



**MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY**

SINGLE AUDIT

FOR THE YEAR ENDED JUNE 30, 2001



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY**

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REPORT OF INDEPENDENT ACCOUNTANTS

Massillon City School District
Stark County
207 Oak Street, S.E.
Massillon, Ohio 44646

To the Board of Education:

We have audited the accompanying general purpose financial statements of the Massillon City School District, Stark County, (the District) as of and for the year ended June 30, 2001, 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 auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 District as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the general purpose financial statements, the District adopted Governmental Accounting Standards Board Statements (GASB) No. 33 and GASB No. 36 during the year ended June 30, 2001. Additionally, an error resulting in the understatement of General Fund debt was discovered during the current audit. As a result, the Fund Balance of the General Fund has been restated to correct for this error as of July 1, 2000.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2001 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and 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.

We performed our audit to form an opinion on the general purpose financial statements of the District, taken as a whole. The accompanying Schedule of Receipts and 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 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, it is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

Jim Petro
Auditor of State

December 3, 2001

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Massillon City School District
Combined Balance Sheet
All Fund Types and Account Groups
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Assets and Other Debits				
Assets				
Equity in Pooled Cash and Cash Equivalents	\$6,274,538	\$1,627,437	\$279,593	\$100,813
Receivables:				
Property and Other Taxes	14,771,300	0	1,870,527	0
Income Taxes	997,744	0	0	0
Accounts	756	213	0	0
Intergovernmental	2,054	836,630	0	0
Interfund Receivable	20,560	0	0	0
Inventory Held for Resale	0	0	0	0
Materials and Supplies Inventory	4,178	0	0	0
Prepaid Items	32,343	0	0	0
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	314,863	0	0	0
Fixed Assets (net, where applicable, of accumulated depreciation)	0	0	0	0
Other Debits				
Amount Available in Debt				
Service Fund for Retirement of General Obligation Debt	0	0	0	0
Amount to be Provided from General Government Resources	0	0	0	0
Total Assets and Other Debits	\$22,418,336	\$2,464,280	\$2,150,120	\$100,813

Proprietary Fund Type	Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
		Trust and Agency	General Fixed Assets	
Enterprise				
\$349,797	\$161,577	\$0	\$0	\$8,793,755
0	0	0	0	16,641,827
0	0	0	0	997,744
1,492	0	0	0	2,461
0	0	0	0	838,684
0	0	0	0	20,560
17,944	0	0	0	17,944
0	0	0	0	4,178
0	0	0	0	32,343
0	0	0	0	314,863
801,725	0	38,852,348	0	39,654,073
0	0	0	338,573	338,573
0	0	0	12,093,040	12,093,040
<u>\$1,170,958</u>	<u>\$161,577</u>	<u>\$38,852,348</u>	<u>\$12,431,613</u>	<u>\$79,750,045</u>

(continued)

Massillon City School District
Combined Balance Sheet
All Fund Types and Account Groups (continued)
June 30, 2001

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, Fund Equity and Other Credits				
Liabilities				
Accounts Payable	\$43,368	\$48,531	\$0	\$0
Accrued Wages	1,743,642	283,383	0	0
Compensated Absences Payable	92,380	2,933	0	0
Interfund Payable	0	20,560	0	0
Intergovernmental Payable	672,399	92,110	0	0
Deferred Revenue	14,352,410	575,801	1,811,547	0
Due to Students	0	0	0	0
Accrued Interest Payable	16,654	0	0	0
Notes Payable	637,500	0	0	0
State Assistance Loan Payable	1,658,000	0	0	0
School Foundation Loan Payable	3,933,267	0	0	0
General Obligation Bonds Payable	0	0	0	0
Total Liabilities	23,149,620	1,023,318	1,811,547	0
Fund Equity and Other Credits				
Investment in General Fixed Assets	0	0	0	0
Retained Earnings:				
Unreserved	0	0	0	0
Fund Balance:				
Reserved for Encumbrances	456,375	311,586	0	0
Reserved for Inventory	4,178	0	0	0
Reserved for Property Taxes	418,890	0	58,980	0
Reserved for Textbooks	89,331	0	0	0
Reserved for Bus Purchases	12,876	0	0	0
Reserved for Budget Stabilization	212,656	0	0	0
Reserved for Contributions	0	0	0	0
Unreserved:				
Undesignated (Deficit)	(1,925,590)	1,129,376	279,593	100,813
Total Fund Equity (Deficit) and Other Credits	(731,284)	1,440,962	338,573	100,813
Total Liabilities, Fund Equity and Other Credits	\$22,418,336	\$2,464,280	\$2,150,120	\$100,813

