



OHIO AUDITOR OF STATE  
**KEITH FABER**





**MASSILLON CITY SCHOOL DISTRICT  
STARK COUNTY  
JUNE 30, 2019**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Auditor's Report .....	1
Prepared by Management:	
Management's Discussion and Analysis .....	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position .....	15
Statement of Activities.....	16
Fund Financial Statements:	
Balance Sheet	
Governmental Funds .....	17
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities .....	18
Statement of Revenues, Expenditures and Changes in Fund Balance Governmental Funds .....	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities.....	20
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Basis) and Actual General Fund.....	21
Statement of Fiduciary Net Position – Fiduciary Funds .....	22
Statement of Changes in Fiduciary Net Position – Private Purpose Trust Fund .....	23
Notes to the Basic Financial Statements.....	24

MASSILLON CITY SCHOOL DISTRICT  
STARK COUNTY  
JUNE 30, 2019

TABLE OF CONTENTS  
(Continued)

<b>TITLE</b>	<b>PAGE</b>
Required Supplementary Information:	
Schedule of the District's Proportionate Share of the Net Pension Liability.....	69
Schedule of the District's Contributions - Pension .....	70
Schedule of the District's Proportionate Share of the Net OPEB Liability/(Asset) .....	73
Schedule of the District's Contributions - OPEB .....	74
Notes to Required Supplementary Information .....	76
Schedule of Expenditures of Federal Awards .....	79
Notes to the Schedule of Expenditures of Federal Awards.....	80
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	81
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance.....	83
Schedule of Findings.....	85
Prepare By Management:	
Summary Schedule of Prior Audit Findings and Questioned Costs .....	89

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT

Massillon City School District  
Stark County  
930 17<sup>th</sup> Street NE  
Massillon, Ohio 44646

To the Board of Education:

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Massillon City School District, Stark County, Ohio (the District), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate discretely presented component unit and remaining fund information of the Massillon City School District, Stark County, Ohio, as of June 30, 2019, and the respective changes in financial position thereof and the budgetary comparison for the General Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 23 the District's component unit, the Massillon Digital Academy, closed as of June 30, 2019. We did not modify our opinion regarding this matter.

**Other Matters**

*Required Supplementary Information*

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

*Supplementary and Other Information*

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

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated May 12, 2020, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Keith Faber  
Auditor of State

Columbus, Ohio

May 12, 2020

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**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*

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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, 2019. 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 2019 are as follows:

- Net position increased \$13,421,278, which represents a 67 percent increase from 2018.
- Capital assets increased \$2,425,018 during fiscal year 2019.
- During the year, outstanding debt, excluding unamortized premiums and refunding losses, decreased from \$11,624,435 to \$10,420,134.

***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 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 School District, the general and capital project funds are the most significant funds.

***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 2019?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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, 2019*

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These two statements report the School District's net position and changes in net position. 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***

Fund financial reports provide detailed information about the School District's major fund. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general and capital projects funds.

***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. 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, 2019*

**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 2019 compared to fiscal year 2018.

	<b>Table 1</b>		
	<b>Net Position</b>		
	<u>Governmental Activities</u>		
	<u>2019</u>	<u>2018</u>	<u>Change</u>
<b>Assets</b>			
Current and Other Assets	\$ 72,121,252	\$ 67,081,261	\$ 5,039,991
Net OPEB Asset	2,927,916	0	2,927,916
Capital Assets	40,517,044	38,092,026	2,425,018
<i>Total Assets</i>	<u>115,566,212</u>	<u>105,173,287</u>	<u>10,392,925</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charges on Refunding	368,671	423,971	(55,300)
Pension & OPEB	16,117,532	17,403,437	(1,285,905)
<i>Total Deferred Outflows of Resources</i>	<u>16,486,203</u>	<u>17,827,408</u>	<u>(1,341,205)</u>
<b>Liabilities</b>			
Current Liabilities	6,027,038	5,399,484	627,554
Long-Term Liabilities:			
Due Within One Year	1,513,022	1,439,392	73,630
Due in More Than One Year			
Pension & OPEB	55,121,885	62,640,597	(7,518,712)
Other Amounts	12,600,248	14,098,362	(1,498,114)
<i>Total Liabilities</i>	<u>75,262,193</u>	<u>83,577,835</u>	<u>(8,315,642)</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	14,929,688	15,392,010	(462,322)
Pension & OPEB	8,482,533	4,074,127	4,408,406
<i>Total Deferred Inflows of Resources</i>	<u>23,412,221</u>	<u>19,466,137</u>	<u>3,946,084</u>
<b>Net Position</b>			
Net Investment in Capital Assets	33,398,810	29,203,682	4,195,128
Restricted	5,211,560	7,093,705	(1,882,145)
Unrestricted	(5,232,369)	(16,340,664)	11,108,295
<i>Total Net Position</i>	<u>\$ 33,378,001</u>	<u>\$ 19,956,723</u>	<u>\$ 13,421,278</u>

**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*

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The net pension liability (NPL) is the largest single liability reported by the School District at June 30, 2019, and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. In a prior period, the School District also adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and Other Postemployment Benefits (OPEB), the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB and the net OPEB asset.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension/OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB asset/liability to equal the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of these assets/liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. For STRS, the plan's fiduciary net OPEB position was sufficient to cover the plan's total OPEB liability resulting in a net OPEB asset for fiscal year 2019 that is allocated to each school based on its proportionate share. The retirement system is responsible for the administration of the pension and OPEB plans.

**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*

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Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability reported by the retirement boards. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the School District's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability and net OPEB asset/liability, respectively, not accounted for as deferred inflows/outflows.

At year end, capital assets represented 35 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and fixtures and vehicles. Net investment in capital assets was \$33,398,810 at June 30, 2019. 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, \$5,211,560 represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is a deficit of \$5,232,369.

Total assets increased \$10,392,925. Cash balance continued to increase in fiscal year 2019 due to keeping expenses below incoming revenues. Capital assets increased due to completing the athletic project in fiscal year 2019.

There was a significant change in net pension/OPEB liability/asset for the School District. These fluctuations are due to changes in actuarial liabilities/assets and related accruals that are passed through to the School District's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and Net Pension Liability (NPL)/Net OPEB Liability (NOL)/Net OPEB Asset (NOA) and are described in more detail in their respective notes.

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**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*

Table 2 shows the changes in net position for fiscal year 2019 and 2018.

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

	2019	2018	Change
<b>Revenues</b>			
<i>Program Revenues:</i>			
Charges for Services	\$ 3,125,365	\$ 2,838,670	\$ 286,695
Operating Grants	8,747,320	8,555,010	192,310
Capital Grants	796,131	4,148	791,983
<b>Total Program Revenues</b>	<b>12,668,816</b>	<b>11,397,828</b>	<b>1,270,988</b>
<i>General Revenues:</i>			
Property Taxes	18,343,998	17,945,054	398,944
Income Taxes	3,503	7,918	(4,415)
Grants and Entitlements Not Restricted	29,931,806	29,418,329	513,477
Other	1,500,914	500,040	1,000,874
<b>Total General Revenues</b>	<b>49,780,221</b>	<b>47,871,341</b>	<b>1,908,880</b>
<b>Total Revenues</b>	<b>62,449,037</b>	<b>59,269,169</b>	<b>3,179,868</b>
<b>Program Expenses</b>			
<i>Instruction:</i>			
Regular	19,514,678	8,909,027	10,605,651
Special	5,431,827	3,192,138	2,239,689
Vocational	2,243,354	1,178,185	1,065,169
Adult/Continuing	7,811	4,255	3,556
Student Intervention Services	108,801	113,843	(5,042)
Other	376,652	312,590	64,062
<i>Support Services:</i>			
Pupils	3,356,406	1,881,716	1,474,690
Instructional Staff	1,178,297	678,861	499,436
Board of Education	54,415	133,701	(79,286)
Administration	2,570,650	1,091,357	1,479,293
Fiscal	1,037,282	1,110,937	(73,655)
Operation and Maintenance of Plant	5,131,295	5,129,428	1,867
Pupil Transportation	2,374,992	1,982,272	392,720
Central	650,571	555,638	94,933
<i>Operation of Non-Instructional Services:</i>			
Food Service Operations	2,072,042	1,821,445	250,597
Community Services	541,921	332,756	209,165
Extracurricular Activities	2,002,695	1,508,034	494,661
<i>Debt Service:</i>			
Interest and Fiscal Charges	374,070	409,497	(35,427)
<b>Total Expenses</b>	<b>49,027,759</b>	<b>30,345,680</b>	<b>18,682,079</b>
<b>Increase (Decrease) in Net Position</b>	<b>13,421,278</b>	<b>28,923,489</b>	<b>(15,502,211)</b>
<b>Net Position at Beginning of Year</b>	<b>19,956,723</b>	<b>(8,966,766)</b>	<b>28,923,489</b>
<b>Net Position at End of Year</b>	<b>\$ 33,378,001</b>	<b>\$ 19,956,723</b>	<b>\$ 13,421,278</b>

**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*

There was a significant change in net pension/OPEB liability/asset for the School District. These fluctuations are due to changes in the actuarial liabilities/assets and related accruals that are passed through to the School District's financial statements. All components of pension and OPEB accruals contribute to the fluctuations in deferred outflows/inflows and NPL/NOL/NOA and are described in more detail in their respective notes.

Charges for services increased mainly due to foundation payments for open enrollment and special education. Capital grants increased due to a donation to pay for a new score board. Other revenue increase is a result of investment income. The growth of investment income is due to the School District investing money for future building projects combined with fluctuations in the market.

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	
	2019	2018	2019	2018
<b>Instruction:</b>				
Regular	\$ 19,514,678	\$ 8,909,027	\$ 17,068,417	\$ 6,872,565
Special	5,431,827	3,192,138	742,979	(1,819,120)
Vocational	2,243,354	1,178,185	1,391,427	281,486
Adult/Continuing	7,811	4,255	7,811	4,255
Student Intervention Services	108,801	113,843	103,469	113,843
Other	376,652	312,590	271,255	307,590
<b>Support Services:</b>				
Pupils	3,356,406	1,881,716	2,942,869	1,653,314
Instructional Staff	1,178,297	678,861	976,152	450,038
Board of Education	54,415	133,701	54,415	133,701
Administration	2,570,650	1,091,357	2,494,329	1,067,287
Fiscal	1,037,282	1,110,937	1,037,166	1,110,937
Operation and Maintenance of Plant	5,131,295	5,129,428	5,062,596	4,913,211
Pupil Transportation	2,374,992	1,982,272	2,336,723	1,930,057
Central	650,571	555,638	639,771	544,838
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	2,072,042	1,821,445	115,079	(35,219)
Community Services	541,921	332,756	205,139	98,305
Extracurricular Activities	2,002,695	1,508,034	535,276	911,267
<b>Debt Service:</b>				
Interest and Fiscal Charges	374,070	409,497	374,070	409,497
<b>Total Expenses</b>	<b>\$ 49,027,759</b>	<b>\$ 30,345,680</b>	<b>\$ 36,358,943</b>	<b>\$ 18,947,852</b>

**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*

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The total and net cost of services changes were primarily caused by the pension and OPEB changes in prior year, which were previously discussed.

The dependence upon general revenues for governmental activities is apparent. Over 74 percent of governmental activities are supported through taxes and grants and entitlements not restricted; such revenues are 80 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

***Governmental Funds***

The School District's governmental funds are accounted for using the modified accrual basis of accounting.

The general fund's net change in fund balance for fiscal year 2019 was an increase of \$5,428,612. The increase was primarily due to the increase in cash from operations.

The capital project fund's fund balance did not change for fiscal year 2019.

