

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

AUDITED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

FOR THE YEAR ENDED
JUNE 30, 2000

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STATE OF OHIO
OFFICE OF THE AUDITOR

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Massillon City School District
207 Oak Avenue SE
Massillon, Ohio 44646

We have reviewed the Independent Auditor's Report of the Massillon City School District, Stark County, prepared by Guillan & Company, for the audit period July 1, 1999 through June 30, 2000. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

JIM PETRO
Auditor of State

April 9, 2001

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MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

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MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

ELECTED OFFICIALS
AS OF JUNE 30, 2000

<u>Elected Officials</u>	<u>Title</u>	<u>Term of Office</u>
<u>Board of Education:</u>		
Bob Gessner	President	1/1/00-12/31/03
Mark Christine	Vice President	1/1/00-12/31/03
Evan Hannon	Member	1/1/00-12/31/03
Vickie Becherucci	Member	1/1/00-12/31/03
Phil Jones	Member	1/1/98-12/31/01

Statutory Legal Counsel

John Ferrero
100 City Hall Street NE
Massillon, Ohio 44646

Means, Birchimer, Burkholder, & Baker
42 East Gay Street, 14th Floor
Columbus, Ohio 43215

(A) Republic Franklin Insurance

<u>Surety</u>	<u>Amount</u>	<u>Period</u>
(A)	\$20,000	1/1/00-1/1/01

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 2000

<u>Name</u>	<u>Title</u>	<u>Term of Office or Contract Period</u>
Alfred Hennon	Superintendent	9/1/98 - 8/31/01
Teresa Emmerling	Treasurer	7/26/99 to Organizational Meeting 2002

- (A) Aetna Casualty and Surety Company
- (B) Republic Franklin Insurance Company

<u>Surety</u>	<u>Amount</u>	<u>Period</u>
(B)	\$20,000	1/1/00 - 1/1/01
(A)	\$100,000	1/1/00 - 1/1/02

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Fund:

General Fund

Special Revenue Funds:

Public School Support Fund
Early Childhood Education Fund
District Managed Student Activity Fund
Adult Vocational Education Fund
Lottery Fund
Disadvantaged Pupil Program Fund
Career Development Fund
Preschool Grant Fund
Latchkey Grant Fund
Management Information System Fund
Adult Basic Education Fund
Title VI-B - Special Education: Assistance To States For
Education Of Handicapped Children Fund
Vocational Education Fund
Elementary And Secondary Education Act Block Grant:
Title I - Special Educational Needs Of Disadvantaged
Children Fund
Elementary And Secondary Education Act Block Grant:
Title VI - Consolidation Of Federal Programs
For Elementary And Secondary Education Fund
Water Safety Grant Fund
Drug Free Schools Grant Fund
Auxiliary Services Fund
Teacher Development 1990
Career Development Grant

Debt Service Fund:

Bond Retirement Fund

Capital Projects Funds:

Permanent Improvement Fund
Vocational Education Equipment Fund
Schoolnet Plus

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

INDEX OF FUNDS
(Continued)

PROPRIETARY FUND TYPES:

Enterprise Funds:

Food Services Fund
Uniform School Supplies Fund
Rotary Fund – Special Services

FIDUCIARY FUND TYPES:

Expendable Trust Fund:

Special Trust Funds

Non-Expendable Trust Fund:

William and Pearl Henderson

Agency Fund:

Student Activity Funds

ACCOUNT GROUPS:

General Long -Term Debt Account Group

General Fixed Asset Account Group

Guillan & Company

Independent Auditor's Report

Board of Education
Massillon City School District
Massillon, Ohio 44646

We have audited the accompanying general-purpose financial statements of the Massillon City School District, as of and for the year ended June 30, 2000, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Massillon City School District, as of June 30, 2000, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note 3 to the financial statements, the District has changed its method of valuing its compensated absences during the fiscal year ended June 30, 2000.

In accordance with Government Auditing Standards, we have also issued our report dated March 26, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general-purpose financial statements of the District, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local

**Massillon City School District
Stark County**

Governments, and Non-Profit Organizations, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

March 26, 2001

Guilan & Company

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>Assets and Other Debits</u>				
Cash, Cash Equivalents & Investments	\$ 3,274,913	\$ 1,141,622	\$ -	\$ 39,632
Receivable (Net Allowances for Uncollectables)				
Property and Other Taxes	13,355,582	-	1,817,944	-
Income Taxes	990,046	-	-	-
Accounts	554	336	-	-
Intergovernmental	4,700	18,239	-	1,000
Interfund Receivables	70,667	-	-	-
Inventory Held for Resale	-	-	-	-
Materials & Supplies Inventory	44,890	-	-	-
Restricted Assets:				
Cash, Cash Equivalents & Investments	532,983	-	-	-
Property, Plant & Equipment (Net of Accumulated Depreciation where applicable)	-	-	-	-
Amount available in Debt Service Fund	-	-	-	-
Amount to be provided for Retirement of General Long-Term Obligations	-	-	-	-
Total Assets and Other Debits	\$ 18,274,335	\$ 1,160,197	\$ 1,817,944	\$ 40,632

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

PROPRIETARY FUND TYPES	FIDUCIARY FUNDS	ACCOUNT GROUPS		TOTALS (MEMO- RANDOM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	TRUST AND AGENCY			
\$ 215,472	\$ 155,257	\$ -	\$ -	\$ 4,826,896
-	-	-	-	15,173,526
-	-	-	-	990,046
1,297	-	-	-	2,187
82,866	-	-	-	106,805
-	-	-	-	70,667
16,933	-	-	-	16,933
-	-	-	-	44,890
-	-	-	-	532,983
801,824	-	38,776,717	-	39,578,541
-	-	-	98,590	98,590
-	-	-	13,648,731	13,648,731
\$ 1,118,392	\$ 155,257	\$ 38,776,717	\$ 13,747,321	\$ 75,090,795

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 2000
(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>Liabilities, Equity and Other Credits</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 351,858	\$ 54,603	\$ -	\$ 200
Contracts Payable	740	-	-	-
Accrued Wages	1,940,161	188,309	-	-
Compensated Absences Payable	141,320	3,068	-	-
Interfund Payables	-	68,733	-	1,934
Intergovernmental Payable	447,088	76,412	-	-
Deferred Revenue	12,680,892	-	1,719,354	-
Due to Students	-	-	-	-
Accrued Interest Payable	33,308	-	-	-
General Obligation Notes Payable	1,275,000	-	-	-
School Foundation Notes	5,371,977	-	-	-
Early Retirement Incentive Payable	-	-	-	-
General Obligation Bonds Payable	-	-	-	-
Total Liabilities	22,242,344	391,125	1,719,354	2,134
<u>Equity and Other Credits</u>				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings : Unreserved	-	-	-	-
Fund Balances:				
Reserved for Encumbrances	326,231	248,154	-	-
Reserved for Inventory	44,890	-	-	-
Reserved for Property Taxes	674,690	-	98,590	-
Reserved for Textbooks	83,334	-	-	-
Reserved for Capital Improvements	83,334	-	-	-
Reserved for Bus Purchases	3,162	-	-	-
Reserved for Budget Stabilization	366,315	-	-	-
Reserved for Contributions	-	-	-	-
Unreserved - Undesignated	(5,549,965)	520,918	-	38,498
Total Equity and Other Credits	(3,968,009)	769,072	98,590	38,498
Total Liabilities, Equity and Other Credits	\$ 18,274,335	\$ 1,160,197	\$ 1,817,944	\$ 40,632