See accompanying notes to the general purpose financial statements

Massillon City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances*
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2001

	Governmental	
	General	Special Revenue
Revenues		
Property and Other Local Taxes	\$14,151,214	\$0
Income Tax	2,729,382	0
Intergovernmental	16,312,555	3,644,612
Interest	493,228	551
Tuition and Fees	324,005	12,646
Extracurricular Activities	0	639,293
Contributions and Donations	0	84,273
Customer Service	124,123	0
Rentals	24,585	1,350
Miscellaneous	110,115	41,259
	Total Revenues	4,423,984
	34,269,207	4,423,984
Expenditures		
Current:		
Instruction:		
Regular	11,050,352	1,680,559
Special	2,064,572	838,510
Vocational	1,777,587	52,483
Adult/Continuing	0	52,866
Support Services:		
Pupils	1,264,466	680,777
Instructional Staff	676,704	517,415
Board of Education	73,943	0
Administration	2,079,510	245,871
Fiscal	807,549	3,776
Business	327,040	1,364
Operation and Maintenance of Plant	3,641,433	48,267
Pupil Transportation	671,206	40,872
Central	55,887	10,454
Operation of Non-Instructional Services	0	437,110
Extracurricular Activities	601,606	446,345
Capital Outlay	0	0
Debt Service:		
Principal Retirement	1,135,367	0
Interest and Fiscal Charges	221,734	0
	Total Expenditures	5,056,669
	26,448,956	5,056,669
<i>Excess of Revenues Over (Under) Expenditures</i>	7,820,251	(632,685)
	7,820,251	(632,685)
Other Financing Sources (Uses)		
Proceeds from Sale of Fixed Assets	4,860	0
Operating Transfers In	0	0
Operating Transfers Out	(1,231,675)	0
	Total Other Financing Sources (Uses)	0
	(1,226,815)	0
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	6,593,436	(632,685)
	6,593,436	(632,685)
<i>Fund Balances (Deficit) Beginning of Year - Restated (See Note 3)</i>	(7,284,008)	2,073,647
	(7,284,008)	2,073,647
Decrease in Reserve for Inventory	(40,712)	0
	Fund Balances (Deficit) End of Year	\$1,440,962
	(\$731,284)	\$1,440,962

See accompanying notes to the general purpose financial statements

Fund Types		Fiduciary Fund Type	Totals (Memorandum Only)
Debt Service	Capital Projects	Expendable Trust	
\$755,100	\$0	\$0	\$14,906,314
0	0	0	2,729,382
0	166,000	0	20,123,167
0	0	0	493,779
0	0	0	336,651
0	0	0	639,293
0	0	0	84,273
0	0	0	124,123
0	0	0	25,935
0	0	0	151,374
<u>755,100</u>	<u>166,000</u>	<u>0</u>	<u>39,614,291</u>
0	0	0	12,730,911
0	0	0	2,903,082
0	0	0	1,830,070
0	0	0	52,866
0	0	0	1,945,243
0	0	0	1,194,119
0	0	0	73,943
0	0	0	2,325,381
0	0	0	811,325
0	0	0	328,404
0	0	0	3,689,700
0	0	0	712,078
0	0	0	66,341
0	0	1,000	438,110
0	0	0	1,047,951
0	109,374	0	109,374
1,305,000	0	0	2,440,367
441,792	0	0	663,526
<u>1,746,792</u>	<u>109,374</u>	<u>1,000</u>	<u>33,362,791</u>
<u>(991,692)</u>	<u>56,626</u>	<u>(1,000)</u>	<u>6,251,500</u>
0	0	0	4,860
1,231,675	0	0	1,231,675
0	0	0	(1,231,675)
<u>1,231,675</u>	<u>0</u>	<u>0</u>	<u>4,860</u>
239,983	56,626	(1,000)	6,256,360
98,590	44,187	25,218	(5,042,366)
0	0	0	(40,712)
<u>\$338,573</u>	<u>\$100,813</u>	<u>\$24,218</u>	<u>\$1,173,282</u>

Massillon City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Expendable Trust Fund
For the Fiscal Year Ended June 30, 2001*

