705	108,385
21st Century Community Learning Centers	84.287	2013	299,011	298,186
Total 21st Century Community Learning Centers			<u>410,716</u>	<u>406,571</u>
Title II-A - Improving Teacher Quality	84.367	2013	177,877	171,645
<i>Special Education Cluster:</i>				
IDEA Part B	84.027	2013	879,613	877,758
Total IDEA Part B			<u>879,613</u>	<u>877,758</u>
Early Childhood Special Education	84.173	2012	3	0
Early Childhood Special Education	84.173	2013	11,721	11,721
Total Early Childhood Special Education			<u>11,724</u>	<u>11,721</u>
Total Special Education Cluster			<u>891,337</u>	<u>889,479</u>
Education Technology State Grant	84.318	2012	10,911	10,911
Carl D. Perkins Career and Technical Education Grant	84.048	2012	4,180	4,160
Carl D. Perkins Career and Technical Education Grant	84.048	2013	81,553	80,489
Total Carl D. Perkins Career and Technical Education Grant			<u>85,733</u>	<u>84,649</u>
Adult Education and Family Literacy Grant	84.002	2012	11,483	0
Adult Education and Family Literacy Grant	84.002	2013	88,233	87,557
Total Adult Education and Family Literacy Grants			<u>99,716</u>	<u>87,557</u>
<i>Total U.S. Department of Education</i>			<u>3,101,515</u>	<u>3,175,345</u>
<b>U. S. Department of Agriculture</b>				
<i>Passed Through the Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program (B)	10.553	2013	232,362	232,362
National School Lunch Program (Food Distribution) (A)	10.555	2013	57,539	57,539
National School Lunch Program (B)	10.555	2013	1,055,555	1,055,555
Total National School Lunch Program			<u>1,113,094</u>	<u>1,113,094</u>
Total Child Nutrition Cluster			<u>1,345,456</u>	<u>1,345,456</u>
<i>Total U.S. Department of Agriculture</i>			<u>1,345,456</u>	<u>1,345,456</u>
<b>U. S. Department of Health and Human Services</b>				
<i>Passed Through the Ohio Department of MRDD:</i>				
Student Intervention TANF Demonstration Project	93.558	2012	0	693
<i>Total U.S. Department of Health and Human Services</i>			<u>0</u>	<u>693</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$ 4,446,971</u>	<u>\$ 4,521,494</u>

See the accompanying notes to this schedule

**Massillon City School District  
Stark County, Ohio**

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis  
For the Fiscal Year Ended June 30, 2013*

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**Note A – Food Donation Program**

Program regulations do not require the School District to maintain separate inventory records for purchased food and food received from the U.S. Department of Agriculture. This non-monetary assistance and related expenditures are reported in this schedule at the value of the commodities received as assessed by the U.S. Department of Agriculture (entitlement value).

**Note B – Child Nutrition Cluster**

Federal money commingled with state subsidy reimbursements. It is assumed federal moneys are expended first.

**Note C – Transfers**

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2013, the ODE authorized the following transfer:

CFDA	GRANT TITLE	GRANT YEAR	TRANSFER	
			IN	OUT
84.027	Special Education IDEA Part B	2012		\$ 1,716
84.027	Special Education IDEA Part B	2013	\$ 1,716	

**Massillon City School District**  
**Stark County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133, Section .505*  
*June 30, 2013*

**1. SUMMARY OF AUDITOR'S RESULTS**

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Title I Child Nutrition Cluster: School Breakfast Program National School Lunch Program	CFDA #84.010 CFDA #10.553 CFDA #10.555
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None noted

**Massillon City School District**  
**Stark County, Ohio**  
*Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2013*

**Not Corrected, Partially  
Corrected, Significantly  
Different Corrective Action Taken  
or Finding No Longer Valid  
(Explain)**

Finding Number	Finding Summary	Fully Corrected?	<i>(Explain)</i>
2012-001	Final appropriations exceeded the certificate of estimated resources, a violation of Ohio Rev. Code section 5705.39	Yes	
2012-002	Final appropriations exceeded actual resources, a violation of Ohio Rev. Code section 5705.36(A)(4)	Yes	
2012-003	Individuals were given benefits that were not in accordance with the eligibility requirements of the National School Lunch Program - CFDA #10.555	Yes	

December 28, 2013

To the Board of Education and Management  
Massillon City School District  
Stark County, Ohio  
930 17<sup>th</sup> Street NE  
Massillon, Ohio 44646

**Independent Accountant’s Report on Applying Agreed-Upon Procedure**

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

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

1. We noted the Board amended its anti-harassment policy at its meeting on December 19, 2012 to include prohibiting harassment, intimidation, or bullying of any student “on a school bus” or by an “electronic act.”

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

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

*Rea & Associates, Inc.*

New Philadelphia, Ohio



# Dave Yost • 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  
MARCH 18, 2014**