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

PROPRIETARY FUND TYPES	FIDUCIARY FUND	ACCOUNT GROUPS		TOTALS (MEMO- RANDUM ONLY)
		GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	
ENTERPRISE	TRUST AND AGENCY			
\$ -	\$ 4,190	\$ -	\$ -	\$ 410,851
-	-	-	-	740
258	-	-	-	2,128,728
10,748	-	-	946,532	1,101,668
-	-	-	-	70,667
38,481	201	-	335,744	897,926
2,537	-	-	-	14,402,783
-	109,159	-	-	109,159
-	-	-	-	33,308
-	-	-	-	1,275,000
-	-	-	-	5,371,977
-	-	-	1,135,367	1,135,367
-	-	-	11,329,678	11,329,678
52,024	113,550	-	13,747,321	38,267,852
-	-	38,776,717	-	38,776,717
1,066,368	-	-	-	1,066,368
-	50	-	-	574,435
-	-	-	-	44,890
-	-	-	-	773,280
-	-	-	-	83,334
-	-	-	-	83,334
-	-	-	-	3,162
-	-	-	-	366,315
-	25,000	-	-	25,000
-	16,657	-	-	(4,973,892)
1,066,368	41,707	38,776,717	-	36,822,943
\$ 1,118,392	\$ 155,257	\$ 38,776,717	\$ 13,747,321	\$ 75,090,795

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Revenues				
Property and Other Local Taxes	\$ 15,168,458	\$ -	\$ 1,398,897	\$ -
Income Taxes	2,621,589	-	-	-
Intergovernmental	14,851,441	3,895,743	-	1,000
Interest	536,385	1,486	-	-
Tuition and Fees	113,389	11,238	-	-
Extracurricular Activities	-	359,758	-	-
Contributions and Donations	439,552	149,176	-	-
Rentals	26,507	-	-	-
Miscellaneous	52,154	14,664	-	3,024
Total Revenues	33,809,475	4,432,065	1,398,897	4,024
Expenditures				
Instruction:				
Regular Instruction	13,106,843	1,511,666	-	-
Special Instruction	2,176,709	800,475	-	-
Vocational Instruction	1,811,864	51,804	-	-
Adult/ Continuing	-	38,311	-	-
Support Services:				
Pupils	1,427,872	589,360	-	-
Instructional Staff	658,896	275,551	-	-
Board of Education	80,772	-	-	-
School Administration	2,132,886	161,552	-	-
Fiscal	660,645	36,653	-	-
Business	421,662	-	-	-
Operations & Maintenance	3,808,305	46,019	-	-
Pupil Transportation	794,793	29,147	-	-
Central	97,028	18,028	-	-
Operation of Non-Instructional Services	-	367,180	-	-
Extracurricular Activities	609,607	260,309	-	-
Capital Outlays	-	-	-	30,946
Debt Service:				
Principal Retirement	60,265	-	1,255,000	-
Interest & Fiscal Charges	586,633	-	493,911	-
Total Expenditures	\$ 28,434,780	\$ 4,186,055	\$ 1,748,911	\$ 30,946

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

FIDUCIARY FUND EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)
\$ -	\$ 16,567,355
-	2,621,589
-	18,748,184
-	537,871
-	124,627
143	359,901
16,494	605,222
-	26,507
-	69,842
16,637	39,661,098
-	14,618,509
-	2,977,184
-	1,863,668
-	38,311
-	2,017,232
-	934,447
-	80,772
-	2,294,438
-	697,298
-	421,662
-	3,854,324
-	823,940
368	115,424
-	367,180
-	869,916
-	30,946
-	1,315,265
-	1,080,544
\$ 368	\$ 34,401,060

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ 5,374,695	\$ 246,010	\$ (350,014)	\$ (26,922)
<u>Other Financing Sources/ (Uses)</u>				
Operating Transfers In	-	39,020	-	-
Operating Transfers Out	(39,020)	-	-	-
Total Other Financing Sources/ (Uses)	(39,020)	39,020	-	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	5,335,675	285,030	(350,014)	(26,922)
Fund Balances (Restated) - July 1, 1999	(9,315,274)	484,042	448,604	65,420
Increase in Reserve for Inventory	11,590	-	-	-
Fund Balances - June 30, 2000	\$ (3,968,009)	\$ 769,072	\$ 98,590	\$ 38,498

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

<u>FIDUCIARY FUND</u> <u>EXPENDABLE</u> <u>TRUST</u>	<u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>
\$ 16,269	\$ 5,260,038
-	39,020
<u>-</u>	<u>(39,020)</u>
<u>-</u>	<u>-</u>
16,269	5,260,038
220	(8,316,988)
<u>-</u>	<u>11,590</u>
<u>\$ 16,489</u>	<u>\$ (3,045,360)</u>

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<u>Revenues</u>			
Property and Other Local Taxes	\$ 8,052,199	\$ 8,240,372	\$ 188,173
Income Tax	2,658,795	2,658,795	-
Intergovernmental	14,179,607	14,179,607	-
Interest	534,954	534,954	-
Tuition and Fees	141,765	141,765	-
Extracurricular Activities	-	-	-
Contributions and Donations	300,687	439,552	138,865
Rentals	26,507	26,507	-
Miscellaneous	52,873	52,873	-
Total Revenues	25,947,387	26,274,425	327,038
<u>Expenditures</u>			
Instruction:			
Regular Instruction	14,027,506	13,888,021	139,485
Special Instruction	2,378,449	2,319,458	58,991
Vocational Instruction	1,878,699	1,866,190	12,509
Adult/ Continuing	-	-	-
Support Services:			
Pupils	1,523,092	1,462,870	60,222
Instructional Staff	643,152	629,126	14,026
Board of Education	124,651	118,048	6,603
School Administration	2,328,358	2,254,070	74,288
Fiscal	671,102	665,884	5,218
Business	538,253	501,223	37,030
Operations & Maintenance	3,859,582	3,486,864	372,718
Pupil Transportation	836,215	772,811	63,404
Central	69,106	62,608	6,498
Operation of Non-instructional Services	-	-	-
Extracurricular Activities	553,072	550,308	2,764
Capital Outlay	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	\$ 29,431,237	\$ 28,577,481	\$ 853,756

The notes to the general purpose financial statements are an integral part of these statement.

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ 8,187,307	\$ 8,187,307	\$ -
-	-	-	-	-	-
3,877,504	3,877,504	-	667,135	667,134	(1)
1,319	1,319	-	-	-	-
10,902	10,902	-	-	-	-
317,968	359,758	41,790	-	-	-
148,920	149,176	256	-	-	-
-	-	-	-	-	-
14,664	14,664	-	-	-	-
4,371,277	4,413,323	42,046	8,854,442	8,854,441	(1)
1,485,433	1,526,431	(40,998)	-	-	-
1,011,965	994,154	17,811	-	-	-
55,047	53,870	1,177	-	-	-
43,826	43,762	64	-	-	-
635,137	619,805	15,332	-	-	-
356,675	324,553	32,122	-	-	-
-	-	-	-	-	-
185,360	181,022	4,338	-	-	-
36,653	36,653	-	-	-	-
-	-	-	-	-	-
47,105	47,105	-	-	-	-
28,595	28,595	-	-	-	-
18,618	18,028	590	-	-	-
438,710	437,063	1,647	-	-	-
456,850	415,938	40,912	-	-	-
-	-	-	-	-	-
-	-	-	8,156,896	8,156,896	-
-	-	-	1,040,630	1,040,630	-
\$ 4,799,974	\$ 4,726,979	\$ 72,995	\$ 9,197,526	\$ 9,197,526	\$ -

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (3,483,850)	\$ (2,303,056)	\$ 1,180,794
<u>Other Financing Sources/ (Uses)</u>			
Proceeds from Sale of Notes	4,877,000	4,877,000	-
Advances In	242,580	242,580	-
Advances Out	(350,207)	(350,207)	-
Operating Transfers In	-	-	-
Operating Transfers Out	(39,020)	(39,020)	-
Total Other Financing Sources/ (Uses)	4,730,353	4,730,353	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	1,246,503	2,427,297	1,180,794
Fund Balances - July 1, 1999	462,221	462,221	-
Prior Year Encumbrances Appropriated	221,245	221,245	-
Fund Balances - June 30, 2000	\$ 1,929,969	\$ 3,110,763	\$ 1,180,794

The notes to the general purpose financial statements are an integral part of these statement.