	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property and Other Local Taxes	\$13,456,897	\$13,456,897	\$0
Income Tax	2,721,684	2,721,684	0
Intergovernmental	13,078,908	13,304,383	225,475
Interest	494,609	494,609	0
Tuition and Fees	323,519	323,519	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Customer Services	124,123	124,123	0
Rentals	24,585	24,585	0
Miscellaneous	108,380	108,380	0
<i>Total Revenues</i>	<u>30,332,705</u>	<u>30,558,180</u>	<u>225,475</u>
Expenditures			
Current:			
Instruction:			
Regular	14,351,113	11,772,723	2,578,390
Special	2,095,878	2,049,438	46,440
Vocational	1,887,285	1,715,029	172,256
Adult Education	0	0	0
Support Services:			
Pupils	1,428,600	1,372,511	56,089
Instructional Staff	743,226	692,373	50,853
Board of Education	140,871	138,901	1,970
Administration	2,333,324	2,177,023	156,301
Fiscal	892,426	844,879	47,547
Business	352,028	352,027	1
Operation and Maintenance of Plant	4,998,197	4,416,220	581,977
Pupil Transportation	1,212,083	818,142	393,941
Central	86,946	86,946	0
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	643,537	643,537	0
Capital Outlay	0	0	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>31,165,514</u>	<u>27,079,749</u>	<u>4,085,765</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(832,809)</u>	<u>3,478,431</u>	<u>4,311,240</u>
Other Financing Sources (Uses)			
Advances In	66,551	66,551	0
Advances Out	(16,444)	(16,444)	0
Proceeds from Sale of Fixed Assets	4,860	4,860	0
Operating Transfers In	0	0	0
Operating Transfers Out	(1,231,675)	(1,231,675)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,176,708)</u>	<u>(1,176,708)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	<u>(2,009,517)</u>	<u>2,301,723</u>	<u>4,311,240</u>
<i>Fund Balances Beginning of Year</i>	<u>3,110,763</u>	<u>3,110,763</u>	<u>0</u>
Prior Year Encumbrances Appropriated	695,717	695,717	0
<i>Fund Balances End of Year</i>	<u>\$1,796,963</u>	<u>\$6,108,203</u>	<u>\$4,311,240</u>

Special Revenue Funds			Debt Service Fund		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$1,744,827	\$1,744,827	\$0
0	0	0	0	0	0
4,686,208	4,686,211	3	3,012,872	3,012,872	0
676	718	42	0	0	0
12,982	12,982	0	0	0	0
639,176	639,176	0	0	0	0
88,173	88,173	0	0	0	0
0	0	0	0	0	0
1,350	1,350	0	0	0	0
40,258	41,163	905	0	0	0
<u>5,468,823</u>	<u>5,469,773</u>	<u>950</u>	<u>4,757,699</u>	<u>4,757,699</u>	<u>0</u>
1,709,531	1,638,407	71,124	0	0	0
957,846	868,134	89,712	0	0	0
68,579	61,708	6,871	0	0	0
56,856	52,682	4,174	0	0	0
709,717	708,481	1,236	0	0	0
740,740	686,248	54,492	0	0	0
0	0	0	0	0	0
251,051	238,436	12,615	0	0	0
4,760	3,820	940	0	0	0
1,364	1,364	0	0	0	0
48,294	48,294	0	0	0	0
40,346	40,346	0	0	0	0
12,919	11,014	1,905	0	0	0
501,422	494,896	6,526	0	0	0
460,716	451,944	8,772	0	0	0
0	0	0	0	0	0
0	0	0	5,055,622	5,039,210	16,412
0	0	0	685,175	670,571	14,604
<u>5,564,141</u>	<u>5,305,774</u>	<u>258,367</u>	<u>5,740,797</u>	<u>5,709,781</u>	<u>31,016</u>
<u>(95,318)</u>	<u>163,999</u>	<u>259,317</u>	<u>(983,098)</u>	<u>(952,082)</u>	<u>31,016</u>
16,444	16,444	0	0	0	0
(64,617)	(64,617)	0	0	0	0
0	0	0	0	0	0
0	0	0	1,231,675	1,231,675	0
0	0	0	0	0	0
<u>(48,173)</u>	<u>(48,173)</u>	<u>0</u>	<u>1,231,675</u>	<u>1,231,675</u>	<u>0</u>
(143,491)	115,826	259,317	248,577	279,593	31,016
861,315	861,315	0	0	0	0
296,686	296,686	0	0	0	0
<u>\$1,014,510</u>	<u>\$1,273,827</u>	<u>\$259,317</u>	<u>\$248,577</u>	<u>\$279,593</u>	<u>\$31,016</u>