***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. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management.

***Original Budget Compared to Final Budget*** During the course of fiscal year 2019, the School District amended its general fund budget for estimated receipts and other financing sources. The final budget of estimated receipts and other financing sources was greater than the original budget. The majority of this increase was in intergovernmental receipts. The School District decreased its general fund budgeted disbursements. The majority of this adjustment was due changes in estimated employee retirement.

***Final Budget Compared to Actual Results*** For fiscal year 2019, final budgeted receipts and other financing sources were higher than and actual receipts and other financing sources. The majority of this difference was due to an overestimation of State foundation. A review of actual expenditures and other financing uses compared to the appropriations in the final budget yields no significant variances.

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**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*

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***Capital Assets and Debt Administration***

**Capital Assets**

Table 4 shows fiscal year 2019 balances compared with 2018.

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

	Governmental Activities	
	2019	2018
Land	\$ 3,707,386	\$ 3,707,386
Construction in Progress	306,366	2,649,243
Land Improvements	1,759,582	497,119
Buildings and Improvements	28,660,349	25,138,842
Furniture and Equipment	5,014,060	4,865,712
Vehicles	1,069,301	1,233,724
<i>Totals</i>	\$ 40,517,044	\$ 38,092,026

The \$2,425,018 increase in capital assets was attributable to additional purchases exceeding depreciation and disposals in the current year. This was primarily a result of the School District completing the athletic project. See Note 6 for more information about the capital assets of the School District.

**Debt**

Table 5 summarizes debt outstanding compared with 2018. See Note 14 for additional details.

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

	Governmental Activities	
	2019	2018
General Obligation Bonds	\$ 7,355,000	\$ 8,170,000
Lease-Purchase Agreement	3,065,134	3,454,435
<i>Total</i>	\$ 10,420,134	\$ 11,624,435

**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2019*

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***Current Issues***

Massillon City School District continues to uphold the highest standards of service for our students, parents and community while remaining within our funding capability. The ultimate goal of the School District is to offer the best educational and extra-curricular experience for students.

The Board and Administration have been successful in right-sizing the School District and addressing renovation and repair of the buildings. Over the past seven (7) years, the following repairs and renovations have been completed:

- Washington High School roof replacement completed
- Demolition of Emerson, and Bowers Elementary Schools
- Boiler replacements at Whittier, Franklin and Gorrell Elementary Schools.
- Asphalt repair at all the buildings
- Washington High School door and window replacements
- Massillon Middle School roof repair
- Track and field facility project at Massillon Middle School

Looking to the future the School District is in the process of reviewing plans for a \$4.0 million operations facility to begin in 2020, which will house the building and grounds department; transportation department; food service department; and technology department. Much concern has been expressed on the aging elementary buildings; thus, the School District is collaborating with the OFCC to build two new elementary buildings in the next several years.

The ultimate 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, 2019*

	Primary Government	Component Unit
	Governmental Activities	Massillon Digital Academy
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 47,942,613	252,537
Cash and Cash Equivalents with Fiscal Agent	4,167,860	0
Receivables:		
Accounts	207,748	
Accrued Interest	64,878	0
Intergovernmental	934,994	15,532
Income Taxes	4,839	0
Property Taxes	18,702,622	0
Prepaid Items	95,698	0
Net OPEB Asset	2,927,916	0
Assets Held for Sale	0	2,737
Nondepreciable Capital Assets	4,013,752	0
Depreciable Capital Assets (Net)	36,503,292	0
<i>Total Assets</i>	<u>115,566,212</u>	<u>270,806</u>
<b>Deferred Outflows of Resources</b>		
Deferred Charges on Refunding	368,671	0
Pension	14,807,968	0
OPEB	1,309,564	0
<i>Total Deferred Outflows of Resources</i>	<u>16,486,203</u>	<u>0</u>
<b>Liabilities</b>		
Accounts Payable	183,747	41,703
Accrued Wages and Benefits	4,425,061	0
Contracts Payable	376,558	0
Intergovernmental Payable	837,275	60,471
Retainage Payable	32,744	0
Matured Compensated Absences Payable	91,078	0
Accrued Interest Payable	35,066	0
Accrued Vacation Leave Payable	45,509	0
Long Term Liabilities:		
Due Within One Year	1,513,022	0
Due In More Than One Year:		
Net Pension Liability	50,189,066	0
Net OPEB Liability	4,932,819	0
Other Amounts Due in More Than One Year	12,600,248	0
<i>Total Liabilities</i>	<u>75,262,193</u>	<u>102,174</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes Levied for the Next Year	14,929,688	0
Pension	3,360,471	0
OPEB	5,122,062	0
<i>Total Deferred Inflows of Resources</i>	<u>23,412,221</u>	<u>0</u>
<b>Net Position</b>		
Net Investment in Capital Assets	33,398,810	0
Restricted For:		
Capital Outlay	1,629,828	0
Debt Service	916,725	0
Other Purposes	2,665,007	0
Unrestricted	(5,232,369)	168,632
<i>Total Net Position</i>	<u>\$ 33,378,001</u>	<u>\$ 168,632</u>

See accompanying notes of the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2019

	Program Revenues				Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Primary Government	Component Unit
					Governmental Activities	Massillon Digital Academy
<b>Governmental Activities</b>						
Instruction:						
Regular	\$ 19,514,678	\$ 2,195,401	\$ 250,860	\$ 0	\$ (17,068,417)	\$ 0
Special	5,431,827	218,946	4,469,902	0	(742,979)	0
Vocational	2,243,354	12,525	839,402	0	(1,391,427)	0
Adult/Continuing	7,811	0	0	0	(7,811)	0
Student Intervention Services	108,801	0	5,332	0	(103,469)	0
Other	376,652	0	105,397	0	(271,255)	0
Support Services:						
Pupils	3,356,406	12,606	400,931	0	(2,942,869)	0
Instructional Staff	1,178,297	0	202,145	0	(976,152)	0
Board of Education	54,415	0	0	0	(54,415)	0
Administration	2,570,650	0	76,321	0	(2,494,329)	0
Fiscal	1,037,282	0	0	116	(1,037,166)	0
Operation and Maintenance of Plant	5,131,295	1,542	63,108	4,049	(5,062,596)	0
Pupil Transportation	2,374,992	0	38,269	0	(2,336,723)	0
Central	650,571	0	10,800	0	(639,771)	0
Operation of Non-Instructional Services:						
Food Service Operations	2,072,042	33,147	1,923,816	0	(115,079)	0
Community Services	541,921	0	336,782	0	(205,139)	0
Extracurricular Activities	2,002,695	651,198	24,255	791,966	(535,276)	0
Debt Service:						
Interest and Fiscal Charges	374,070	0	0	0	(374,070)	0
<b>Total</b>	<b>\$ 49,027,759</b>	<b>\$ 3,125,365</b>	<b>\$ 8,747,320</b>	<b>\$ 796,131</b>	<b>(36,358,943)</b>	<b>0</b>
<b>Component Unit</b>						
Massillon Digital Academy	\$ 664,126	\$ 0	\$ 23,419	\$ 0	0	\$ (640,707)
<b>General Revenues</b>						
Property Taxes Levied for:						
General Purposes					15,916,778	0
Debt Service					681,400	0
Capital Outlay					1,581,686	0
Classroom Maintenance					164,134	0
Income Taxes Levied for:						
General Purposes					3,503	0
Grants and Entitlements Not Restricted to Specific Programs					29,931,806	273,028
Investment Earnings					1,177,629	837
Miscellaneous					323,285	70
<b>Total General Revenues</b>					<b>49,780,221</b>	<b>273,935</b>
<b>Change in Net Position</b>					<b>13,421,278</b>	<b>(366,772)</b>
<b>Net Position Beginning of Year</b>					<b>19,956,723</b>	<b>535,404</b>
<b>Net Position End of Year</b>					<b>\$ 33,378,001</b>	<b>\$ 168,632</b>

See accompanying notes to the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2019*

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Investments	\$ 26,756,342	\$ 15,000,000	\$ 6,186,271	\$ 47,942,613
Cash and Cash Equivalents with Fiscal Agent	0	0	4,167,860	4,167,860
Receivables:				
Accrued Interest	64,878	0	0	64,878
Accounts	203,209	0	4,539	207,748
Interfund	250,132	0	0	250,132
Intergovernmental	73,619	0	861,375	934,994
Income Taxes	4,839	0	0	4,839
Property Taxes	15,846,335	0	2,856,287	18,702,622
Prepaid Items	93,198	0	2,500	95,698
<b>Total Assets</b>	<b>\$ 43,292,552</b>	<b>\$ 15,000,000</b>	<b>\$ 14,078,832</b>	<b>\$ 72,371,384</b>
<b>Liabilities</b>				
Accounts Payable	\$ 133,336	\$ 0	\$ 50,411	\$ 183,747
Accrued Wages and Benefits	4,043,583	0	381,478	4,425,061
Contracts Payable	0	0	376,558	376,558
Intergovernmental Payable	744,587	0	92,688	837,275
Retainage Payable	0	0	32,744	32,744
Matured Compensated Absences Payable	84,707	0	6,371	91,078
Interfund Payable	0	0	250,132	250,132
<b>Total Liabilities</b>	<b>5,006,213</b>	<b>0</b>	<b>1,190,382</b>	<b>6,196,595</b>
<b>Deferred Inflows of Resources</b>				
Property Taxes Levied for the Next Year	12,582,595	0	2,347,093	14,929,688
Unavailable Revenue	2,808,268	0	1,270,085	4,078,353
<b>Total Deferred Inflows of Resources</b>	<b>15,390,863</b>	<b>0</b>	<b>3,617,178</b>	<b>19,008,041</b>
<b>Fund Balances</b>				
Nonspendable	108,295	0	2,500	110,795
Restricted	0	0	8,176,234	8,176,234
Committed	45,409	0	1,700,885	1,746,294
Assigned	1,137,409	15,000,000	0	16,137,409
Unassigned	21,604,363	0	(608,347)	20,996,016
<b>Total Fund Balances</b>	<b>22,895,476</b>	<b>15,000,000</b>	<b>9,271,272</b>	<b>47,166,748</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 43,292,552</b>	<b>\$ 15,000,000</b>	<b>\$ 14,078,832</b>	<b>\$ 72,371,384</b>

See accompanying notes to 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, 2019*

<b>Total Governmental Fund Balances</b>		\$ 47,166,748
<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.		40,517,044
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 850,203	
Accounts Receivable	139,160	
Delinquent Property Taxes	3,088,990	4,078,353
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(35,066)
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		368,671
The net pension and OPEB assets/liabilities are not due and payable in the current period; therefore, the assets/liabilities and related deferred inflows/outflows are not reported in the funds.		
Net OPEB Asset	2,927,916	
Deferred Outflows - Pension	14,807,968	
Deferred Outflows - OPEB	1,309,564	
Net Pension Liability	(50,189,066)	
Net OPEB Liability	(4,932,819)	
Deferred Inflows - Pension	(3,360,471)	
Deferred Inflows - OPEB	(5,122,062)	(44,558,970)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.		
General Obligation Bonds	(7,355,000)	
Bond Premium	(445,774)	
Lease-Purchase Agreement	(3,065,134)	
Vacations Payable	(45,509)	
Compensated Absences	(3,247,362)	(14,158,779)
<i>Net Position of Governmental Activities</i>		<b>\$ 33,378,001</b>

See accompanying notes to 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, 2019*