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ (428,697)	\$ (313,656)	\$ 115,041	\$ (343,084)	\$ (343,085)	\$ (1)
-	-	-	-	-	-
146,273	146,273	-	602,962	602,962	-
(140,121)	(237,622)	(97,501)	(400,962)	(400,962)	-
39,020	39,020	-	-	-	-
-	-	-	-	-	-
45,172	(52,329)	(97,501)	202,000	202,000	-
(383,525)	(365,985)	17,540	(141,084)	(141,085)	(1)
988,105	988,105	-	141,085	141,085	-
222,755	222,755	-	-	-	-
\$ 827,335	\$ 844,875	\$ 17,540	\$ 1	\$ -	(1)

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

	CAPITAL PROJECTS FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<u>Revenues</u>			
Property and Other Local Taxes	\$ -	\$ -	\$ -
Income Tax	-	-	-
Intergovernmental	-	-	-
Interest	-	-	-
Tuition and Fees	-	-	-
Extracurricular Activities	-	-	-
Contributions and Donations	-	-	-
Rentals	-	-	-
Miscellaneous	3,024	3,024	-
	3,024	3,024	-
Total Revenues	3,024	3,024	-
<u>Expenditures</u>			
Instruction:			
Regular Instruction	-	-	-
Special Instruction	-	-	-
Vocational Instruction	-	-	-
Adult/ Continuing	-	-	-
Support Services:			
Pupils	-	-	-
Instructional Staff	-	-	-
Board of Education	-	-	-
School Administration	-	-	-
Fiscal	-	-	-
Business	-	-	-
Operations & Maintenance	-	-	-
Pupil Transportation	-	-	-
Central	-	-	-
Operation of Non-instructional Services	-	-	-
Extracurricular Activities	-	-	-
Capital Outlay	58,142	58,141	1
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
	\$ 58,142	\$ 58,141	\$ 1
Total Expenditures	\$ 58,142	\$ 58,141	\$ 1

The notes to the general purpose financial statements are an integral part of these statement.

EXPENDABLE TRUST FUND				TOTALS (MEMORANDUM ONLY)			
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)		REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	
\$ -	\$ -	\$ -	-	\$ 16,239,506	\$ 16,427,679	\$ 188,173	
-	-	-	-	2,658,795	2,658,795	-	
-	-	-	-	18,724,246	18,724,245	(1)	
-	-	-	-	536,273	536,273	-	
-	-	-	-	152,667	152,667	-	
143	143	-	-	318,111	359,901	41,790	
16,494	16,494	-	-	466,101	605,222	139,121	
-	-	-	-	26,507	26,507	-	
-	-	-	-	70,561	70,561	-	
16,637	16,637	-		39,192,767	39,561,850	369,083	
-	-	-	-	15,512,939	15,414,452	98,487	
-	-	-	-	3,390,414	3,313,612	76,802	
-	-	-	-	1,933,746	1,920,060	13,686	
-	-	-	-	43,826	43,762	64	
-	-	-	-	2,158,229	2,082,675	75,554	
-	-	-	-	999,827	953,679	46,148	
-	-	-	-	124,651	118,048	6,603	
-	-	-	-	2,513,718	2,435,092	78,626	
-	-	-	-	707,755	702,537	5,218	
-	-	-	-	538,253	501,223	37,030	
-	-	-	-	3,906,687	3,533,969	372,718	
445	418	27		865,255	801,824	63,431	
-	-	-	-	87,724	80,636	7,088	
-	-	-	-	438,710	437,063	1,647	
-	-	-	-	1,009,922	966,246	43,676	
-	-	-	-	58,142	58,141	1	
-	-	-	-	8,156,896	8,156,896	-	
-	-	-	-	1,040,630	1,040,630	-	
\$ 445	\$ 418	\$ 27		\$ 43,487,324	\$ 42,560,545	\$ 926,779	

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000
(Continued)

	<u>CAPITAL PROJECTS FUNDS</u>		
	<u>REVISED</u>		<u>VARIANCE</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE /</u> <u>(UNFAVORABLE)</u>
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (55,118)	\$ (55,117)	\$ 1
<u>Other Financing Sources/ (Uses)</u>			
Proceeds from Sale of Notes	-	-	-
Advances In	1,934	1,934	-
Advances Out	(4,958)	(4,958)	-
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Total Other Financing Sources/ (Uses)	(3,024)	(3,024)	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(58,142)	(58,141)	1
Fund Balances - July 1, 1999	49,725	49,725	-
Prior Year Encumbrances Appropriated	47,847	47,847	-
Fund Balances - June 30, 2000	\$ 39,430	\$ 39,431	\$ 1

The notes to the general purpose financial statements are an integral part of these statement.

EXPENDABLE TRUST FUND				TOTALS (MEMORANDUM ONLY)			
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)		REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	
\$ 16,192	\$ 16,219	\$ 27		\$ (4,294,557)	\$ (2,998,695)	\$ 1,295,862	
-	-	-		4,877,000	4,877,000	-	
-	-	-		993,749	993,749	-	
-	-	-		(896,248)	(993,749)	(97,501)	
-	-	-		39,020	39,020	-	
-	-	-		(39,020)	(39,020)	-	
-	-	-		4,974,501	4,877,000	(97,501)	
16,192	16,219	27		679,944	1,878,305	1,198,361	
176	176	-		1,641,312	1,641,312	-	
45	45	-		491,892	491,892	-	
\$ 16,413	\$ 16,440	\$ 27		\$ 2,813,148	\$ 4,011,509	\$ 1,198,361	

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY AND NON-EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2000

	ENTERPRISE FUND	NON EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)
<u>Operating Receipts</u>			
Food Service	\$ 688,578	\$ -	\$ 688,578
Classroom Materials and Supplies	4,787	-	4,787
Total Operating Revenues	693,365	-	693,365
<u>Operating Expenses</u>			
Salaries	345,915	-	345,915
Fringe Benefits	135,628	-	135,628
Purchased Services	45,143	-	45,143
Materials & Supplies	230,249	-	230,249
Cost of Sales	377,533	-	377,533
Depreciation	1,322	1,500	2,822
Other	860	-	860
Total Operating Expenses	1,136,650	1,500	1,138,150
Operating (Loss)	(443,285)	(1,500)	(444,785)
<u>Nonoperating Revenues/ (Expenses)</u>			
Intergovernmental Revenues	561,503	-	561,503
Donated Commodities	99,570	-	99,570
Interest	2,731	-	2,731
Loss on the Disposal of Fixed Assets	(6,015)	-	(6,015)
Total Nonoperating Revenues/(Expenses)	657,789	-	657,789
Net Income(Loss)	214,504	(1,500)	213,004
Retained Earnings(Restated) at July 1, 1999	851,864	26,718	878,582
Retained Earnings at June 30, 2000	\$ 1,066,368	\$ 25,218	\$ 1,091,586

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

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

	PROPRIETARY FUND TYPE		FIDUCIARY FUND TYPE	
	ENTERPRISE FUND	NONEXPENDABLE TRUST FUND	TOTALS (MEMORANDUM ONLY)	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers	\$ 687,281	\$ -	\$ 687,281	
Cash Received from Other Operating Sources	4,787	-	4,787	
Cash Payments for Goods and Services	(605,686)	-	(605,686)	
Cash Payments to Employees for Services	(427,726)	-	(427,726)	
Cash Payments for Employee Benefits	(135,628)	-	(135,628)	
Cash Payments for Other Operating Expenses	(860)	(1,500)	(2,360)	
Net cash Used by Operating Activities	(477,832)	(1,500)	(479,332)	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Operating Grants received	561,503	-	561,503	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on cash equivalents	2,731	-	2,731	
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES:				
Acquisition of Capital Assets	(30,608)	-	(30,608)	
Net increase (decrease) Cash & Cash Equivalents	55,794	(1,500)	54,294	
Cash & Cash Equivalents July 1, 1999	159,678	26,718	186,396	
Cash & Cash Equivalents June 30, 2000	<u>\$ 215,472</u>	<u>\$ 25,218</u>	<u>\$ 240,690</u>	