(continued)

Massillon City School District
*Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual
All Governmental Fund Types and Expendable Trust Fund (continued)
For the Fiscal Year Ended June 30, 2001*

	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Property and Other Local Taxes	\$0	\$0	\$0
Income Tax	0	0	0
Intergovernmental	172,690	172,690	0
Interest	0	0	0
Tuition and Fees	0	0	0
Extracurricular Activities	0	0	0
Contributions and Donations	0	0	0
Charges for Services	0	0	0
Rentals	0	0	0
Miscellaneous	0	0	0
<i>Total Revenues</i>	<u>172,690</u>	<u>172,690</u>	<u>0</u>
Expenditures			
Current:			
Instruction:			
Regular	131,080	102,951	28,129
Special	0	0	0
Vocational	16,896	0	16,896
Adult Education	0	0	0
Support Services:			
Pupils	1,123	994	129
Instructional Staff	0	0	0
Board of Education	0	0	0
Administration	0	0	0
Fiscal	0	0	0
Business	0	0	0
Operation and Maintenance of Plant	0	0	0
Pupil Transportation	0	0	0
Central	2,117	1,873	244
Operation of Non-Instructional Services	0	0	0
Extracurricular Activities	0	0	0
Capital Outlay	3,756	3,756	0
Debt Service:			
Principal Retirement	0	0	0
Interest and Fiscal Charges	0	0	0
<i>Total Expenditures</i>	<u>154,972</u>	<u>109,574</u>	<u>45,398</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>17,718</u>	<u>63,116</u>	<u>45,398</u>
Other Financing Sources (Uses)			
Advances In	0	0	0
Advances Out	(1,934)	(1,934)	0
Proceeds from Sale of Fixed Assets	0	0	0
Operating Transfers In	0	0	0
Operating Transfers Out	0	0	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,934)</u>	<u>(1,934)</u>	<u>0</u>
<i>Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses</i>	15,784	61,182	45,398
<i>Fund Balances Beginning of Year</i>	39,431	39,431	0
Prior Year Encumbrances Appropriated	200	200	0
<i>Fund Balances End of Year</i>	<u>\$55,415</u>	<u>\$100,813</u>	<u>\$45,398</u>

See accompanying notes to the general purpose financial statement

Expendable Trust Fund			Totals (Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$0	\$0	\$0	\$15,201,724	\$15,201,724	\$0
0	0	0	2,721,684	2,721,684	0
0	0	0	20,950,678	21,176,156	225,478
0	0	0	495,285	495,327	42
0	0	0	336,501	336,501	0
0	0	0	639,176	639,176	0
0	0	0	88,173	88,173	0
0	0	0	124,123	124,123	0
0	0	0	25,935	25,935	0
0	0	0	148,638	149,543	905
0	0	0	40,731,917	40,958,342	226,425
0	0	0	16,191,724	13,514,081	2,677,643
0	0	0	3,053,724	2,917,572	136,152
0	0	0	1,972,760	1,776,737	196,023
0	0	0	56,856	52,682	4,174
0	0	0	2,139,440	2,081,986	57,454
0	0	0	1,483,966	1,378,621	105,345
0	0	0	140,871	138,901	1,970
0	0	0	2,584,375	2,415,459	168,916
0	0	0	897,186	848,699	48,487
0	0	0	353,392	353,391	1
0	0	0	5,046,491	4,464,514	581,977
0	0	0	1,252,429	858,488	393,941
0	0	0	101,982	99,833	2,149
1,500	1,000	500	502,922	495,896	7,026
0	0	0	1,104,253	1,095,481	8,772
0	0	0	3,756	3,756	0
0	0	0	5,055,622	5,039,210	16,412
0	0	0	685,175	670,571	14,604
1,500	1,000	500	42,626,924	38,205,878	4,421,046
(1,500)	(1,000)	500	(1,895,007)	2,752,464	4,647,471
0	0	0	82,995	82,995	0
0	0	0	(82,995)	(82,995)	0
0	0	0	4,860	4,860	0
0	0	0	1,231,675	1,231,675	0
0	0	0	(1,231,675)	(1,231,675)	0
0	0	0	4,860	4,860	0
(1,500)	(1,000)	500	(1,890,147)	2,757,324	4,647,471
25,218	25,218	0	4,036,727	4,036,727	0
0	0	0	992,603	992,603	0
\$23,718	\$24,218	\$500	\$3,139,183	\$7,786,654	\$4,647,471