	General	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property and Other Local Taxes	\$ 15,878,181	\$ 0	\$ 2,430,154	\$ 18,308,335
Income Taxes	4,711	0	0	4,711
Intergovernmental	33,067,403	0	5,150,053	38,217,456
Investment Income	1,116,243	0	90,027	1,206,270
Tuition and Fees	1,837,228	0	0	1,837,228
Extracurricular Activities	59,791	0	554,051	613,842
Rentals	81,183	0	9,624	90,807
Charges for Services	510,491	0	33,147	543,638
Contributions and Donations	1,781	0	91,075	92,856
Miscellaneous	123,352	0	47,803	171,155
<i>Total Revenues</i>	<u>52,680,364</u>	<u>0</u>	<u>8,405,934</u>	<u>61,086,298</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	20,819,159	0	251,626	21,070,785
Special	4,574,285	0	1,730,954	6,305,239
Vocational	2,445,244	0	6,452	2,451,696
Adult Education	7,757	0	0	7,757
Student Intervention Services	103,174	0	5,627	108,801
Other	306,925	0	118,943	425,868
Support Services:				
Pupils	3,483,628	0	434,434	3,918,062
Instructional Staff	1,004,353	0	236,815	1,241,168
Board of Education	54,415	0	0	54,415
Administration	2,827,334	0	80,370	2,907,704
Fiscal	1,033,808	0	45,401	1,079,209
Operation and Maintenance of Plant	6,359,173	0	1,685,453	8,044,626
Pupil Transportation	2,102,360	0	7,292	2,109,652
Central	595,573	0	40,709	636,282
Extracurricular Activities	1,438,004	0	854,511	2,292,515
Operation of Non-Instructional Services:				
Food Service Operations	25,295	0	1,977,442	2,002,737
Community Services	138,211	0	413,984	552,195
Debt Service:				
Principal Retirement	0	0	1,204,301	1,204,301
Interest and Fiscal Charges	0	0	389,172	389,172
<i>Total Expenditures</i>	<u>47,318,698</u>	<u>0</u>	<u>9,483,486</u>	<u>56,802,184</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,361,666</u>	<u>0</u>	<u>(1,077,552)</u>	<u>4,284,114</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	0	2,434	2,434
Insurance Recoveries	86,957	0	0	86,957
Transfers In	0	0	20,011	20,011
Transfers Out	(20,011)	0	0	(20,011)
<i>Total Other Financing Sources (Uses)</i>	<u>66,946</u>	<u>0</u>	<u>22,445</u>	<u>89,391</u>
<i>Net Change in Fund Balance</i>	5,428,612	0	(1,055,107)	4,373,505
<i>Fund Balances Beginning of Year</i>	<u>17,466,864</u>	<u>15,000,000</u>	<u>10,326,379</u>	<u>42,793,243</u>
<i>Fund Balances End of Year</i>	<u>\$ 22,895,476</u>	<u>\$ 15,000,000</u>	<u>\$ 9,271,272</u>	<u>\$ 47,166,748</u>

See accompanying notes to 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, 2019*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>4,373,505</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Capital Asset Additions	\$ 5,044,537	
Current Year Depreciation	<u>(2,582,946)</u>	2,461,591
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.		
		(36,573)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	35,663	
Income Taxes	(1,208)	
Accounts Receivable	139,160	
Intergovernmental	<u>344,340</u>	517,955
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	815,000	
Lease-Purchase Agreement	<u>389,301</u>	1,204,301
In the statement of activities, interest is accrued on outstanding bonds; and bond premium and 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	3,536	
Amortization of Premium on Bonds	(55,300)	
Amortization of Refunding Loss/Gain	<u>66,866</u>	15,102
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		
Pension	3,812,212	
OPEB	<u>130,872</u>	3,943,084
Except for amount reported as deferred inflows/outflows, changes in the net pension and OPEB assets/liabilities are reported as pension/OPEB expense in the statement of activities.		
Pension	(5,325,202)	
OPEB	<u>6,134,435</u>	809,233
Some expenses reported in the statement of activities do not require the use of the current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	153,317	
Vacations Payable	<u>(20,237)</u>	133,080
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$</u></u>	<u><u>13,421,278</u></u>

See accompanying notes to 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, 2019*

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Revenues and Other Financing Sources	\$ 49,498,500	\$ 53,079,360	\$ 52,256,383	\$ (822,977)
Expenditures and Other Financing Uses	50,000,000	48,473,655	48,345,700	127,955
Net Change in Fund Balance	(501,500)	4,605,705	3,910,683	(695,022)
<i>Fund Balance Beginning of Year</i>	18,709,674	18,709,674	18,709,674	0
Prior Year Encumbrances Appropriated	2,583,693	2,583,693	2,583,693	0
<i>Fund Balance End of Year</i>	<u>\$ 20,791,867</u>	<u>\$ 25,899,072</u>	<u>\$ 25,204,050</u>	<u>\$ (695,022)</u>

See accompanying notes to the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2019*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 129,033	\$ 206,226
Investments	127,026	0
<i>Total Assets</i>	256,059	\$ 206,226
<b>Liabilities</b>		
Accounts Payable	0	\$ 97
Due to Students	0	206,129
<i>Total Liabilities</i>	0	\$ 206,226
<b>Net Position</b>		
Held in Trust for Scholarships	\$ 256,059	

See accompanying notes to 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, 2019*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 209,749
Investment Earnings	453
	210,202
 <b>Deductions</b>	
Payments in Accordance with Trust Agreements	27,999
	182,203
<i>Change in Net Position</i>	
	182,203
<i>Net Position Beginning of Year</i>	73,856
	73,856
<i>Net Position End of Year</i>	\$ 256,059
	256,059

See accompanying notes to the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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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 identifies 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, 2019*

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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) and the Stark County Schools Council of Governments Health Benefit Plan. They are presented in Notes 15 and 16.

**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.

***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.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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***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 deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The School District’s major funds are described below:

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

***Capital Projects Fund*** - The capital projects fund accumulates money for one or more capital projects in accordance with the Ohio Revised Code Section 5705.13.

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 and athletic tournaments.

***C. Measurement Focus***

***Government-wide Financial Statements-*** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources 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.

***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 deferred outflows of resources and current liabilities and deferred inflows of resources 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.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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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 for 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 inflows and outflows, 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 Outflows/Inflows of Resources*** In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding, for pension and OPEB. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 10 and 11.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the School District, deferred inflows of resources include property taxes, pension, OPEB and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2019, but which were levied to finance fiscal year 2020 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

---

may include delinquent property taxes, income taxes, grants and entitlements and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position. (See Notes 10 and 11).

***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 resources. 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.

The School District utilizes a financial institution to service to hold lease proceeds. The proceeds will be spent as work is completed on the project. The balance in this account is presented on the Financial Statements as "Cash and Cash Equivalents with Fiscal Agent."



**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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During fiscal year 2019, investments were limited to Federal National Mortgage Association notes, Federal Home Loan Bank notes, Federal Home Loan Mortgage notes, Federal Farm Credit Bank notes, First American Treasury Money Market, commercial paper, certificates of deposit, STAR Plus and STAR Ohio.

Except for nonparticipating investment contracts, investments are reported at fair value. Nonparticipating investment contracts, such as repurchase agreements and nonnegotiable certificates of deposit, are reported at cost.

During the year 2019, the School District invested in STAR Ohio. STAR Ohio (the State Treasury Asset Reserve of Ohio), is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, *Certain External Investment Pools and Pool Participants*. The School District measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For the fiscal year 2019, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

The School District also invests in STAR Plus, a federally insured cash account powered by the Federally Insured Cash Account (FICA) program. STAR Plus enables political subdivisions to generate a competitive yield on cash deposits in a network of carefully-selected FDIC-insured banks via a single, convenient account. STAR Plus offers attractive yields with no market or credit risk, weekly liquidity and penalty free withdrawals. All deposits with STAR Plus have full FDIC insurance, with no term commitment on deposits.

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 2019 amounted to \$1,116,243, which includes \$474,963 assigned from other School District funds.

Investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the School District are presented on the financial statements as "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. 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 acquisition values as of the date received. The School District maintains a capitalization threshold of \$5,000. 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.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

---

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

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

***H. 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.

***I. 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.

***J. Pensions and Other Postemployment Benefits (OPEB)***

For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension/OPEB, and pension/OPEB expense information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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***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, 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. Net pension/OPEB liability should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plan's fiduciary net position is not sufficient for payment of those benefits.

***L. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. 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, 2019, 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***

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.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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*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.

*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 2019.

***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, 2019, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 83, Certain Asset Retirement Obligations and GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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GASB Statement No. 83 establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The implementation of GASB Statement No. 83 did not have an effect on the financial statements of the School District.

GASB Statement No. 88 establishes additional financial statement note disclosure requirements related to debt obligations of governments, including direct borrowings and direct placements. These changes were incorporated in the School District's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

**NOTE 3: ACCOUNTABILITY**

Fund balances at June 30, 2019, included the following individual fund deficit:

	<u>Deficit</u>
Nonmajor Fund:	
Vocational Education Enhancement	\$ 788
Public Preschool Grants	72,951
Title VI-B	221,497
Miscellaneous Federal Grants	10,110
Carl Perkins Grant	3,245
Title I	277,568
Title VI-R	22,188

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 assigned or committed 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, 2019*

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**

GAAP Basis	\$	5,428,612
Net Adjustment for Revenue Accruals		(373,622)
Net Adjustment for Expenditure Accruals		95,762
Funds Budgeted Elsewhere**		(39,225)
Adjustment for Encumbrances		<u>(1,200,844)</u>
Budget Basis	<u>\$</u>	<u>3,910,683</u>

\*\* 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, unclaimed funds, termination of benefits and public school support funds.

**NOTE 5: DEPOSITS AND INVESTMENTS**

State statute classifies monies held by the School District into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the School District Treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

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

Protection of the School District's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institutions participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution.

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, 2019*

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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 (STAR Ohio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty and two hundred and seventy days, respectively, in an amount not to exceed forty percent of the interim moneys available for investment at any one time; and,
8. Under limited circumstances, corporate note 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 qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

**Deposits** - At year-end, \$6,905,944 of the School District's bank balance of \$10,072,107 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions' trust department in the School District's name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the School District to a successful claim by the FDIC.

**Custodial Credit Risk** Custodial credit risk for deposits is the risk that in the event of a bank failure, the School District will not be able to recover deposits or collateral securities that are in possession of an outside party.

The School District has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits either be insured or protected by:

- Eligible securities pledged to the School District and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

- Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS required the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

**Cash and Cash Equivalents with Fiscal Agent**

Huntington Bank acts as a fiscal agent for the School District. This money is held in a trustee account for the constructing, equipping and improving of the project facilities. Collateral is held on direct deposit with the Federal Reserve.

**Investments**

As of June 30, 2019, the School District had the following investments and maturities:

S&P Global Ratings	Investment	Measurement Amount	Investment Maturities in Months			% Total
			0-12	13-36	Over 36	
	Net Asset Value (NAV):					
AAAm	First American Treasury Market	\$ 18,682	\$ 18,682	\$ 0	\$ 0	0.05%
AAAm	STAR Ohio	10,463,721	10,463,721	0	0	27.08%
	Fair Value:					
	Federal Farm Credit					
AA+	Bank (FFCB)	639,210	0	249,098	390,112	1.65%
	Federal National Mortgage					
AA+	Association (FNMA)	7,851,722	2,452,084	5,399,638	0	20.31%
AA+	Federal Home Loan Bank (FHLB)	3,071,232	1,570,429	0	1,500,803	7.95%
AA+	Federal Home Loan Mortgage (FHLM)	2,058,374	0	2,058,374	0	5.33%
A-1+	Commercial Paper	7,238,015	7,238,015	0	0	18.73%
N/A	Negotiable Certificates of Deposit	7,305,922	494,967	4,568,599	2,242,356	18.90%
	Total Investments	\$ 38,646,878	\$ 22,237,898	\$ 12,275,709	\$ 4,133,271	100.00%

The School District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The above table identifies the School District's recurring fair value measurements as of June 30, 2019. The School District's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications. Market indicators and industry and economic events are also monitored which could require the need to acquire further market data (Level 2 inputs).