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE AND NONEXPENDABLE TRUST FUND
FOR THE YEAR ENDED JUNE 30, 2000

	PROPRIETARY FUND TYPE	FIDUCIARY FUND TYPE	
	ENTERPRISE FUND	NONEXPENDABLE TRUST FUND	TOTALS (MEMORANDUM ONLY)
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating (Loss)	\$ (443,285)	\$ (1,500)	\$ (444,785)
Adjustments:			
Depreciation	1,322	-	1,322
Donated Commodities Used During Year	99,570	-	99,570
(Increase)/Decrease in Assets:			
Accounts Receivable	(1,297)	-	(1,297)
Intergovernmental Receivable	(82,866)	-	(82,866)
Inventory Held for Resale	1,375	-	1,375
Materials and Supplies Inventory	34,642	-	34,642
Increase/(Decrease) in Liabilities:			
Accounts Payable	(5,482)	-	(5,482)
Accrued Wages	258	-	258
Compensated Absences Payable	752	-	752
Intergovernmental Payable	(82,821)	-	(82,821)
Total Adjustments	(34,547)	-	(34,547)
Net Cash Used for Operating Activities	\$ (477,832)	\$ (1,500)	\$ (479,332)

**Reconciliation of Cash and Cash
Equivalents to the Balance Sheet**

Trust and Agency Funds	\$ 155,257
Less: Agency Funds	(113,490)
Less: Expendable Trust Funds	(16,549)
Nonexpendable Trust Fund	<u>\$ 25,218</u>

See accompanying notes to the general purpose financial statements

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

1. Description of the School District and Reporting Entity

The Massillon City School District (the District) is a body politic and corporate established for the purpose of exercising the rights and privileges conveyed to it by the constitution and laws of the State of Ohio. The District is governed by a five-member board of education (the Board) elected by its citizens. The Board controls the District's ten school buildings, bus garage, warehouse, and administration building staffed by administrators, teachers, and non-certified personnel providing educational opportunities to its students.

On January 12, 2000, the District was declared to be in a state of "Fiscal Emergency" by the Auditor of State. New legislation effective September 1996, permitted this declaration due to the District's declining financial condition. In accordance with the new law, a seven-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the District. The Commission's primary charge is to develop, adopt and implement a five year financial recovery plan. The Commission accordingly adopted the District plan on January 12, 1998 while the District was in "Fiscal Watch". The Commission is comprised of the State Superintendent of Public Instruction, the District Superintendent, State Director of Budget and Management, the Mayor of the City of Massillon, an appointee of the Superintendent of Public Instruction, an appointee of the Governor, and an appointee of the Mayor of Massillon. Once the Plan has been adopted, the Board of Education discretion is limited in that all financial activity of the District must be in accordance with the plan.

The Reporting Entity

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the District consists of all funds, departments, agencies, and boards that are not legally separate from the District. For the District, this includes general operations, food service, preschool and student related activities of the District. The following activities are included within the reporting entity.

Non-Public Schools - With the District's boundaries, non-public schools are operated by religious organizations. Current state legislation provides funding to these schools. The monies are received and disbursed on behalf of the non-public schools by the Treasurer of the District. The accounting of these state monies are reflected as part of the District's Special Revenue Funds.

Component units are legally separate organizations for which the District is financially accountable. The District is financially accountable for an organization if the District appoints a voting majority of the organization's governing board and (1) the District is able to significantly influence the programs or services performed or provided by the

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

1. Description of the School District and Reporting Entity (Continued)

organization; or (2) the District is legally entitled to or can otherwise access the organization's resources; the District is legally entitled to or can otherwise assumed the responsibility to finance the deficits of, or provide financial support to the organization; or the District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the District in that the District approves the budget, the issuance of debt or the levying of taxes. The District does not have any component units.

The District is associated with organizations which are defined as a jointly governed organization and public entity risk pools. These organizations include the Stark/Portage Area Computer Consortium (SPARCC), Stark County Area Vocational School, and the Stark County Schools Council of Governments Health Benefits Program. These organizations are presented in Notes 12 and 16 to the general purpose financial statements.

2. Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as it applies to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under the guidelines of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting, the District has elected not to apply Financial Accounting Standards Board (FASB) Statements and interpretations issued after November 30, 1989, to its proprietary activities. The adoption of this approach to accounting for proprietary activities by the District has required no change from prior years.

The District's significant accounting policies are described below.

A. Basis of Presentation

Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain District functions or activities.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities not recorded in the funds because they do not directly affect net available resources. For financial statement presentation purposes, the various funds of the District are grouped into the following generic fund types under the broad fund categories governmental, proprietary, and fiduciary.

Governmental Fund Types

Governmental funds are those through which most governmental functions of the District are financed. The acquisition, use, and balances of the District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds and trust funds) are accounted for through governmental funds. The following are the District's governmental fund types:

General Fund

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

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than expendable trusts or major capital projects that are legally restricted to expenditure for specified purposes.

Debt Service Fund

The Debt Service Fund is used to account for financial resources for, and the payment of, general long-term obligation principal, interest, and related costs.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Capital Projects Fund

The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by Proprietary Funds or Trust Funds.

Proprietary Fund Type

Proprietary Funds are used to account for the District's ongoing activities which are similar to those found in the private sector. The following are the District's Proprietary Fund types:

Enterprise Funds

Enterprise Funds are used to account for District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs 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.

Fiduciary Fund Types

Fiduciary Funds are used to account for assets not owned by the District, but held for a separate entity.

Trust Funds - to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. For the District, these include both, Expendable Trust and Non-Expendable Trust Funds.

Agency Funds - to account for assets held by the District as an agent. Agency Funds are custodial in nature (Assets equal Liabilities) and do not involve measurement of results of operations.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Account Groups

To make a clear distinction between fixed assets related to specific funds and those of general government, and between long-term liabilities related to specific funds and those of a general nature, the following account groups are used:

General Fixed Assets Account Group

This account group is established to account for all fixed assets of the District, other than those accounted for in the Proprietary or Non-Expendable Trust Funds.

General Long-Term Obligations Account Group

This account group is established to account for all long-term obligations of the District except those accounted for in the Proprietary or Non-Expendable Trust Funds.

B. Measurement Focus and Basis of Accounting

Measurement Focus

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental and expendable trust fund types are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet.

Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary and non-expendable trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Proprietary and non-expendable trust funds' operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made.

The modified accrual basis of accounting is followed for the governmental, expendable trust, and agency funds. Under this basis, revenues are recognized in the accounting period when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year.

The available period for the District is sixty days after fiscal year end.

In applying the susceptible to accrual concept under the modified accrual basis, the following revenue sources are deemed both measurable and available: interest, tuition, grants, and student fees.

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 2000, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2001 operations, have been recorded as deferred revenue.

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 the governmental funds.

The accrual basis of accounting is utilized for reporting purposes by the proprietary and non-expendable trust funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recognized at the time they are incurred. Unused donated commodities in the Enterprise Fund at year-end are reported as deferred revenue.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations resolution are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified by the County Auditor.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The primary level of budgetary control is at the object level within each function. Any budgetary modifications at this level may only be made by resolution of the Board of Education.

Tax Budget

Prior to January 15, the Superintendent and Treasurer submit to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing for all funds. Public hearings are publicized and conducted to obtain taxpayers' comments. The express purpose of this budget document is to reflect the need for existing or increased tax rates. By no later than January 20, the Board adopted budget is filed with the Stark County Budget Commission for rate determination.

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2000.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certificate saying no new certificate is necessary, the annual appropriation resolution must be legally enacted by the Board of Education at the fund, function, and object level of expenditures, which are the legal levels of budgetary control. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission and the total of expenditures and encumbrances may not exceed the appropriation totals at any level of control. Any revisions that alter the total of any fund appropriation, or alter total function appropriations within a fund, or alter object appropriations within functions, must be approved by the Board of Education.

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted. The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations. Formal budgetary integration is employed as a management control device during the year for all District funds consistent with statutory provisions.