Massillon City School District
*Combined Statement of Revenues, Expenses
and Changes in Retained Earnings
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001*

	<u>Enterprise</u>
Operating Revenues	
Sales	\$704,142
Other Revenue	2,510
	<u>706,652</u>
<i>Total Operating Revenues</i>	<u>706,652</u>
Operating Expenses	
Salaries and Wages	460,693
Fringe Benefits	213,051
Purchased Services	37,323
Materials and Supplies	107,783
Cost of Sales	457,637
Depreciation	3,114
	<u>1,279,601</u>
<i>Total Operating Expenses</i>	<u>1,279,601</u>
<i>Operating Loss</i>	<u>(572,949)</u>
Non-Operating Revenues (Expenses)	
Donated Commodities	11,545
Operating Grants	572,887
Interest	2,613
Loss on the Sales of Fixed Assets	(1,653)
	<u>585,392</u>
<i>Total Non-Operating Revenues (Expenses)</i>	<u>585,392</u>
<i>Net Income</i>	12,443
<i>Retained Earnings Beginning of Year</i>	<u>1,066,371</u>
<i>Retained Earnings End of Year</i>	<u><u>\$1,078,814</u></u>

See accompanying notes to the general purpose financial statements

Massillon City School District
Combined Statement of Revenues, Expenses
and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	Enterprise Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Sales	\$703,977	\$703,977	\$0
Operating Grants	655,753	655,753	0
Interest	2,613	2,613	0
Other	2,480	2,480	0
<i>Total Revenues</i>	<u>1,364,823</u>	<u>1,364,823</u>	<u>0</u>
Expenses			
Salaries and Wages	455,124	455,124	0
Fringe Benefits	179,520	179,520	0
Purchased Services	40,531	38,223	2,308
Materials and Supplies	547,526	528,835	18,691
Capital Outlay	29,699	29,699	0
<i>Total Expenses</i>	<u>1,252,400</u>	<u>1,231,401</u>	<u>20,999</u>
<i>Excess of Revenues Over Expenses</i>	112,423	133,422	20,999
<i>Fund Equity Beginning of Year</i>	214,238	214,238	0
Prior Year Encumbrances Appropriated	<u>1,237</u>	<u>1,237</u>	<u>0</u>
<i>Fund Equity End of Year</i>	<u><u>\$327,898</u></u>	<u><u>\$348,897</u></u>	<u><u>\$20,999</u></u>

See accompanying notes to the general purpose financial statements

Massillon City School District
Combined Statement of Cash Flows
Proprietary Fund Type
For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
<i>Increase (Decrease) in Cash and Cash Equivalents</i>	
Cash Flows from Operating Activities	
Cash Received from Customers	\$703,977
Cash Received from Other Operating Sources	2,480
Cash Payments for Goods and Services	(592,842)
Cash Payments to Employees for Services	(455,124)
Cash Payments for Employee Benefits	(179,520)
	<u>(521,029)</u>
<i>Net Cash Used for Operating Activities</i>	(521,029)
Cash Flows from Noncapital Financing Activities	
Operating Grants Received	655,753
Cash Flows from Capital and Related Financing Activities	
Payments for Capital Acquisitions	(3,015)
Cash Flows from Investing Activities	
Interest on Investments	2,613
	<u>2,613</u>
<i>Net Increase in Cash and Cash Equivalents</i>	134,322
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>215,475</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$349,797</u></u>

(continued)

Massillon City School District
Combined Statement of Cash Flows
Proprietary Fund Type (continued)
For the Fiscal Year Ended June 30, 2001

	<u>Enterprise</u>
<i>Reconciliation of Operating Loss to Net Cash Used for Operating Activities</i>	
<i>Operating Loss</i>	<u>(\$572,949)</u>
Adjustments:	
Depreciation	3,114
Donated Commodities Used During Year	11,545
(Increase)/Decrease in Assets:	
Accounts Receivable	(195)
Inventory Held for Resale	(2,926)
Increase/(Decrease) in Liabilities:	
Accounts Payable	1,282
Accrued Wages	1,643
Compensated Absences Payable	42,407
Intergovernmental Payable	<u>(4,950)</u>
<i>Total Adjustments</i>	<u>51,920</u>
<i>Net Cash Used for Operating Activities</i>	<u><u>(\$521,029)</u></u>

See accompanying notes to the general purpose financial statements

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 1 - Description of the School District and Reporting Entity

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

The School District is located in Stark County and encompasses the entire City of Massillon. It controls the School District's 10 instructional/support facilities staffed by 255 classified employees, 342 certificated full-time teaching personnel, and 24 administrators who provide services to 4,621 students and other community members.