**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, 2019*

**Credit Risk** The School District's investments during fiscal year 2019 included STAR Ohio, Commercial Paper, certificates of deposit, First American Treasury Market, FHLM notes, FNMA notes, FHLB notes and FFCB notes. STAR Ohio 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 STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2019, is 53 days. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

**Concentration of Credit Risk** The School District places no limit on the amount the School District may invest in any one issuer. The School District's policy is to invest money with financial institutions that are able to abide by the laws governing insurance and collateral of public funds.

**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance 06/30/2018	Additions	Deletions	Balance 06/30/2019
<b>Governmental Activities</b>				
<b>Capital Assets, Not Being Depreciated:</b>				
Land	\$ 3,707,386	\$ 0	\$ 0	\$ 3,707,386
Construction in Progress	2,649,243	3,077,388	(5,420,265)	306,366
<i>Total Capital Assets Not Being Depreciated</i>	<u>6,356,629</u>	<u>3,077,388</u>	<u>(5,420,265)</u>	<u>4,013,752</u>
<b>Capital Assets, Being Depreciated:</b>				
Land Improvements	6,278,413	1,441,668	(150,177)	7,569,904
Buildings and Improvements	57,144,486	5,020,200	0	62,164,686
Furniture and Fixtures	14,198,603	746,168	(305,571)	14,639,200
Vehicles	4,011,440	179,378	(43,200)	4,147,618
<i>Total Capital Assets, Being Depreciated</i>	<u>81,632,942</u>	<u>7,387,414</u>	<u>(498,948)</u>	<u>88,521,408</u>
<b>Less Accumulated Depreciation:</b>				
Land Improvements	(5,781,294)	(179,205)	150,177	(5,810,322)
Buildings and Improvements	(32,005,644)	(1,498,693)	0	(33,504,337)
Furniture and Fixtures	(9,332,891)	(596,797)	304,548	(9,625,140)
Vehicles	(2,777,716)	(308,251)	7,650	(3,078,317)
<i>Total Accumulated Depreciation</i>	<u>(49,897,545)</u>	<u>(2,582,946) *</u>	<u>462,375</u>	<u>(52,018,116)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>31,735,397</u>	<u>4,804,468</u>	<u>(36,573)</u>	<u>36,503,292</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 38,092,026</u>	<u>\$ 7,881,856</u>	<u>\$ (5,456,838)</u>	<u>\$ 40,517,044</u>

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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

Instruction:	
Regular	\$ 1,183,517
Special	2,378
Vocational	70,885
Adult/Continuing	54
Other	2,670
Support Services:	
Pupil	2,135
Instructional Staff	280
Administration	1,357
Fiscal	967
Operation and Maintenance of Plant	624,464
Pupil Transportation	294,344
Central	15,777
Operation of Non-Instructional Services:	
Food Services Operations	17,340
Community Services	11,128
Extracurricular Activities	<u>355,650</u>
Total Depreciation Expense	<u><u>\$ 2,582,946</u></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 2019 represents collections of calendar year 2018 taxes. Real property taxes received in calendar year 2019 were levied after April 1, 2018, on the assessed value listed as of January 1, 2018, the lien date. Assessed values for real property taxes are established by State law at 35 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 year 2019 represents collections of calendar year 2018 taxes. Public utility real and tangible personal property taxes received in calendar year 2018 became a lien December 31, 2017, were levied after April 1, 2018 and are collected in 2019 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, 2019*

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, 2019, are available to finance fiscal year 2019 operations. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2019 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources.

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

The assessed values upon which the fiscal year 2019 taxes were collected are:

	2018 Second Half Collections		2019 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 380,064,720	93.13%	\$ 419,344,090	93.65%
Public Utility Personal Property	28,022,280	6.87%	28,448,880	6.35%
	\$ 408,087,000	100.00%	\$ 447,792,970	100.00%
Tax rate per \$1,000 assessed valuation	\$ 55.30		\$ 53.10	

**NOTE 8: RECEIVABLES**

Receivables at June 30, 2019 consisted of taxes, accounts (miscellaneous, rent and tuition and fees), interfund, accrued interest, and intergovernmental. 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 2019, the School District contracted with Leonard Insurance/Ohio Casualty for various types of insurance as follows:

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

<u>Coverage</u>	<u>Amount</u>
General Liability:	
Occurrence	\$ 1,000,000
Aggregate	2,000,000
Umbrella	10,000,000
Buildings and Contents	162,997,090
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 Plan, a shared risk pool (Note 16) 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 2019 the School District's premiums were \$1,787.96 for family coverage and \$736.01 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 2019, the School District's cost was \$230.56 and \$48.97 for family coverage and \$93.46 and \$19.72 for single coverage per employee per month, respectively.

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

***C. Workers' Compensation***

The School District participates in the 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.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**NOTE 10: DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District’s obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a statewide, cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

	Eligible to Retire before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first 30 years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2019, the allocation to pension, death benefits, and Medicare B was 13.5 percent. SERS allocated 0.5 percent of employer contributions to the Health Care Fund for fiscal year 2019.

The School District’s contractually required contribution to SERS was \$775,991 for fiscal year 2019. Of this amount, \$45,712 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site 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. Benefits are established by Ohio Revised Code Chapter 3307. For the DB Plan, from August 1, 2015–July 1, 2017, any member could retire with reduced benefits who had (1) five years of service credit and age 60; (2) 26 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Effective August 1, 2017–July 1, 2019, any member may retire with reduced benefits who has (1) five years of service credit and age 60; (2) 27 years of service credit and age 55; or (3) 30 years of service credit regardless of age. Eligibility changes will continue to be phased in through August 1, 2026, when retirement eligibility for unreduced benefits will be five years of service credit and age 65, or 35 years of service credit and at least age 60. Retirement eligibility for reduced benefits will be five years of service credit and age 60, or 30 years of service credit regardless of age.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. Effective July 1, 2017, employer contributions of 9.53 percent are placed in the investment accounts and the remaining 4.47 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. 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 DB Plan and the DC Plan. In the Combined Plan, 12 percent of the 14 percent member rate goes to the DC Plan and the remaining 2 percent is applied to the DB Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund a defined benefit payment. A member's defined benefit is determined by multiplying one percent of the member's final average salary by the member's years of service credit. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of service. The DC portion of the account may be taken as a lump sum or converted to a lifetime monthly annuity at age 50 and termination of employment.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member's defined contribution account or the defined contribution portion of a member's Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit to apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member's designated beneficiary is entitled to receive the member's account balance.

Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. For the fiscal year ended June 30, 2019, plan members were required to contribute 14 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2019 contribution rates were equal to the statutory maximum rates.

The School District's contractually required contribution to STRS was \$3,036,221 for fiscal year 2019. Of this amount, \$529,298 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an independent actuarial valuation as of that date. The School District's employer allocation percentage of the net pension liability was based on the employer's share of employer contributions in the pension plan relative to the total employer contributions of all participating employers. Following is information related to the proportionate share and pension expense:

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

	SERS	STRS	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.17679460%	0.18220920%	
Prior Measurement Date	0.14986160%	0.17937840%	
Change in Proportionate Share	<u>0.02693300%</u>	<u>0.00283080%</u>	
Proportionate Share of the Net			
Pension Liability	\$ 10,125,354	\$ 40,063,712	\$ 50,189,066
Pension Expense	\$ 1,204,386	\$ 4,120,816	\$ 5,325,202

Deferred outflows/inflows of resources represent the effect of changes in the net pension liability due to the difference between projected and actual investment earnings, differences between expected and actual actuarial experience, changes in assumptions and changes in the School District's proportion of the collective net pension liability. The deferred outflows and deferred inflows are to be included in pension expense over current and future periods. The difference between projected and actual investment earnings is recognized in pension expense using a straight line method over a five year period beginning in the current year. Deferred outflows and deferred inflows resulting from changes in sources other than differences between projected and actual investment earnings are amortized over the average expected remaining service lives of all members (both active and inactive) using the straight line method. Employer contributions to the pension plan subsequent to the measurement date are also required to be reported as a deferred outflow of resources.

At June 30, 2019 the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 555,310	\$ 924,793	\$ 1,480,103
Changes of Assumptions	228,652	7,100,045	7,328,697
Changes in Proportion and Differences between			
School District Contributions and Proportionate			
Share of Contributions	932,889	1,254,067	2,186,956
School District Contributions Subsequent to the			
Measurement Date	775,991	3,036,221	3,812,212
<b>Total Deferred Outflows of Resources</b>	<u>\$ 2,492,842</u>	<u>\$ 12,315,126</u>	<u>\$ 14,807,968</u>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and			
Actual Experience	\$ 0	\$ 261,641	\$ 261,641
Net Difference between Projected and			
Actual Earnings on Pension Plan Investments	280,543	2,429,421	2,709,964
Changes in Proportion and Differences between			
School District Contributions and Proportionate			
Share of Contributions	267,167	121,699	388,866
<b>Total Deferred Inflows of Resources</b>	<u>\$ 547,710</u>	<u>\$ 2,812,761</u>	<u>\$ 3,360,471</u>



**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

\$3,812,212 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ 1,218,829	\$ 3,761,634	\$ 4,980,463
2021	368,639	2,757,460	3,126,099
2022	(332,289)	356,619	24,330
2023	(86,038)	(409,569)	(495,607)
	\$ 1,169,141	\$ 6,466,144	\$ 7,635,285

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment terminations). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2018, are presented below:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Actuarial Cost Method	Entry Age Normal (Level Percent of Payroll)
COLA or Ad Hoc COLA	2.50 percent, on and after April 1, 2018, COLA's for future retirees will be delayed for three years following commencement

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

For post-retirement mortality, the table used in evaluating allowances to be paid is the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, with 120 percent of male rates and 110 percent of female rates used. The RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years is used for the period after disability retirement.

The long-term return expectation for the Pension Plan Investments has been determined by using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating an arithmetic weighted average of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The asset allocation, as used in the June 30, 2015 five-year experience study, is summarized as follows:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	100.00 %	

**Discount Rate** Total pension liability was calculated using the discount rate of 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employers would contribute the actuarially determined contribution rate of projected compensation over the remaining 26-year amortization period of the unfunded actuarial accrued liability. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.50 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the School District's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the School District's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 14,262,325	\$ 10,125,354	\$ 6,656,781

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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***Actuarial Assumptions - STRS***

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Projected Payroll Growth	3.00 percent
Cost-of-Living Adjustments	0.00 percent

Post-retirement mortality rates are based on RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016; pre-retirement mortality rates are based on RP-2014 Employee Mortality Table, projected forward generationally using mortality improvement scale MP-2016.