Encumbrances

As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are recorded as the equivalent of expenditures on the budgetary basis in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance. Expenditures plus encumbrances may not legally exceed appropriations. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent year - end expenditures of governmental funds.

Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriation. Encumbered appropriations are carried forward to the succeeding fiscal year and are not reappropriated.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

2. Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

To improve cash management, all cash received by the District is pooled in various accounts. Monies for all funds, including proprietary funds, are maintained in these accounts or temporarily used to purchase short term investments.

Individual fund integrity is maintained through District records. Each fund's interest in the pool is presented as "Cash, Cash Equivalents and Investments" on the Combined Balance Sheet.

During fiscal year 2000, investments were limited to repurchase agreements and STAROhio. Repurchase agreements are reported at cost. STAR 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 does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 2000.

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 2000 amounted to \$536,385, which includes \$152,314 assigned from other District funds.

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, 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 District are considered to be cash equivalents.

E. Inventory

Inventories are valued at cost (first in, first out) and are determined by physical count. Inventories in Governmental Funds consist of expendable supplies held for consumption. The cost has been recorded as an expenditure at the time individual inventory items were purchased. Inventory in Proprietary Funds consist of expendable supplies held for consumption and food service items held for resale. The cost has been recorded as an expense at the time individual inventory items was consumed.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

2. Summary of Significant Accounting Policies (Continued)

F. Restricted Assets

Restricted assets in the General fund represents cash and cash equivalents set aside to establish a budget stabilization reserve. This reserve is required by the State statute and can be used only after receiving approval from the State Superintendent of Public Instruction. A fund balance reserve has also been established. See Note 19 for the calculation of the year-end restricted asset balance and the corresponding fund balances reserves.

G. Fixed Assets and Depreciation

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction costs are reflected as expenditures in governmental funds, and the related assets are reported in the General Fixed Assets Account Group. Fixed assets utilized in the proprietary funds are capitalized in those funds. All fixed assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$500. The District does not have any infrastructure. 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. Assets in the General Fixed Assets Account Group are not depreciated. Depreciation of furniture and equipment in the Enterprise Fund is computed using the straight-line method over estimated useful lives ranging from five to fifteen years.

H. Intergovernmental Revenues

For governmental funds, intergovernmental revenues, such as entitlements and grants awarded on a non-reimbursement basis, are recorded as receivables and revenues when measurable and available. Reimbursement type grants are recorded as receivables and revenues when the related expenditures are incurred. Other than commodities, grants and entitlements for proprietary fund operations are recognized as nonoperating revenues in the accounting period in which they are earned and become measurable. The District currently participates in various state and federal programs categorized as follows:

Entitlements

General Fund
State Foundation Program

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

2. Summary of Significant Accounting Policies (Continued)

H. Intergovernmental Revenues

Nonreimbursable Grants

Special Revenue Funds

Drug Free Grant

Title I

Title VI

Title VI-B Flow Through

Preschool Grant

Eisenhower Grant

Reimbursable Grants

General Fund

School Bus Reimbursement

Capital Projects Fund

School Net

Enterprise Fund

National School Lunch Program

Government Donated Commodities

Grants and entitlements amounted to approximately 47 percent of District's operating and nonoperating revenue during the 2000 fiscal year.

I. Interfund Assets and Liabilities

Receivables and payables resulting from transactions between funds for services provided or goods received are classified as "Interfund Receivable" or "Interfund Payable". Long-term interfund loans are recorded as reservation of fund balance to indicate that they do not constitute available expendable resources since they are not a component of net current assets. The District did not have any long-term advances at year end.

J. Compensated Absences

The District reports compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for 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

MASSILLON CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

2. Summary of Significant Accounting Policies (Continued)

probable that the District will compensate the employees for the benefits through paid time off or some other means. The District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service.

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 District's past experience of making termination payments.

For governmental funds, the current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

K. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current resources. However, claims and judgments, compensated absences, contractually required pension contributions, and special termination benefits that will be paid from governmental funds are reported as a liability in the General Long-Term Obligations Account Group to the extent that they will not be paid with current available expendable financial resources. Bonds, capital leases, and long-term loans are reported as a liability of the General Long-Term Obligations Account Group until due. Long-term debt and other obligations financed by proprietary funds are reported as liabilities those funds.

L. Interfund Transactions

Quasi-external transactions are accounted for as revenues and expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/ expenses initially made from it that are properly applicable to another fund are recorded as expenditures/ expenses in the reimbursing fund and as reductions of expenditures/ expenses in the fund that is reimbursed. Nonrecurring on nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

MASSILLON CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

2. Summary of Significant Accounting Policies (Continued)

M. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use of which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for property taxes, encumbrances, materials and supplies inventory, textbooks, capital improvements, bus purchases, budget stabilization and contributions. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute. The reserve for budget stabilization represents money required to be set-aside by statute to protect against cyclical changes in revenues and expenditures. The reserve for contributions signifies the legal restrictions on the use of principal.

N. Estimates

The preparation of the 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.

O. Total Columns on General Purpose Financial Statements

Total columns on the general purpose financial statements are captioned "Total-(Memorandum Only)" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in aggregation of this data.

3. Restatement of Prior Year Fund Equity

During the fiscal year 2000, the fund structure and the debt classification was re-evaluated to better reflect the District's financial activity. The internal service fund was combined with the general fund and school foundation notes are now being properly reflected in the general fund instead of the general long-term obligations account group. The effects of these changes are shown below.

MASSILLON CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
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3. Restatement of Prior Year Fund Equity (Continued)

	<u>General Fund</u>	<u>Internal Service</u>	<u>GLTOAG</u>
Beginning Fund Balance 6/30/99	\$(2,559,888)	\$3,986	\$21,900,069
Re-evaluation of Fund Structure	3,986	(3,986)	-
Debt Reclassification	(6,759,372)	-	(6,759,372)
Compensated Absences Reclassification	-	-	532,337
Beginning Fund Balance Restated 6/30/99	<u>\$(9,315,274)</u>	<u>\$ -</u>	<u>\$15,673,034</u>

The long-term compensated absences method was also re-evaluated during fiscal year 2000. The District has changed from the vesting method to the termination method to better reflect the liability outstanding. The changes to the general long-term obligations account group are shown above. The enterprise fund beginning retained earnings as of June 30, 1999 was decreased by \$9,996 from \$861,860 to \$851,864 and the net income for fiscal year 1999 was decreased from \$75,436 to \$65,440.

4. Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balance/retained earnings 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 Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Budget -Actual (Budgetary Basis) - All Governmental Fund Types and Similar Fiduciary Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the Budgetary basis and GAAP basis are that:

1. Revenues are recorded when received in cash (Budgetary basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures are recorded when paid in cash (Budgetary basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditure equivalents for all funds (Budgetary basis) rather than as a reservation of fund balance for governmental fund types (GAAP basis).

The following table summarizes the adjustments necessary to reconcile the Budgetary and GAAP basis statements by fund type.

MASSILLON CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

4. Budgetary Basis of Accounting (Continued)

Excess (Deficiency) of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$5,335,675	\$ 285,030	\$ (350,014)	\$ (26,922)	\$ 16,269
Adjustments for Revenue Accruals	(2,415,470)	127,531	8,058,506	934	-
Adjustments for Expenditure Accruals	202,794	(481,966)	(7,849,580)	(31,952)	60
Adjustments for Encumbrances	<u>(695,702)</u>	<u>(296,580)</u>	-	<u>(201)</u>	<u>(110)</u>
GAAP Basis	<u>\$2,427,297</u>	<u>\$ (365,985)</u>	<u>\$ (141,085)</u>	<u>\$ (58,141)</u>	<u>\$ 16,219</u>

5. Deposits and Investments

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

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing no 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.

Interim monies may be invested in the following obligations.