On January 12, 2000, the School 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 School District's declining financial condition. In accordance with the new law, a five-member Financial Planning and Supervision Commission was established to oversee all financial affairs of the School District. The Commission's primary charge is to develop, adopt and implement a five year financial recovery plan. The School District accordingly adopted the plan on January 12, 1998 while they were in "Fiscal Watch". The Commission is comprised of the State Superintendent of Public Instruction, the School 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's discretion is limited in that all financial activity of the School District must be conducted in accordance with the plan.

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 School District consists of all funds, departments, boards and agencies that are not legally separate from the School District. For Massillon City School District, this includes general operations, food service, preschool and student related activities of the School District. The following activities are included within the reporting entity:

Non-public Schools - Within the School District boundaries, St. Barb's, St. Mary's and St. John's are operated as non-public schools. Current State legislation provides funding to these schools. These monies are received and disbursed on behalf of the schools by the Treasurer of the School District, as directed by the schools. This activity is reflected in a special revenue fund for financial reporting purposes.

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization's governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to or can otherwise access the organization's resources; the School District is legally obligated or has otherwise assumed the responsibility to finance deficits of, or provide financial support to, the organization; or the School District is obligated for the debt of the organization.

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt, or the levying of taxes. Massillon City School District does not have any component units.

The School District is associated with one jointly governed organization and two public entity risk pools. These organizations are the Stark/Portage Area Computer Consortium (SPARCC), the Stark County Schools Council of Government Health Benefit Plan and the Stark County Schools Council of Government Workers' Compensation Group Rating Plan. They are presented in Notes 16 and 17.

Note 2 - Summary of Significant Accounting Policies

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

A. Basis Of Presentation - Fund Accounting

The School 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 School District functions or activities.

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 regulations, restrictions or limitations. An account group is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

For financial statement presentation purposes, the various funds of the School 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 School District are financed. The acquisition, use, and balances of the School District's expendable financial resources and the related current liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The following are the School District's governmental fund types:

General Fund - The general fund is the operating fund of the School 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 School District for any purpose provided it is expended or transferred according to the general laws of Ohio.

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Special Revenue Funds - The special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditure for specified purposes.

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

Capital Projects Funds - The capital projects funds are 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).

Proprietary Fund Type

Proprietary funds are used to account for the School District's ongoing activities which are similar to those found in the private sector. Following is the School District's proprietary fund type:

Enterprise Funds - The enterprise funds are used to account for School District activities that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses, including depreciation) 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 held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds. There are two types of fiduciary funds, trust and agency. The School District has one trust fund which is the Expendable trust fund. The School District's agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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 School District, other than those accounted for in the proprietary or trust funds.

General Long-Term Obligations Account Group - This account group is established to account for all long-term obligations of the School District except those accounted for in the proprietary or trust funds.

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

B. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental 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 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 fund operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets.

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 and agency funds. The full accrual basis of accounting is followed for the proprietary funds.

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

Non-exchange transactions, in which the School District receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income tax is recognized in the fiscal year in which the exchange on which the tax is imposed takes place, and revenue from property taxes is recognized in the fiscal year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the School District must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the School District on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Property taxes for which there is an enforceable legal claim as of June 30, 2001, but which were levied to finance fiscal year 2002 operations, have been recorded as deferred revenue. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue.

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The fair value of donated commodities used during the year is reported in the operation statement as an expense with a like amount reported as donated commodities revenue. Unused donated commodities are reported 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.

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.

All funds, other than agency funds, are legally required to be budgeted and appropriated. The legal level of budgetary control has been established by the Board of Education at the object level within each fund. 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 School 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.

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

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 School District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 2001.

Appropriations

Upon receipt from the County Auditor of an amended certificate of estimated resources based on final assessed values and tax rates or a certification saying no new certificate is necessary, the annual appropriation resolution is legally enacted by the Board of Education. Prior to the passage of the annual appropriation measure, the Board may pass a temporary appropriation measure to meet the ordinary expenses of the School District. The appropriation resolution, by fund, must be within the estimated resources as certified by the County Budget Commission.