The actuarial assumptions used in the July 1, 2018 valuation, were adopted by the board from the results of an actuarial experience study for July 1, 2011, through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	1.00	2.25
Total	<u>100.00 %</u>	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Discount Rate** The discount rate used to measure the total pension liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumes that employer and member contributions will be made at statutory contribution rates of 14 percent each. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on pension plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2018.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.45 percent) or one-percentage-point higher (8.45 percent) than the current assumption:

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net Pension Liability	\$ 58,507,777	\$ 40,063,712	\$ 24,453,313

**NOTE 11: DEFINED BENEFIT OPEB PLANS**

***Net OPEB Asset/Liability***

The net OPEB asset/liability reported on the statement of net position represents an asset or liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB asset/liability represents the School District's proportionate share of each OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB asset/liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which OPEB are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including OPEB.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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GASB 75 assumes the asset/liability is solely that of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees, which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB asset/liability. Resulting adjustments to the net OPEB asset/liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net OPEB asset/ liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Plan Description - School Employees Retirement System (SERS)***

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 75 purposes, this plan is considered a cost-sharing other postemployment benefit (OPEB) plan. SERS' Health Care Plan provides healthcare benefits to eligible individuals receiving retirement, disability, and survivor benefits, and to their eligible dependents. Members who retire after June 1, 1986, need 10 years of service credit, exclusive of most types of purchased credit, to qualify to participate in SERS' health care coverage. In addition to age and service retirees, disability benefit recipients and beneficiaries who are receiving monthly benefits due to the death of a member or retiree, are eligible for SERS' health care coverage. Most retirees and dependents choosing SERS' health care coverage are over the age of 65 and therefore enrolled in a fully insured Medicare Advantage plan; however, SERS maintains a traditional, self-insured preferred provider organization for its non-Medicare retiree population. For both groups, SERS offers a self-insured prescription drug program. Health care is a benefit that is permitted, not mandated, by statute. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Active employee members do not contribute to the Health Care Plan. The SERS Retirement Board established the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Premiums vary depending on the plan selected, qualified years of service, Medicare eligibility, and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required pensions and benefits, the Retirement Board may allocate the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund in accordance with the funding policy. For fiscal year 2019, 0.5 percent of covered payroll was made 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 if less than a full year of service credit was earned. For fiscal year 2019, this amount was \$21,600. 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 total statewide SERS-covered payroll for the health care surcharge. For fiscal year 2019, the School District's surcharge obligation was \$102,324.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

The surcharge, added to the allocated portion of the 14 percent employer contribution rate is the total amount assigned to the Health Care Fund. The School District's contractually required contribution to SERS was \$130,872 for fiscal year 2019. Of this amount \$104,017 is reported as an intergovernmental payable.

***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – The State Teachers Retirement System of Ohio (STRS) administers a cost-sharing Health Plan administered for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS. Ohio law authorizes STRS to offer this plan. Benefits include hospitalization, physicians' fees, prescription drugs and partial reimbursement of monthly Medicare Part B premiums. Medicare Part B premium reimbursements will be discontinued effective January 1, 2020. The Plan is included in the report of STRS which can be obtained by visiting [www.strsoh.org](http://www.strsoh.org) or by calling (888) 227-7877.

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS to offer the Plan and gives the Retirement Board discretionary authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. Nearly all health care plan enrollees, for the most recent year, pay a portion of the health care costs in the form of a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2019, STRS did not allocate any employer contributions to post-employment health care.

***OPEB Assets/Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEB***

The net OPEB asset/liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB asset/liability was determined by an actuarial valuation as of that date. The School District's proportion of the net OPEB asset/liability was based on the School District's share of contributions to the respective retirement systems relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	SERS	STRS	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.17780600%	0.18220920%	
Prior Measurement Date	0.15188860%	0.17937840%	
Change in Proportionate Share	0.02591740%	0.00283080%	
Proportionate Share of the Net			
OPEB Liability/(Asset)	\$ 4,932,819	\$ (2,927,916)	\$ 2,004,903
OPEB Expense	\$ 197,727	\$ (6,332,162)	\$ (6,134,435)

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

At June 30, 2019, the School District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	SERS	STRS	Total
<b>Deferred Outflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 80,521	\$ 341,986	\$ 422,507
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	647,292	108,893	756,185
School District Contributions Subsequent to the Measurement Date	130,872	0	130,872
<b>Total Deferred Outflows of Resources</b>	<b>\$ 858,685</b>	<b>\$ 450,879</b>	<b>\$ 1,309,564</b>
<b>Deferred Inflows of Resources</b>			
Differences between Expected and Actual Experience	\$ 0	\$ 170,590	\$ 170,590
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	7,402	334,490	341,892
Changes of Assumptions	443,178	3,989,518	4,432,696
Changes in Proportion and Differences between School District Contributions and Proportionate Share of Contributions	176,884	0	176,884
<b>Total Deferred Inflows of Resources</b>	<b>\$ 627,464</b>	<b>\$ 4,494,598</b>	<b>\$ 5,122,062</b>

\$130,872 reported as deferred outflows of resources related to OPEB resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	SERS	STRS	Total
Fiscal Year Ending June 30:			
2020	\$ (161,218)	\$ (725,059)	\$ (886,277)
2021	(97,722)	(725,059)	(822,781)
2022	103,349	(725,060)	(621,711)
2023	106,499	(649,096)	(542,597)
2024	105,988	(622,444)	(516,456)
Thereafter	43,453	(597,001)	(553,548)
	<b>\$ 100,349</b>	<b>\$ (4,043,719)</b>	<b>\$ (3,943,370)</b>

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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***Actuarial Assumptions - SERS***

The total OPEB liability was determined by an actuarial valuation as of June 30, 2018. The actuarial assumptions used in the valuation are based on results from the most recent actuarial experience study, which covered the five-year period ending June 30, 2015. The experience study report is dated April 2016. The total OPEB liability used the following assumptions and other inputs:

Wage Inflation	3.00 percent
Future Salary Increases, including inflation	3.50 percent to 18.20 percent
Investment Rate of Return	7.50 percent net of investment expense, including inflation
Municipal Bond Index Rate	
Measurement Date	3.62 percent
Prior Measurement Date	3.56 percent
Single Equivalent Interest Rate	
Measurement Date	3.70 percent, net of plan investment expense, including price inflation
Prior Measurement Date	3.63 percent, net of plan investment expense, including price inflation
Health Care Cost Trend Rate	
Medicare	5.375 percent - 4.75 percent
Pre-Medicare	7.25 percent - 4.75 percent

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with fully generational projection and Scale BB, 120 percent of male rates and 110 percent of female rates. RP-2000 Disabled Mortality Table with 90 percent for male rates and 100 percent for female rates set back five years.

The long-term expected rate of return on plan factors are considered in evaluating the long-term rate of return assumption including long-term historical data, estimates inherent in current market data, and a long-normal distribution analysis in which best-estimate ranges of expected future real rates of return were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return, 7.50 percent, by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The capital market assumptions developed by the investment consultant are intended for use over a 10-year horizon and may not be useful in setting the long-term rate of return for funding pension plans which covers a longer timeframe. The assumption is intended to be a long-term assumption and is not expected to change absent a significant change in the asset allocation, a change in the inflation assumption, or a fundamental change in the market that alters expected returns in future years.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class, as used in the June 30, 2015 five-year experience study, are summarized as follows:



**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash	1.00 %	0.50 %
US Equity	22.50	4.75
International Equity	22.50	7.00
Fixed Income	19.00	1.50
Private Equity	10.00	8.00
Real Assets	15.00	5.00
Multi-Asset Strategies	10.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total OPEB liability at June 30, 2018 was 3.70 percent. The discount rate used to measure total OPEB liability prior to June 30, 2018 was 3.63 percent. The projection of cash flows used to determine the discount rate assumed that contributions will be made from members and the System at the contribution rate of 2.00 percent of projected covered payroll each year, which includes a 1.50 percent payroll surcharge and 0.50 percent of contributions from the basic benefits plan. Based on these assumptions, the OPEB plan's fiduciary net position was projected to become insufficient to make future benefit payments during the fiscal year ending June 30, 2026. Therefore, the long-term expected rate of return on OPEB plan assets was used to present value the projected benefit payments through the fiscal year ending June 30, 2025 and the Fidelity General Obligation 20-year Municipal Bond Index rate of 3.62 percent, as of June 30, 2018 (i.e., municipal bond rate), was used to present value the projected benefit payments for the remaining years in the projection. The total present value of projected benefit payments from all years was then used to determine the single rate of return that was used as the discount rate. The projection of future benefit payments for all current plan members was until the benefit payments ran out.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate and Changes in the Health Care Cost Trend Rates** The net OPEB liability is sensitive to changes in the discount rate and the health care cost trend rate. The following table presents the net OPEB liability and what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.70 percent) and higher (4.70 percent) than the current discount rate (3.70 percent). Also shown is what the net OPEB liability would be based on health care cost trend rates that are one percent lower (6.25 percent decreasing to 3.75 percent) and one percent higher (8.25 percent decreasing to 5.75 percent) than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 5,985,588	\$ 4,932,819	\$ 4,099,223

  

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
School District's Proportionate Share of the Net OPEB Liability	\$ 3,979,880	\$ 4,932,819	\$ 6,194,681

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Actuarial Assumptions – STRS**

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results used in the June 30, 2018, actuarial valuation are presented below:

Inflation	2.50 percent
Projected Salary Increases	12.50 percent at age 20 to 2.50 percent at age 65
Investment Rate of Return	7.45 percent, net of investment expenses, including inflation
Payroll Increases	3.00 percent
Health Care Cost Trend Rates	-5.23 percent to 9.62 percent, initial, 4.00 percent ultimate

Projections of benefits include the historical pattern of sharing benefit costs between the employers and retired plan members.

For healthy retirees the mortality rates are based on the RP-2014 Annuitant Mortality Table with 50 percent of rates through age 69, 70 percent of rates between ages 70 and 79, 90 percent of rates between ages 80 and 84, and 100 percent of rates thereafter, projected forward generationally using mortality improvement scale MP-2016. For disabled retirees, mortality rates are based on the RP-2014 Disabled Mortality Table with 90 percent of rates for males and 100 percent of rates for females, projected forward generationally using mortality improvement scale MP-2016.

Actuarial assumptions used in the June 30, 2018, valuation are based on the results of an actuarial experience study for the period July 1, 2011 through June 30, 2016.

STRS' investment consultant develops an estimate range for the investment return assumption based on the target allocation adopted by the Retirement Board. The target allocation and long-term expected rate of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation*</u>	<u>Long Term Expected Real Rate of Return**</u>
Domestic Equity	28.00 %	7.35 %
International Equity	23.00	7.55
Alternatives	17.00	7.09
Fixed Income	21.00	3.00
Real Estate	10.00	6.00
Liquidity Reserves	<u>1.00</u>	2.25
Total	<u><u>100.00 %</u></u>	

\*Target weights will be phased in over a 24-month period concluding on July 1, 2019.

\*\*Ten year annualized geometric nominal returns, which include the real rate of return and inflation of 2.25 percent and does not include investment expenses. Over a 30-year period, STRS' investment consultant indicates that the above target allocations should generate a return above the actuarial rate of return, without net value added by management.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

**Discount Rate** The discount rate used to measure the total OPEB liability was 7.45 percent as of June 30, 2018. The projection of cash flows used to determine the discount rate assumed STRS continues to allocate no employer contributions to the health care fund. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2018. Therefore, the long-term expected rate of return on health care plan investments of 7.45 percent was applied to all periods of projected benefit payments to determine the total OPEB liability as of June 30, 2018.

**Sensitivity of the School District's Proportionate Share of the Net OPEB Asset/Liability to Changes in the Discount and Health Care Cost Trend Rate** The following table represents the net OPEB asset/liability as of June 30, 2018, calculated using the current period discount rate assumption of 7.45 percent, as well as what the net OPEB asset/liability would be if it were calculated using a discount rate that is one percentage point lower (6.45 percent) or one percentage point higher (8.45 percent) than the current assumption. Also shown is the net OPEB liability as of June 30, 2018, calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates.

	1% Decrease	Current Discount Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (2,509,498)	\$ (2,927,916)	\$ (3,279,576)

  

	1% Decrease	Current Trend Rate	1% Increase
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (3,259,724)	\$ (2,927,916)	\$ (2,590,938)

**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. Unused personal leave is converted to sick leave accumulation. Classified employees earn ten 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. Members of the Massillon Education Association accrue sick leave to a maximum of 315 days. 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.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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***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 of \$50,000 is provided for all certified and classified employees.