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

MASSILLON CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

5. Deposits and Investments (Continued)

3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
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 days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

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

Deposits: At year end, the carrying amount of the District's deposits was \$(565,421) and the bank balance was \$666,888. Of the bank balance, \$300,000 was covered by federal depository insurance and \$366,888 was covered by collateral held by the depository, or by their trust department agent, but not in the District's name.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

5. Deposits and Investments (Continued)

Investments: The District's investments are categorized below to give an indication of the level of risk assumed by the District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes insured and unregistered investments which are held by the counterparty's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the District's name.

Investments at June 30, 2000 consisted of:

	<u>1</u>	Category <u>2</u>	<u>3</u>	Carrying Value	Market Value
Repurchase Agreement	\$ -	\$ -	\$5,915,000	\$5,915,000	\$5,915,000
STAR Ohio	-	-	-	10,300	10,300
Total Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$5,915,000</u>	<u>\$5,925,300</u>	<u>\$5,925,300</u>

STAR Ohio is not categorized because it is not evidenced by securities that exist in physical or book entry form.

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

A reconciliation between the classifications of cash and investments on the combined financial statements and the classification per GASB Statement No. 3 is as follows:

	Cash and Cash <u>Equivalents</u>	<u>Investments</u>
GASB Statement No. 9	\$5,359,879	\$ -
Investment which are part of a Cash management pool:		
Repurchase Agreements	(5,915,000)	5,915,000
Investment in State Treasurer's Investment Pool	(10,300)	10,300
GASB Statement No. 3	<u>\$ (565,421)</u>	<u>\$5,925,300</u>

6. Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

6. Property Taxes (Continued)

Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied after April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Tangible personal property taxes paid by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20.

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2000, are available to finance fiscal year 2000 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 2000. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to a deferred revenue for that portion not intended to finance current year operations. The amount available to the District as an advance at June 30, 2000, was \$674,690 and \$98,590 in the General and Debt Service Funds, respectively.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

7. Interfund Activity

At June 30, 2000, outstanding Interfund balances consisted of the following.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$70,667	\$ -
Special Revenue Fund		
Career Development	-	2,360
Professional Development	-	4,019
Vocational Education	-	14,500
Preschool Grant	-	1,756
Miscellaneous Federal	-	46,098
Capital Projects Fund		
Emergency Building Repair	-	1,934
Total	<u>\$70,667</u>	<u>\$70,667</u>

8. Fixed Assets

A summary of the changes in the General Fixed Asset Account Group during the fiscal year is as follows:

	Balance 7/1/99	Additions	Disposals	Balance 6/30/00
Land and Buildings	\$30,975,586	\$ -	\$ -	\$30,975,586
Furniture and Equipment	4,471,710	380,714	35,340	4,817,084
Vehicles	832,674		10,400	822,274
Textbooks and Library Books	<u>2,161,773</u>	-	-	<u>2,161,773</u>
Totals	<u>\$38,441,743</u>	<u>\$380,714</u>	<u>\$ 45,740</u>	<u>\$38,776,717</u>

A summary of the Enterprise Funds' fixed assets at June 30, 2000 is as follows:

	<u>Enterprise</u>
Buildings	\$1,045,650
Furniture, Fixtures, and Equipment	327,356
Less: Accumulated Depreciation	<u>(571,182)</u>
Net Fixed Assets	<u>\$ 801,824</u>

MASSILLON CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

9. Long-Term Obligations

During the year ended June 30, 2000, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Groups.

	<u>General Long-Term Obligations Account Group</u>			
	<u>Balance</u>		<u>Balance</u>	
	<u>7/1/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>6/30/00</u>
General Obligation Bonds	\$ 12,584,678	\$ -	\$1,255,000	\$11,329,678
Intergovernmental Payable	260,139	335,744	260,139	335,744
Capital Leases Payable	60,265	-	60,265	-
Compensated Absences	1,024,570	36,113	114,151	946,532
Early Retirement Incentive	<u>1,739,687</u>	<u>861,108</u>	<u>1,465,428</u>	<u>1,135,367</u>
Total Obligations	<u>\$ 15,669,339</u>	<u>\$1,232,965</u>	<u>\$3,154,983</u>	<u>\$13,747,321</u>

General obligation bonds will be paid from property taxes. The intergovernmental payable represents pension obligations paid outside the available period and will be paid from the fund from which the person is paid. Compensated absences will be paid from the fund from which the person is paid. Capital leases and the early retirement incentive are paid from the general fund.

The District's overall legal debt margin was \$19,326,197 with an unvoted debt margin of \$353,692 at June 30, 2000.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2000, are as follows:

<u>For the Years</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 1,305,000	\$ 441,508
2002	1,360,000	385,856
2003	1,415,000	325,826
2004	1,480,000	261,395
2005	1,545,000	192,561
2006-2010	3,932,400	4,807,234
2011-2015	<u>292,278</u>	<u>3,217,723</u>
Total	<u>\$11,329,678</u>	<u>\$ 9,632,104</u>

Principal and interest requirements to retire outstanding notes at June 30, 2000 are as follows:

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

9. Long-Term Obligations (Continued)

<u>For the Years</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 637,500	\$ 57,618
2002	637,500	28,809
Total	<u>\$1,275,000</u>	<u>\$ 86,427</u>

The interest on the early retirement incentive is calculated at 7.0 percent of each retiree's balance for fiscal year 2000. The interest is accrued from thirty days after the employee's retirement date. The early retirement incentive enrollment ends on August 15, 2000. The District will finish paying the liability for each retiree during fiscal year 2001.

10. Notes Payable

A summary of the note activity for the year ended June 30, 2000, follows:

	<u>Outstanding</u> <u>6/30/99</u>	<u>Issued</u>	<u>Reductions</u>	<u>Outstanding</u> <u>6/30/00</u>
General Fund:				
School Foundation Note 1998 4.44%	\$6,759,373	\$ -	\$1,387,396	\$5,371,977
Tax Anticipation Notes 1996 4.56%	1,200,000	-	400,000	800,000
Tax Anticipation Notes 1997 4.45%	<u>712,500</u>	<u>-</u>	<u>237,500</u>	<u>475,000</u>
Total General Fund	<u>8,671,873</u>	<u>-</u>	<u>2,024,896</u>	<u>6,646,977</u>
Bond Retirement Fund:				
1999 4.88% Tax Anticipation	-	4,877,000	4,877,000	-
Total Notes Payable	<u>\$8,671,873</u>	<u>\$4,877,000</u>	<u>\$6,901,896</u>	<u>\$6,646,977</u>

The School foundation notes will be repaid with State foundation revenue. The notes are backed by the full faith and credit of the District. The note liability is reflected in the general fund which received the proceeds. Principal and interest requirements to retire the school foundation note outstanding at June 30, 2000, is as follows:

<u>For the Years</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2001	\$ 1,438,710	\$ 171,161
2002	1,492,350	117,524
2003	1,548,420	61,247
2004	570,468	-
2005	254,998	-
2006	<u>67,032</u>	<u>-</u>
Total	<u>\$ 5,371,977</u>	<u>\$ 349,932</u>

MASSILLON CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

11. Compensated Absences

The criteria for determining vacation and sick leave components derives from negotiated agreements and State laws. Classified employees earn five to twenty-six days of vacation per fiscal year, depending upon the length of service. Accumulated, unused vacation time is paid to classified employees and administrators upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for all personnel. Upon completion of ten or more years of service to the 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 55 days for certified employees and 50 days for classified employees.

12. Risk Management

Comprehensive - The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2000, the District contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by these carriers is as follows:

Building and Contents-replacement cost (\$1,000 deductible) \$64,898,059

Inland Marine Coverage (\$100 deductible) \$169,971

Automobile Liability - \$2,000,000

Uninsured Motorists - \$1,000,000

General Liability - \$1,000,000/ each occurrence; \$3,000,000/ aggregate

Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

MASSILLON CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

12. Risk Management (Continued)

Workers Compensation - For fiscal year 2000, the District participated in a program with the Stark County Board of Education to obtain workers' compensation coverage. This program is administered by CompManagement, Inc. The experience of each of the participating school districts is calculated as one experience rate and applied to all participants in the program. Each participant pays its workers' compensation premium to the State's Bureau of Workers' Compensation based on this calculation. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the program. A participant will then either receive money from or be required to contribute to the program. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the program is limited to school districts that can meet its selection criteria.