The Board may pass supplemental fund appropriations provided 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; however, none of these amendments were significant.

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 funds, other than agency 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 non-GAAP 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 at the legal level of control. On the GAAP basis, encumbrances outstanding at fiscal year end are reported as a reservation of fund balance for subsequent-year expenditures for governmental funds and reported in the notes to the financial statements for proprietary 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.

D. Cash and Cash Equivalents

To improve cash management, all cash received by the School District is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through School District records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the balance sheet.

During fiscal year 2001, investments were limited to repurchase agreements, which are reported at cost, and STAROhio.

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

STAROhio is an investment pool managed by the State Treasurer's Office which allows Government within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio's share price which is the price the investment could be sold for on June 30, 2001.

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 2001 amounted to \$493,228, which includes \$134,126 assigned from other School 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 School District are considered to be cash equivalents.

E. Inventory

Inventories of governmental funds are stated at cost while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased. Reported material and supplies inventory is equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets. Inventories of proprietary funds consist of donated food, purchased food, and school supplies held for resale and are expensed when used.

F. Restricted Assets

Restricted assets in the general fund represent cash and cash equivalents whose use is limited by legal requirements. Restricted assets include unexpended revenues for the purchase of buses and amounts required by statute to be set-aside by the School District for the purchase of textbooks, for capital acquisitions and improvements and to create a reserve for budget stabilization. See Note 21 for additional information regarding set-asides.

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 related assets are reported in the general fixed assets account group. Fixed assets utilized in the proprietary funds are capitalized in the respective fund. 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 School District maintains a capitalization threshold of five hundred dollars. The School District does not possess any infrastructure.

Improvements are capitalized. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during the construction of general fixed assets is also not capitalized.

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Assets in the general fixed assets account group are not depreciated. Depreciation of furniture and equipment in the enterprise funds is computed using the straight-line method over an estimated useful life of fifteen years. Improvements to fund fixed assets are depreciated over the remaining useful lives of the related fixed assets. Buildings are depreciated over forty years using the straight-line method.

H. Interfund Assets and Liabilities

Short-term interfund loans are classified as “interfund receivables/payables.” Receivables and payables resulting from transactions between funds for services provided or goods received are classified as “due from other funds” or “due to other funds” on the balance sheet.

I. Compensated Absences

The School 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 probable that the School District will compensate the employees for the benefits through paid time off or some other means. The School 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 School 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 who have accumulated unpaid leave 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.

J. 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 judgements, compensated absences and contractually required pension contributions 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. Payments made more than sixty days after year-end are generally considered not to have been paid with current available financial resources. Bonds 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 in the appropriate proprietary funds.

Under Ohio law, a debt retirement fund may be created and used for the payment of tax anticipation notes. Generally accepted accounting principles requires the reporting of the liability in the funds that received the proceeds. To comply with GAAP reporting requirements, the activity of the School District’s debt service fund has been split among the appropriate funds. Debt service fund resources used to pay both principal and interest have also been allocated accordingly.

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

K. 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 or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

L. Fund Balance Reserves

The School District reserves those portions of fund equity which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Undesignated fund balance indicates that portion of fund equity which is available for appropriation in future periods. Fund equity reserves have been established for encumbrances, inventories of supplies and materials, property taxes, 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 appropriation 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.

M. 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.

N. Total Columns on General Purpose Financial Statements

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

Note 3 - Changes in Accounting Principle and Restatement of Fund Balance

Changes in Accounting Principles For fiscal year 2001, the School District has implemented GASB Statement No. 33, "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36, "Recipient Reporting for Certain Shared Nonexchange Revenues."

During fiscal year 2001, it was determined that State Assistance Loan received in April 2000, was not recorded at June 30, 2000; therefore, the general fund has been restated to reflect this error.

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

During fiscal year 2001, a review of the fund classifications was made and it was determined that the Special expendable trust fund should appropriately be classified as a special revenue fund and the William and Pearl nonexpendable trust should appropriately be classified as an expendable trust fund.