**NOTE 13: INTERFUND ACTIVITY**

***Interfund Balances***

Interfund balances at June 30, 2019 consist of the following individual fund receivables and payables:

<u>Interfund Payable</u>	<u>Interfund Receivable</u>
	<u>General</u>
<i>Nonmajor Special Revenue Funds:</i>	
Title VI-B	\$ 79,170
Carl Perkins Grant Fund	2,675
Title VI-R Fund	14,081
Title I	111,243
Vocational Education Enhancement Fund	788
Public Preschool	29,823
Miscellaneous Federal Grants	3,487
Other Local Grants	8,865
Total	\$ 250,132

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.

***Interfund Transfers***

During fiscal year 2019, the general fund transferred \$20,011 to the athletics fund to provide additional resources for current operations. Interfund transfers between governmental funds are eliminated in the statement of activities.

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**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

**NOTE 14: LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2019 were as follows:

	Outstanding 6/30/2018	Additions	Deductions	Outstanding 6/30/2019	Due Within One Year
<b>Governmental Activities:</b>					
<b>General Obligation Bonds:</b>					
2011 Obligation Various Purpose Bonds					
Serial Bonds	\$ 310,000	\$ 0	\$ (150,000)	\$ 160,000	\$ 160,000
Term Bonds	1,070,000	0	0	1,070,000	0
2011 Refunding Bonds					
Serial Bonds	6,790,000	0	(665,000)	6,125,000	730,000
Unamortized Premium	512,640	0	(66,866)	445,774	0
<b>Total General Debt Obligations</b>	<b>8,682,640</b>	<b>0</b>	<b>(881,866)</b>	<b>7,800,774</b>	<b>890,000</b>
<b>Direct Borrowings:</b>					
2016 Lease-Purchase Agreement	3,454,435	0	(389,301)	3,065,134	400,747
<b>Net Pension/OPEB Liability:</b>					
Pension	51,565,623	0	(1,376,557)	50,189,066	0
OPEB	11,074,974	0	(6,142,155)	4,932,819	0
<b>Total Net Pension/OPEB Liability</b>	<b>62,640,597</b>	<b>0</b>	<b>(7,518,712)</b>	<b>55,121,885</b>	<b>0</b>
<b>Other Long-Term Obligations:</b>					
Compensated Absences	3,400,679	81,774	(235,091)	3,247,362	222,275
<b>Total General Long-Term Obligations</b>	<b>\$ 78,178,351</b>	<b>\$ 81,774</b>	<b>\$ (9,024,970)</b>	<b>\$ 69,235,155</b>	<b>\$ 1,513,022</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, and 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 fifteen year period and the 2003 bonds were issued for a twenty-three year period with final maturities at December 1, 2025.

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. The \$7,760,000 of the defeased bonds were called on December 1, 2012.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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 2019 was \$66,866. 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 deferred outflow of resources - deferred charges on refunding, is being amortized to interest expense over the life of the bonds using the straight-line method.

***2016 Lease-Purchase Agreement***

In fiscal year 2016 the School District entered into a grounds lease with Huntington National Bank for the construction, equipping and improving of the project facilities. Interest accrues at 2.94 percent on the lease-purchase and the maturity date is May 12, 2026. Massillon middle school is held for collateral. At the time the School District entered into the lease the construction had not been started. As part of the agreement, Huntington National Bank, as lessor, deposited \$4,200,000 with a trustee for the construction.

In the event of default, as defined by the lease agreement, the amounts payable by the School District may become due. If payments are not made, the lessor may retake possession of the leased property and may sell, sublease the leased property or demand all remaining sums of the project fund be returned. The lessor may exercise any other rights, remedy or privilege that may be available under the State laws to enforce the terms of the lease or recover damages for the breach of the contract. The School District will be held liable for amounts payable.

The land and existing improvements included in the leased property are owned by the School District and are leased to the Huntington National Bank pursuant to the ground lease. The proceeds of from the lease-purchase agreement is expected to be used to pay costs of construction, equipping and improving of the project facilities not included in the leased property.

The general obligation various purpose bonds are paid from the permanent improvement funds and the classroom facilities bonds are paid from the bond retirement fund. The lease-purchase agreement will be paid from the general and permanent improvement funds. Compensated absences will be paid from the general fund and the food service fund. There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are primarily made from the General Fund. For additional information related to the net pension liability and net OPEB liability see Notes 10 and 11.

The following is a summary of the School District's annual debt service principal and interest payments on debt outstanding at June 30, 2019:

Fiscal Year Ending June 30,	General Obligation Bonds		Lease-Purchase		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2020	\$ 890,000	\$ 258,612	\$ 400,747	\$ 90,115	\$ 1,290,747	\$ 348,727
2021	935,000	225,456	412,528	78,333	1,347,528	303,789
2022	975,000	192,853	424,657	66,205	1,399,657	259,058
2023	1,050,000	157,484	437,142	53,720	1,487,142	211,204
2024	1,100,000	116,900	449,994	40,868	1,549,994	157,768
2025-2026	2,405,000	97,131	940,066	41,657	3,345,066	138,788
Total	\$ 7,355,000	\$ 1,048,436	\$ 3,065,134	\$ 370,898	\$ 10,420,134	\$ 1,419,334

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**NOTE 15: 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. 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 \$226,315 to SPARCC during the fiscal year 2019. 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, 6057 Strip Avenue NW, Canton, Ohio 44720.

**NOTE 16: 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 17: CONTINGENCIES**

***A. Grants***

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant 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, 2019, if applicable, cannot be determined at this time.

***B. School District Funding***

School district Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end. As a result, the impact of future FTE adjustments on the fiscal year 2019 financial statements resulted in a liability for the School District.

***C. 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.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**NOTE 18: COMMITMENTS**

***A. Contractual Commitments***

At June 30, 2019, the School District had the following contractual commitment:

	Amount of Contracts	Expenditures as of 6/30/19	Amount Remaining on Contracts
Operations Facility	\$ 387,000	\$ 306,366	\$ 80,634

***B. Encumbrance Commitments***

Outstanding encumbrances for governmental funds include \$1,015,909 in the general fund and \$114,262 in nonmajor governmental funds.

Based on timing of when contracts are encumbered, contractual commitments identified above may or may not be included in the outstanding encumbrance commitments previously disclosed in this note.

**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, 2018	\$ 0
Current Year Set-Aside Requirement	675,873
Current Year Offsets	(2,046,767)
Totals	\$ (1,370,894)
Balance Carried Forward to Fiscal Year 2020	\$ 0
Set-Aside Restricted Balance as of June 30, 2019	\$ 0



**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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Although the School District had offsets (classroom facilities maintenance property tax levy proceeds) during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

**NOTE 20: RELATED PARTY TRANSACTIONS**

During fiscal year 2019, 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 School District’s treasurer/CFO serves as the Academy’s fiscal officer. The 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. In fiscal year 2019, the School District waived the per student fee.

**NOTE 21: SUBSEQUENT EVENT**

The lease-purchase agreement was paid in full on July 31, 2019 and the School District will enter into a new lease-purchase agreement some time in fiscal year 2020.

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**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

**NOTE 22: 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.

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

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for:				
Unclaimed Monies	\$ 15,097	\$ 0	\$ 0	\$ 15,097
Prepays	93,198	0	2,500	95,698
	<u>108,295</u>	<u>0</u>	<u>2,500</u>	<u>110,795</u>
Restricted for:				
Debt Service	0	0	833,691	833,691
Capital Outlay	0	0	5,418,133	5,418,133
Other Purposes	0	0	17,031	17,031
Food Services	0	0	771,757	771,757
Classroom Facilities Maintenance	0	0	1,048,007	1,048,007
Student Activities Programs	0	0	87,615	87,615
Total Restricted	<u>0</u>	<u>0</u>	<u>8,176,234</u>	<u>8,176,234</u>
Committed for:				
Termination of Benefits	45,409	0	0	45,409
Capital Outlay	0	0	1,700,885	1,700,885
Total Committed	<u>45,409</u>	<u>0</u>	<u>1,700,885</u>	<u>1,746,294</u>
Assigned for:				
Subsequent Years Appropriations	121,500	0	0	121,500
Encumbrances:				
Instruction	283,692	0	0	283,692
Support Services	698,815	0	0	698,815
Community Services	13,729	0	0	13,729
Extracurricular Activities	19,673	0	0	19,673
Building Projects	0	15,000,000	0	15,000,000
Total Assigned	<u>1,137,409</u>	<u>15,000,000</u>	<u>0</u>	<u>16,137,409</u>
Unassigned	21,604,363	0	(608,347)	20,996,016
<i>Total Fund Balance</i>	<u>\$ 22,895,476</u>	<u>\$ 15,000,000</u>	<u>\$ 9,271,272</u>	<u>\$ 47,166,748</u>

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**NOTE 23: 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.

***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 deferred outflows of resources and all liabilities and deferred inflows of resources 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.

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.

***Budgetary Process*** Community schools are statutorily required to adopt a budget by Ohio Revised Code 3314.032(C). However, unlike traditional public schools located in the State of Ohio, community schools are not required to follow the specific budgetary process and limits set forth in the Ohio Revised Code Chapter 5705, unless specifically provided in the contract between the School and its Sponsor. The contract between the School and its Sponsor does not require the School to follow the provisions Ohio Revised Code Chapter 5705; therefore, no budgetary information is presented in the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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**Cash and Cash Equivalents** Cash held by the Digital Academy is reflected as “Equity in Pooled Cash” on its 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.

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

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

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Digital Academy must provide local resources to be used for a specified purpose and expenditure requirements, in which the resources are provided to the Digital Academy on a reimbursement basis.

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

**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 acquisition value 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. Vehicles are depreciated over a period of five years.

**Net Position** Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is 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 \$168,632 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.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

**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 2019.

**Assets Held for Sale** At June 30, 2019 the capital assets owned by the Academy have been reclassified from capital assets to assets held for resale, and are no longer being depreciated.

**B. Deposits**

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 Academy, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

At year-end, \$2,551 of the Digital Academy’s bank balance of \$252,551 was exposed to custodial credit risk. Although the securities were held by the pledging financial institutions’ trust department in the Academy’s name and all statutory requirements for the investment of money had been followed, noncompliance with Federal requirements could potentially subject the Digital Academy to a successful claim by the FDIC.

**C. Investments**

As of June 30, 2019, the Academy had no investments.

**D. Capital Assets**

At the end of fiscal year 2019, the Academy closed and has been actively disposing the property. The net book values of the Academy’s remaining capital assets were classified to “Assets Held for Resale” on Statement of Net Assets.

Capital asset activity for the fiscal year ended June 30, 2019, was as follows:

	Balance 07/01/2018	Additions	Reclassified	Balance 06/30/2019
Furniture	\$ 2,646	\$ 0	\$ (2,646)	\$ 0
Computer Equipment	37,187	0	(37,187)	0
Vehicles	27,442	0	(27,442)	0
Less: Accumulated Depreciation	(57,848)	(6,690)	64,538	0
<b>Total Capital Assets, Net</b>	<b>\$ 9,427</b>	<b>\$ (6,690)</b>	<b>\$ (2,737)</b>	<b>\$ 0</b>

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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***E 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.

***F. 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 July 1, 2016, whereby terms of the sponsorship were established. 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 realizes that the survival of the Academy’s existence rests on the operational funds provided through the State Foundation program. In fiscal year 2019, the fee per student was waived by the School District.