Health Insurance - The District is a participant in the Stark County Schools Council (COG) for the purpose of obtaining benefits at a reduced premium for health care. The program for health care is administered by Mutual Health Services Company and Aultcare. Payments are made to the COG for the monthly attachment point, monthly stop-loss premiums, and administrative charges. The fiscal officer of the COG is the Treasurer of the Stark County Educational Service Center. The fiscal agent pays Mutual Health Services and Aultcare monthly for the actual amount of claims processed, the stop-loss premium, and the administrative charges.

13. Defined Benefit Pension Plans

A. School Employees Retirement System

The District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer public employee retirement system administered by the School Employees Retirement Board. SERS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available financial report that includes financial statements and required supplementary information for SERS. The report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

MASSILLON CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

13. Defined Benefit Pension Plans (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by the State Statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$554,419, \$546,871 and \$801,357, respectively. 47% has been contributed for the fiscal year 2000 and 100% for fiscal years 1999 and 1998. \$227,179 representing the unpaid contribution for the fiscal year 2000, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

The District also contributes to the State Teachers Retirement System of Ohio (STRS), cost-sharing multiple employer public employee retirement system administered by the State Teachers Retirement Board. STRS provides basic retirement benefits, disability, survivor, and health care benefits based on eligible service credit to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available financial report that includes financial statements and required supplementary information for STRS. The report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2000, 1999, and 1998 were \$2,117,614, \$2,061,471 and \$2,764,325, respectively. 86% has been contributed for the fiscal year 2000 and 100% for the fiscal years 1999 and 1998. \$301,164 representing the unpaid contribution for the fiscal year 2000, is recorded as a liability within the respective funds.

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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

14. Post Employment Benefits

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from the STRS funds shall be included in the employer contributions rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. The balance in the Health Care Reserve Fund at year-end was \$2,783 million. For the fiscal year ended June 30, 1999, eligible benefit recipients totaled 95,796 and net health care costs paid by STRS were \$249,929,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. For this fiscal year, employer contributions to fund health care benefits were 8.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 2000, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution provides for maintenance of the asset target level for the health care fund. For the fiscal year ended June 30, 1999, net health care costs paid by SERS were \$126,380,984 and the target level was \$189.6 million. Net assets available for payment as of June 30, 1999 by the Retirement System were \$188.0 million, at cost. The number of participants currently receiving health care benefits is 51,000. The portion of the District's contributions that were used to fund postemployment benefits was \$1,210,065.

15. Segment Information For Enterprise Funds

The District maintains three Enterprise Funds to account for the operations of food service and uniform school supplies. The table following reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 2000:

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

15. Segment Information For Enterprise Funds (Continued)

	Food Service	School Supplies	Total
Operating Revenues	\$ 584,452	\$ 108,913	\$ 693,365
Depreciation	1,322	-	1,322
Operating Income (Loss)	(459,576)	16,291	(443,285)
Donated Commodities	99,570	-	99,570
Operating Grants	561,503	-	561,503
Net Income	198,213	16,291	214,504
Net Working Capital	259,584	15,321	274,905
Total Assets	1,102,684	15,321	1,118,005
Total Equity	1,051,047	15,321	1,066,368
Encumbrances @ 6/30/00	431	807	1,238

16. Jointly Governed Organization

The District is a member of the Stark-Portage Area Computer Consortium (SPARCC), a jointly governed organization which provides computer services to the school districts within the boundaries of Stark and Portage Counties. Each District's superintendent serves as a representative on the Board which consists of approximately 31 member districts. However, SPARCC is primarily governed by a five member executive Board which is made up of two representatives from Stark County, two from Portage County, and a Treasurer. The Board meets monthly to address any current issues.

17. Contingencies and Commitments

Grants

During the fiscal year, the 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, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2000.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

17. Contingencies and Commitments (Continued)

School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 2000, the District received \$13,786,885 of school foundation support for its general fund.

The court also declared the emergency school loan assistance program unconstitutional. The emergency school loan program allowed the district to borrow money from a commercial financial institution with repayment going directly to the lender from the State through withholding a portion of the District's future school foundation payments. As of June 30, 2000, the District had an outstanding balance due of \$5,371,977 borrowed under this program; the final payment of this note will be made in fiscal year 2006.

Since the Court's ruling, numerous pieces of legislation have been passed by the State General Assembly in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewing the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The state appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. On May 11, 2000, the Ohio Supreme Court rendered an opinion on this issue. The Court concluded, " ... the mandate of the Ohio Constitution has not been fulfilled." The Court's majority recognized efforts by the Ohio General Assembly taken in response to the Court's March 24, 1997, decision, however, it found seven " ... major areas warrant further attention, study, and development by the General Assembly... ," including the state's reliance on local property tax funding, the state's basic aid formula, the school foundation program, as discussed above, the mechanism for, and adequacy of, funding for school facilities, and the existence of the State's School Solvency Assistance Fund, which the Court found took the place of the unconstitutional emergency school loan assistance program.

The Court decided to maintain jurisdiction over these issues and continued the case at least until June 15, 2001

As of the date of these financial statements, the District is unable to determine what effect, if any, this ongoing litigation will have on its future State funding under this program and on its financial operations.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

18. Fund Balance Deficits

Fund equity balances at June 30, 2000, included the following individual fund deficits:

General Fund	\$ (3,968,009)
Special Revenue Funds:	
Career Development	(2,342)
Vocational Education	(10,717)
Title I	(67,147)
Handicapped Preschool	(1,934)
Capital Projects Fund:	
Emergency Building Repair	(1,934)

The general fund deficit resulted from the accounting for school foundation notes received during the fiscal emergency process.

The special revenue and capital projects funds deficits resulted from adjustments for accrued liabilities. The general fund is liable for any deficit in these funds and provides operating transfers when cash is required, not when accruals occur.

19. Set-aside Requirements

The District is required by State statute to annually set aside in the general fund an amount based on a statutory formula for the purchase of textbooks and other instructional materials and an equal amount for the acquisition and construction of capital improvements. Amounts not spent by year-end or offset by similarly restricted resources received during the year must be held in cash at year-end and carried forward to be used for the same purpose in future years. The District is also required to set aside money for budget stabilization. Set-aside requirements for fiscal year 2000 are as follows:

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 2000

19. Set-aside Requirements (Continued)

	Textbooks	Capital Acquisition	Budget Stabilization	Total
Set-aside Cash Balance as of June 30, 1999	\$ -	\$ 205,709	\$ 366,315	\$ 572,024
Current Year Set-aside Requirements	663,547	663,547	-	1,327,094
Qualifying Disbursements	<u>580,213</u>	<u>785,922</u>	<u>-</u>	<u>1,366,135</u>
Total	<u>\$ 83,334</u>	<u>\$ 83,334</u>	<u>\$ 366,315</u>	<u>\$532,983</u>
Cash Balance Carried Forward to FY2000				<u>\$532,983</u>

SSILLON CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

<u>Federal Grantor/ Sub-Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Ohio Department of Education			
Title 1	84.010	044354-C1-S1-97	\$ 991,282
		044354-C1-S1-99	991,282
		044354-C1-S1-99C	109,149
		044354-C1-S1-00	985,184
Total Title 1			
Title VI-B Education of the Handicapped Act	84.027	044354-6B-SF-99	\$ 302,596
		044354-6B-SF-00	365,250
Total Title VI-B			
Handicapped Preschool Incentive Grant	84.173	044354-PG-S1-00	\$ 11,838
Total Preschool Incentive Grant			
Adult Basic Education	84.002	044354-AB-S1-98	\$ 58,606
		044354-AB-S1-99	66,306
		044354-AB-S1-00	61,106
Total Adult Basic Education			
Title VI	84.298	044354-C2-S1-97	\$ 24,830
		044354-C2-S1-98	27,613
		044354-C2-S1-99	32,087
		044354-C2-S1-00	34,108
Total Title VI			
Carl D. Perkins	84.048	044354-2C-01-98	\$ 86,493
		044354-2C-01-99	87,881
		044354-2C-01-00	96,664
Total Carl D. Perkins			
Comprehensive School Reform	84.332	044354-RF-S1-99	\$ 75,000
		044354-RF-S1-00	75,000
Total Comprehensive School Reform			

<u>Balance</u> <u>7/1/99</u>	<u>Federal</u> <u>Receipts</u>	<u>Federal</u> <u>Disbursements</u>	<u>Transfers/</u> <u>Advances</u>	<u>Balance</u> <u>6/30/00</u>
\$ 1,740	\$ -	\$ -	\$ -	\$ 1,740
291,103	-	(181,954)	(109,149)	-
-	-	(93,535)	109,149	15,614
-	729,902	(716,352)	-	13,550
<u>292,843</u>	<u>729,902</u>	<u>(991,841)</u>	<u>-</u>	<u>30,904</u>
75,633	-	(75,633)	-	-
-	365,250	(263,626)	-	101,624
<u>75,633</u>	<u>365,250</u>	<u>(339,259)</u>	<u>-</u>	<u>101,624</u>
-	11,838	(11,838)	-	-
-	11,838	(11,838)	-	-
2,946	-	(2,946)	-	-
21,593	-	(12,729)	(5,000)	3,864
-	61,106	(52,491)	-	8,615
<u>24,539</u>	<u>61,106</u>	<u>(68,166)</u>	<u>(5,000)</u>	<u>12,479</u>
260	-	-	-	260
4,571	-	(4,571)	-	-
17,604	4,810	(16,337)	-	6,077
-	10,416	(6,572)	-	3,844
<u>22,435</u>	<u>15,226</u>	<u>(27,480)</u>	<u>-</u>	<u>10,181</u>
3,990	-	-	39,020	43,010
25,653	13,182	(38,835)	-	-
-	82,164	(90,352)	14,500	6,312
<u>29,643</u>	<u>95,346</u>	<u>(129,187)</u>	<u>53,520</u>	<u>49,322</u>
16,088	-	(15,901)	-	187
-	62,500	(41,870)	-	20,630
<u>\$ 16,088</u>	<u>\$ 62,500</u>	<u>\$ (57,771)</u>	<u>\$ -</u>	<u>\$ 20,817</u>

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2000

(Continued)

<u>Federal Grantor/ Sub-Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Ohio Department of Education: (Continued)			
Goals 2000	84.276	044354-G2-A1-00	\$ 150,000
Total Goals 2000			
Eisenhower Grant	84.281	044354-MS-S1-98 044354-MS-S1-99 044354-MS-S1-00	\$ 21,798 27,179 24,646
Total Eisenhower Grant			
Drug Free School Program Grant	84.186	044354-DR-S1-99 044354-DR-S1-00	\$ 27,179 22,449
Total Drug Free School Program Grant			
Class Size Reduction Grant	84.340	044354-CR-S1-00	\$ 147,645

Total U.S. Department of Education

U.S. DEPARTMENT OF AGRICULTURE

Passed through Ohio Department
of Education

Nutrition Cluster:

National School Breakfast	10.553	-	-
National School Lunch Program (B)	10.555	-	-
Food Distribution Program (C)	10.550	-	-

Total U.S. Department of Agriculture

Total Federal Financial Assistance (A)

- (A) Schedule is presented on a cash basis. Federal Financial Assistance is determined to be on a first-in, first-out basis.
- (B) Amounts are commingled with state and local revenue from the sale of lunches.
- (C) Food Distribution Program is for the purpose of reporting on this schedule only. Food Distribution Program is not a part of the accompanying financial statements. Dollar amounts reflected are market values assigned by the District for commodities.

Balance <u>7/1/99</u>	Federal <u>Receipts</u>	Federal <u>Disbursements</u>	Transfers/ <u>Advances</u>	Balance <u>6/30/00</u>
<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ (111,405)</u>	<u>\$ -</u>	<u>\$ 38,595</u>
<u>-</u>	<u>150,000</u>	<u>(111,405)</u>	<u>-</u>	<u>38,595</u>
21,200	-	(21,200)	-	-
5,928	5,862	(5,373)	-	6,417
<u>-</u>	<u>7,817</u>	<u>(11,835)</u>	<u>4,019</u>	<u>1</u>
<u>27,128</u>	<u>13,679</u>	<u>(38,408)</u>	<u>4,019</u>	<u>6,418</u>
1,344	-	(1,344)	-	-
<u>-</u>	<u>22,449</u>	<u>(18,740)</u>	<u>-</u>	<u>3,709</u>
<u>1,344</u>	<u>22,449</u>	<u>(20,084)</u>	<u>-</u>	<u>3,709</u>
<u>-</u>	<u>41,171</u>	<u>(87,262)</u>	<u>46,098</u>	<u>7</u>
<u>489,653</u>	<u>1,568,467</u>	<u>(1,882,701)</u>	<u>98,637</u>	<u>274,056</u>
-	56,636	(56,636)	-	-
-	467,787	(467,787)	-	-
<u>6,619</u>	<u>104,458</u>	<u>(104,667)</u>	<u>-</u>	<u>6,410</u>
<u>6,619</u>	<u>628,881</u>	<u>(629,090)</u>	<u>-</u>	<u>6,410</u>
<u>\$ 496,272</u>	<u>\$ 2,197,348</u>	<u>\$ (2,511,791)</u>	<u>\$ 98,637</u>	<u>\$ 280,466</u>

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

STATUS OF PRIOR AUDIT CITATIONS AND RECOMMENDATIONS

The prior audit report for the period ending June 30, 1999 included various citations and recommendations. Each of these citations and recommendations have either been satisfied or corrected, or are reflected in the appropriate section of this report. Such citations and recommendations are denoted by an asterisk.

Guillan & Company

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Education
Massillon City School District
Massillon, Ohio 44646

We have audited the financial statements of the Massillon City School District as of and for the year ended June 30, 2000, and have issued our report thereon date March 26, 2001. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance that we have reported to the District's management in a separate letter dated March 26, 2001.

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs at item 00-1.

**Massillon City School District
Stark County**

A material weakness is a condition in which the design or operation of one or more in the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the district in a separate letter dated March 26, 2001 .

This report is intended for the information and use of the audit committee, management, Auditor of State office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

March 26, 2001

Guillan & Company

Guillan & Company

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN

ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Massillon City School District
Massillon, Ohio 44646

Compliance

We have audited the compliance of the Massillon City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2000. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

**Massillon City School District
Stark County**

Internal Control Over Compliance

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

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

This report is intended for the information and use of the audit committee, management, Auditor of State office and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

March 26, 2001

Guillan & Company

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2000

SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Massillon City School District.
2. One reportable condition was disclosed during the audit of the financial statements of the Massillon City School District. The condition was not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the Massillon City School District were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Massillon City School District expresses an unqualified opinion.
6. No audit findings relative to the major programs for the Massillon City School District were disclosed during the audit.
7. The programs tested as major included: Nutrition Cluster (10.555,10.553,10.550).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Massillon City School District was determined to be a low-risk auditee.

FINDINGS – FINANCIAL STATEMENT AUDIT

00-1*

During testing of the student activities several internal control weaknesses were noted. During testing it was noted that student activities did not have current purpose statements and annual budgets. It was also noted receipts were not always being issued for monies received by the student activity. It is recommended that stronger controls are put in place to ensure that monies are properly received and deposited.

Massillon City School District
Stark County

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT

None

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

GENERAL COMMENTS

The report, including the citations and recommendations, was reviewed with and acknowledged by the following officials on March 26, 2001:

Teresa Emmerling Treasurer

These officials were informed that they had five working days for the Auditor of State and sixty days for the federal government from the date of the post audit conference to respond to, or contest, in writing, the report contents. No such response was received.

School District personnel were very cooperative and available for questions and assistance during regular working hours.



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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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
APRIL 19, 2001**