***G. Purchased Services***

For the year ended June 30, 2019, purchased service expenses were recognized for professional services rendered by various vendors as follows:

Massillon Board of Education	\$ 591,205
Glynlyon	16,250
Other	<u>37,145</u>
Total Purchased Services	<u><u>\$ 644,600</u></u>

For the year ended June 30, 2019, the Digital Academy recognized \$591,205 in expenses for educational services and curriculum provided by the Massillon Board of Education.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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***H. Contingencies***

*Grants*

The Digital Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Digital Academy. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2019, if applicable, cannot be determined at this time.

*Litigation*

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

***I. 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 2019, 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.

***J. School District Funding***

School foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. However, there is an important nexus between attendance and enrollment for Foundation funding purposes. Community schools must provide documentation that clearly demonstrates students have participated in learning opportunities. The Ohio Department of Education (ODE) is legislatively required to adjust/reconcile funding as enrollment information is updated by schools throughout the State, which can extend past the fiscal year end.

Under Ohio Rev. Code Section 3314.08, ODE may also perform a FTE Review subsequent to the fiscal year end that may result in an additional adjustment to the enrollment information as well as claw backs of Foundation funding due to a lack of evidence to support student participation and other matters of noncompliance. ODE performed such a review on the Digital Academy for fiscal year 2019.

As of the date of this report, all ODE adjustments have been completed.

In addition, the Digital Academy's contracts with their Sponsor require payment based on student FTEs. As discussed above, additional FTE adjustments for fiscal year 2019 are finalized. However, in fiscal year 2019, the School District waived the per student fee and therefore will not result in an additional receivable to, or liability of, the School District.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2019*

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***K. Digital Academy Closure***

On June 30, 2019, the Digital Academy closed operations. The Digital Academy is performing closing procedures as required by the Ohio Department of Education and will distribute its remaining assets in accordance with State law. The Academy has followed closeout procedures prescribed by the Ohio Department of Education (ODE), regarding official notices to ODE, retirement systems, students, staff, and community. Disposition of student records and property owned by the Digital Academy have also been in accordance with ODE requirements.

***L. Subsequent Event***

As of March 31, 2020 the Digital Academy has a cash balance of \$214,857 with no known liabilities. All property owned by the Digital Academy was purchased by the Massillon City School District. Once all costs and liabilities are known and all funds due to the Digital Academy have been collected, the Digital Academy will pay its final costs and any residual balance remaining will be remitted to ODE per Ohio Revised code Section 3314.074.



**Stark County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*Last Six Fiscal Years (1)*

	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b><i>School Employees Retirement System (SERS)</i></b>						
School District's Proportion of the Net Pension Liability	0.17679460%	0.14986160%	0.15891950%	0.15948870%	0.16572900%	0.16572900%
School District's Proportionate Share of the Net Pension Liability	\$ 10,125,354	\$ 8,953,900	\$ 11,631,441	\$ 9,100,580	\$ 8,387,450	\$ 9,855,372
School District's Covered Payroll	\$ 5,470,889	\$ 5,074,364	\$ 7,617,271	\$ 5,100,167	\$ 6,999,242	\$ 6,629,335
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	185.08%	176.45%	152.70%	178.44%	119.83%	148.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	71.36%	69.50%	62.98%	69.16%	71.70%	65.52%
<b><i>State Teachers Retirement System (STRS)</i></b>						
School District's Proportion of the Net Pension Liability	0.18220920%	0.17937840%	0.17916856%	0.17250585%	0.17463428%	0.17463428%
School District's Proportionate Share of the Net Pension Liability	\$ 40,063,712	\$ 42,611,723	\$ 59,973,118	\$ 47,675,571	\$ 42,477,101	\$ 50,598,444
School District's Covered Payroll	\$ 21,056,736	\$ 19,794,529	\$ 19,339,057	\$ 15,599,657	\$ 15,732,546	\$ 20,886,800
School District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	190.27%	215.27%	310.11%	305.62%	270.00%	242.25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.31%	75.30%	66.80%	72.10%	74.70%	69.30%

(1) Information prior to 2014 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

**Massillon City School District**  
**Stark County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions - Pension*  
*Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution	\$ 775,991	\$ 738,570	\$ 710,411	\$ 1,066,418
Contributions in Relation to the Contractually Required Contribution	<u>(775,991)</u>	<u>(738,570)</u>	<u>(710,411)</u>	<u>(1,066,418)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 5,748,081	\$ 5,470,889	\$ 5,074,364	\$ 7,617,271
Pension Contributions as a Percentage of Covered Payroll	13.50%	13.50%	14.00%	14.00%
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 3,036,221	\$ 2,947,943	\$ 2,771,234	\$ 2,707,468
Contributions in Relation to the Contractually Required Contribution	<u>(3,036,221)</u>	<u>(2,947,943)</u>	<u>(2,771,234)</u>	<u>(2,707,468)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 21,687,293	\$ 21,056,736	\$ 19,794,529	\$ 19,339,057
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	14.00%	14.00%

See accompanying notes to the required supplementary information.

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 672,202	\$ 970,095	\$ 917,500	\$ 964,210	\$ 509,765	\$ 946,648
<u>(672,202)</u>	<u>(970,095)</u>	<u>(917,500)</u>	<u>(964,210)</u>	<u>(509,765)</u>	<u>(946,648)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 5,100,167	\$ 6,999,242	\$ 6,629,335	\$ 7,168,848	\$ 4,055,410	\$ 6,991,492
13.18%	13.86%	13.84%	13.45%	12.57%	13.54%
\$ 2,183,952	\$ 2,045,231	\$ 2,715,284	\$ 2,607,066	\$ 2,620,077	\$ 2,737,175
<u>(2,183,952)</u>	<u>(2,045,231)</u>	<u>(2,715,284)</u>	<u>(2,607,066)</u>	<u>(2,620,077)</u>	<u>(2,737,175)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 15,599,657	\$ 15,732,546	\$ 20,886,800	\$ 20,054,354	\$ 20,154,438	\$ 21,055,192
14.00%	13.00%	13.00%	13.00%	13.00%	13.00%

See accompanying notes to the required supplementary information.

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**Massillon City School District**  
**Stark County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net OPEB Liability/(Asset)*  
*Last Three Fiscal Years (1)*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
<b><i>School Employees Retirement System (SERS)</i></b>			
School District's Proportion of the Net OPEB Liability	0.17780600%	0.15188860%	0.16547982%
School District's Proportionate Share of the Net OPEB Liability	\$ 4,932,819	\$ 4,076,291	\$ 4,716,787
School District's Covered Payroll	\$ 5,470,889	\$ 5,074,364	\$ 7,617,271
School District's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	90.16%	80.33%	61.92%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	13.57%	12.46%	11.49%
<b><i>State Teachers Retirement System (STRS)</i></b>			
School District's Proportion of the Net OPEB Liability/(Asset)	0.18220920%	0.17937840%	0.17916856%
School District's Proportionate Share of the Net OPEB Liability/(Asset)	\$ (2,927,916)	\$ 6,998,683	\$ 9,581,981
School District's Covered Payroll	\$ 21,056,736	\$ 19,794,529	\$ 19,339,057
School District's Proportionate Share of the Net OPEB Liability/(Asset) as a Percentage of its Covered Payroll	-13.90%	35.36%	49.55%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	176.00%	47.10%	37.30%

(1) Information prior to 2017 is not available.

Note: The amounts presented for each fiscal year were determined as of the measurement date, which is the prior fiscal year.

**Massillon City School District**  
**Stark County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Contributions - OPEB*  
*Last Ten Fiscal Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b><i>School Employees Retirement System (SERS)</i></b>				
Contractually Required Contribution (1)	\$ 130,872	\$ 116,519	\$ 81,920	\$ 102,750
Contributions in Relation to the Contractually Required Contribution	<u>(130,872)</u>	<u>(116,519)</u>	<u>(81,920)</u>	<u>(102,750)</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 5,748,081	\$ 5,470,889	\$ 5,074,364	\$ 7,617,271
OPEB Contributions as a Percentage of Covered Payroll (1)	2.28%	2.13%	1.61%	1.35%
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 0	\$ 0	\$ 0	\$ 0
Contributions in Relation to the Contractually Required Contribution	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution Deficiency (Excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's Covered Payroll	\$ 21,687,293	\$ 21,056,736	\$ 19,794,529	\$ 19,339,057
OPEB Contributions as a Percentage of Covered Payroll	0.00%	0.00%	0.00%	0.00%

(1) Includes surcharge

<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
\$ 152,170	\$ 116,937	\$ 112,643	\$ 39,429	\$ 88,813	\$ 290,846
<u>(152,170)</u>	<u>(116,937)</u>	<u>(112,643)</u>	<u>(39,429)</u>	<u>(88,813)</u>	<u>(290,846)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 5,100,167	\$ 6,999,242	\$ 6,629,335	\$ 7,168,848	\$ 4,055,410	\$ 6,991,492
2.98%	1.67%	1.70%	0.55%	2.19%	4.16%
\$ 0	\$ 157,325	\$ 208,868	\$ 200,544	\$ 201,544	\$ 210,552
<u>0</u>	<u>(157,325)</u>	<u>(208,868)</u>	<u>(200,544)</u>	<u>(201,544)</u>	<u>(210,552)</u>
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ 15,599,657	\$ 15,732,546	\$ 20,886,800	\$ 20,054,354	\$ 20,154,438	\$ 21,055,192
0.00%	1.00%	1.00%	1.00%	1.00%	1.00%

See accompanying notes to the required supplementary information.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2019*

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**Note 1 - Net Pension Liability**

***Changes in Assumptions - SERS***

For fiscal year 2017, the SERS Board adopted the following assumption changes:

- Assumed rate of inflation was reduced from 3.25 percent to 3.00 percent
- Payroll Growth Assumption was reduced from 4.00 percent to 3.50 percent
- Assumed real wage growth was reduced from 0.75 percent to 0.50 percent
- Rates of withdrawal, retirement and disability were updated to reflect recent experience.
- Mortality among active members was updated to RP-2014 Blue Collar Mortality Table with fully generational projection and a five year age set-back for both males and females.
- Mortality among service retired members, and beneficiaries was updated to RP-2014 Blue Collar Mortality Table with fully generational projection with Scale BB, 120 percent of male rates, and 110 percent of female rates.
- Mortality among disabled members was updated to RP-2000 Disabled Mortality Table, 90 percent for male rates and 100 percent for female rates, set back five years is used for the period after disability retirement.

***Changes in Benefit Terms - SERS***

For fiscal year 2018, the cost-of-living adjustment was changed from a fixed 3.00 percent to a cost-of-living adjustment that is indexed to CPI-W not greater than 2.50 percent with a floor of zero percent beginning January 1, 2018. In addition, with the authority granted the Board under HB 49, the Board has enacted a three-year COLA suspension for benefit recipients in calendar years 2018, 2019 and 2020.

***Changes in Assumptions – STRS***

For fiscal year 2018, the Retirement Board approved several changes to the actuarial assumptions in 2017. The long term expected rate of return was reduced from 7.75 percent to 7.45 percent, the inflation assumption was lowered from 2.75 percent to 2.50 percent, the payroll growth assumption was lowered to 3.00 percent, and total salary increases rate was lowered by decreasing the merit component of the individual salary increases, in addition to a decrease of 0.25 percent due to lower inflation. The healthy and disabled mortality assumptions were updated to the RP-2014 mortality tables with generational improvement scale MP-2016. Rates of retirement, termination and disability were modified to better reflect anticipated future experience.

***Changes in Benefit Terms - STRS***

For fiscal year 2018, the cost-of-living adjustment (COLA) was reduced to zero.

**Note 2 - Net OPEB Asset/Liability**

***Changes in Assumptions – SERS***

Amounts reported for fiscal year 2019 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 3.56 percent to 3.62



**Massillon City School District**  
**Stark County, Ohio**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2019*

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percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 3.63 percent to 3.70 percent. The health care cost trend assumptions changed as follows:

Pre-Medicare

Fiscal year 2018 7.50 percent initially, decreasing to 4.00 percent

Fiscal year 2019 7.25 percent initially, decreasing to 4.75 percent

Medicare

Fiscal year 2018 5.50 percent initially, decreasing to 5.00 percent

Fiscal year 2019 5.375 percent initially, decreasing to 4.75 percent

Amounts reported for fiscal year 2018 incorporate changes in key methods and assumptions used in calculating the total OPEB liability. The Municipal Bond Index Rate increased from 2.92 percent to 3.56 percent. Single Equivalent Interest Rate, net of plan investment expense, including price inflation, increased from 2.98 percent to 3.63 percent.

***Changes in Benefit Terms - SERS***

There have been no changes to the benefit provisions.

***Changes in Assumptions – STRS***

For fiscal year 2019, the discount rate was increased from the blended rate of 4.13 percent to the long-term expected rate of return of 7.45 percent. Valuation year per capita health care costs were updated. Health care cost trend rates ranged from 6.00 percent to 11 percent initially and a 4.50 percent ultimate rate for fiscal year 2018 and changed for fiscal year 2019 to a range of -5.20 percent to 9.60 percent, initially and a 4.00 ultimate rate.

For fiscal year 2018, the blended discount rate was increased from 3.26 percent to 4.13 percent. Valuation year per capita health care costs were updated, and the salary scale was modified. The percentage of future retirees electing each option was updated based on current data and the percentage of future disabled retirees and terminated vested participants electing health coverage were decreased. The assumed mortality, disability, retirement, withdrawal and future health care cost trend rates were modified along with the portion of rebated prescription drug costs.

***Changes in Benefit Terms – STRS***

For fiscal year 2019, the subsidy multiplier for non-Medicare benefit recipients was increased from 1.9 percent to 1.944 percent per year of service effective January 1, 2019. The non-Medicare frozen subsidy base premium was increased effective January 1, 2019 and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 1, 2020.

For fiscal year 2018, the subsidy multiplier for non-Medicare benefit recipients was reduced from 2.1 percent to 1.9 percent per year of service. Medicare Part B premium reimbursements were discontinued for certain survivors and beneficiaries and all remaining Medicare Part B premium reimbursements will be discontinued beginning January 2019. This was subsequently extended, see above paragraph.

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**MASSILLON CITY SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>FEDERAL GRANTOR Pass Through Grantor Program / Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Pass Through Entity Identifying Number</b>	<b>Passed Through to Subrecipients</b>	<b>Total Federal Expenditures</b>	<b>Total Federal Non-Cash Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>					
<i>Passed Through Ohio Department of Education</i>					
Child Nutrition Cluster:					
School Breakfast Program	10.553	044354-3L70-2019		347,091	
National School Lunch Program	10.555	044354-3L60-2019		1,248,017	242,747
Summer Food Service Program for Children	10.559	044354-3GE0-2019		14,645	
Total Nutrition Cluster				<u>1,609,753</u>	<u>242,747</u>
Total U.S. Department of Agriculture				<b><u>1,609,753</u></b>	<b><u>242,747</u></b>
<b>U.S. DEPARTMENT OF EDUCATION</b>					
<i>Passed Through Ohio Department of Education</i>					
Title I Grants to Local Educational Agencies	84.010	044354-3M00-2018		170,646	
Title I Grants to Local Educational Agencies	84.010	044354-3M00-2019		1,134,292	
Total Title I Grants to Local Educational Agencies				<u>1,304,938</u>	
Special Education Grants to States	84.027	044354-3M20-2018		105,334	
Special Education Grants to States	84.027	044354-3M20-2019		804,343	
Preschool Restoration	84.173	044354-3C50-2019		5,884	
Early Childhood Special Education	84.173	044354-3C50-2019		14,586	
Total Special Education Cluster				<u>930,147</u>	
Career and Technical Education Basic Grants to States	84.048	044354-3L90-2018		397	
Career and Technical Education Basic Grants to States	84.048	044354-3L90-2019		83,327	
Total Career and Technical Education Basic Grants to States				<u>83,724</u>	
Supporting Effective Instruction State Grants	84.367	044354-3Y60-2018		85,978	
Supporting Effective Instruction State Grants	84.367	044354-3Y60-2019		151,102	
Total Supporting Effective Instruction State Grants				<u>237,080</u>	
English Language Acquisition State Grants	84.365	044354-3Y70-2019		191	
Total English Language Acquisition State Grants				<u>191</u>	
Student Support and Academic Enrichment Program	84.424	044354-3HI0-2018		575	
Student Support and Academic Enrichment Program	84.424	044354-3HI0-2019		91,457	
Total Student Support and Academic Enrichment Program				<u>92,032</u>	
Total U.S. Department of Education				<b><u>2,648,112</u></b>	
<b>Total Expenditures of Federal Awards</b>				<b><u>\$4,257,866</u></b>	<b><u>\$242,747</u></b>

*The accompanying notes are an integral part of this schedule.*

**MASSILLON CITY SCHOOL DISTRICT  
STARK COUNTY**

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
2 CFR 200.510(b)(6)  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Massillon City School District (the District's) under programs of the federal government for the year ended June 30, 2019. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Government, it is not intended to and does not present the financial position or changes in net position of the District.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The District has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE C - CHILD NUTRITION CLUSTER**

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

**NOTE D – FOOD DONATION PROGRAM**

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



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

Massillon City School District  
Stark County  
930 17<sup>th</sup> Street NE  
Massillon, Ohio 44646

To the Board of Education:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, each major fund, the aggregate discretely presented component unit and remaining fund information of the Massillon City School District, Stark County, (the District) as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 12, 2020, wherein, we noted the District's component unit, Massillon Digital Academy, closed as of June 30, 2019.

***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

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

***Purpose of this Report***

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



Keith Faber  
Auditor of State

Columbus, Ohio

May 12, 2020

# OHIO AUDITOR OF STATE KEITH FABER



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## INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Massillon City School District  
Stark County  
930 17<sup>th</sup> Street NE  
Massillon, Ohio 44646

To the Board of Education:

### ***Report on Compliance for each Major Federal Program***

We have audited Massillon City School District's (the District) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect each of Massillon City School District's major federal programs for the year ended June 30, 2019. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the District's major federal programs.

### ***Management's Responsibility***

The District's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to opine on the District's compliance for each of the District's major federal programs based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on each Major Federal Program***

In our opinion, Massillon City School District complied, in all material respects with the compliance requirements referred to above that could directly and materially affect each of its major federal programs for the year ended June 30, 2019.

***Report on Internal Control Over Compliance***

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

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

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

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.



Keith Faber  
Auditor of State

Columbus, Ohio

May 12, 2020



**MASSILLON CITY SCHOOL DISTRICT  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
2 CFR § 200.515  
JUNE 30, 2019**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unmodified
<b>(d)(1)(ii)</b>	<b>Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material weaknesses in internal control reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unmodified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under 2 CFR § 200.516(a)?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Child Nutrition Cluster (CFDA 10.553, 10.555, 10.559) Special Education Cluster (CFDA 84.027, 84.173) Title 1 (CFDA 84.010)
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 750,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee under 2 CFR § 200.520?</b>	No

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

None

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

None

#### 4. OTHER – FINDINGS FOR RECOVERY

We identified the following other issue related to Findings for Recovery. This issue did not impact our GAGAS or Single Audit Compliance and Controls reports.

##### **Special Education Aides – Finding for Recovery – Repayment Plan in Place**

Three Special Education aides (Lisa O'Quinn, Pamela Heasley and Kristi Couch) were overpaid \$912 each for fiscal year 2019. The overpayments were due to the payroll system including a final payment as well as stretching pays over 26 pay periods. The District has signed agreements for repayments from the employees; however, they were not approved by the Attorney General. Lisa O'Quinn and Pamela Heasley will have \$35.09 and \$36.50, respectively, deducted from each pay during fiscal year 2020 and they have already repaid \$631 and \$620, respectively.

The District should ensure final payments and stretch payments are not made, and if a situation should occur, the District should ensure agreements for repayment are approved by the Attorney General.

In accordance with the forgoing facts, and pursuant to Ohio Rev. Code § 117.28, a Finding for Recovery for public money illegally expended is hereby issued against Lisa O'Quinn, Pamela Heasley and Kristi Couch in the amounts of \$281 (\$912 - 631); \$292 (\$912 - 620); and \$912, respectively, and in favor of the Massillon City School District's Special Education fund in the amount of \$1,485.

The District Treasurer, Sandra Moeglin approved the employee payroll payments.

Under Ohio law, any public official who either authorizes an illegal expenditure of public funds or supervises the accounts of a public office from which such illegal expenditure is made is strictly liable for the amount of the expenditure. *Seward v. National Surety Corp.*, 120 Ohio St. 47 (1929); 1980 Op. Att'y. Gen. No. 80-074; Ohio Rev. Code § 9.39; *State ex rel. Village of Linndale v. Masten*, 18 Ohio St. 3d 228 (1985). Public officials controlling public funds or property are liable for the loss incurred should such funds or property be fraudulently obtained by another, converted, misappropriated, lost or stolen to the extent that recovery or restitution is not obtained from the persons who unlawfully obtained such funds or property. See 1980 Op. Att'y. Gen. No. 80-074.

Sandy Moeglin and her bonding company The Ohio Casualty Insurance Company will be jointly and severally liable in the amount of \$1,485 and in favor of Massillon City School District.

##### **Official's Response:**

On August 7, 2020, I received a telephone call from Susan Dinger, Payroll Administrator, stating that several of our support staff would not be receiving a pay check in August for their contract had paid out the last pay in July. I was on vacation at the time with limited internet; thus I was unable to review documents to see exactly what had happened. I authorized Mrs. Dinger to continue to pay the support staff as was done previously. When I returned from vacation, I found that an error had been made in the percentage calculation which would have ensured stretch pays over the summer of 2019.

I met with each person, along with the OAPSE President, affected by this error. A payment plan was developed with payroll deduction to reimburse the Massillon Board of Education. Kristi Couch was unable to enter into a payment plan; she was afforded the opportunity to work beginning June 1 for 8 days to refund the Massillon Board of Education. Lisa O'Quinn and Pamela Heasley chose payroll deduction with the final payment on June 26, 2020.

The payment plan was set up, signed by the affected person, and myself. A copy was given to Susan Dingler, Payroll Administrator, to begin deductions immediately and filed in the person's payroll file. The support staff are one of the lowest pay employees of the District. There was no way I could let them not have a paycheck in August. I believed by setting up a payment plan and having it deducted from their pay, that the Massillon Board of Education would be made whole. The employees were told that if they resigned or retired, the balance owed would be taken from their last paycheck.

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# Massillon City Schools

## In Pursuit of Excellence

930 17th St. NE :: Massillon, OH 44646 :: p:330-830-3900

Sandra Moeglin, *Treasurer*

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS**  
**2 CFR 200.511(b)**  
**JUNE 30, 2019**

<b>Finding Number</b>	<b>Finding Summary</b>	<b>Status</b>	<b>Additional Information</b>
2018-001	Finding For Recovery – Overpayment of severance	Corrected	
2018-002	Time and effort documentation not maintained	Corrected	
2018-003	District did not use an appropriate procurement method.	Corrected	

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# OHIO AUDITOR OF STATE KEITH FABER



**MASSILLON CITY SCHOOL DISTRICT**

**STARK COUNTY**

## **CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JUNE 9, 2020**