The above items had the following effect on fund balances at June 30, 2000:

	General	Special Revenue	Capital Projects
Fund Balance (Deficit), June 30, 2000	(\$3,968,008)	\$769,072	\$38,498
State Assistance Loan	(3,316,000)	0	0
Reclassification of Trust Funds	0	16,489	0
Implementation of GASB 33	0	1,288,086	5,689
Restated Fund Balance (Deficit), June 30, 2000	<u>(\$7,284,008)</u>	<u>\$2,073,647</u>	<u>\$44,187</u>

	Expendable Trust	Non- Expendable Trust
Fund Balance, June 30, 2000	\$16,489	\$25,218
Reclassification of Trust Funds	8,729	(25,218)
Restated Fund Balance, June 30, 2000	<u>\$25,218</u>	<u>\$0</u>

The reclassifications also had the following effect on excess (loss) of revenues and other financing sources over (under) expenditures and other financing uses for the fiscal year ended June 30, 2000:

	General	Special Revenue	Expendable Trust	Non- Expendable Trust
Excess (Loss) as Previously Reported	\$5,335,675	\$285,030	\$16,269	(\$1,500)
State Assistance Loan	(3,316,000)	0	0	0
Reclassification of Trust Funds	0	16,269	(14,769)	1,500
Restated Excess for the Fiscal Year Ended June 30, 2000	<u>\$2,019,675</u>	<u>\$301,299</u>	<u>\$1,500</u>	<u>\$0</u>

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 4 - Accountability

The following funds had deficit fund balances at June 30, 2001:

	<u>Deficit Fund Balances</u>
General Fund	\$731,284
Special Revenue:	
Career Development	4,168
Vocational Education	1,178
Handicapped Preschool	2,101

The general fund deficit resulted from the recognition of liabilities in accordance with generally accepted accounting principles and from the requirement to report the State loan as a liability in the fund that received the loan proceeds. The School District was placed in state of fiscal emergency by the Auditor of State in 2000. A State oversight commission is in place to oversee all fiscal decisions and activities of the School District.

The special revenue fund 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.

Note 5 - Budgetary Basis of Accounting

While the School 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 (Non-GAAP Basis) and Actual, All Governmental Fund Types and Expendable Trust Fund and the Combined Statement of Revenues, Expenses and Changes in Fund Equity - Budget (Non-GAAP Basis) and Actual, Proprietary Fund Type are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are that:

1. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
2. Expenditures/expenses are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).
3. Encumbrances are treated as expenditures/expenses for all funds (budget basis) rather than as a reservation of fund balance for governmental fund types and as note disclosure in the proprietary fund type (GAAP basis).

Massillon City School District
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For the Fiscal Year Ended June 30, 2001

4. The School District repays short-term note debt from the debt service fund (budget basis) as opposed to the fund that received the proceeds (GAAP basis). Debt service fund resources used to pay both principal and interest have been allocated accordingly.

The following tables summarize the adjustments necessary to reconcile the GAAP and budgetary basis statements by fund type.

Excess of Revenues and Other Financing Sources
Over (Under) Expenditures and Other Financing Uses
All Governmental Fund Types and Expendable Trust Fund

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
GAAP Basis	\$6,593,436	(\$632,685)	\$239,983	\$56,626	(\$1,000)
Net Adjustment for Revenue Accruals	251,962	1,045,789	39,610	6,690	0
Advance In	66,551	16,444	0	0	0
Revenue for Debt Payments	(3,962,989)	0	3,962,989	0	0
Net Adjustment for Expenditure Accruals	(378,324)	104,505	0	(200)	0
Advances Out	(16,444)	(64,617)	0	(1,934)	0
Debt Principal Retirement	0	0	(3,734,210)	0	0
Debt Interest and Fiscal Charges	228,729	0	(228,779)	0	0
Adjustment for Encumbrances	(481,198)	(353,610)	0	0	0
Budget Basis	<u>\$2,301,723</u>	<u>\$115,826</u>	<u>\$279,593</u>	<u>\$61,182</u>	<u>(\$1,000)</u>

Net Income/Excess of Revenues Over Expenses
Proprietary Fund Type

	Enterprise
GAAP Basis	\$12,443
Net Adjustment for Revenue Accruals	82,671
Net Adjustment for Expense Accruals	40,762
Capital Outlay	(3,015)
Depreciation	3,114
Loss on the Sale of Fixed Assets	(1,653)
Adjustment for Encumbrances	(900)
Budget Basis	<u>\$133,422</u>

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 6 - Deposits and Investments

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

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

Inactive monies are public deposits that the 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 not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and 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;

Massillon City School District
Notes to the General Purpose Financial Statements
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6. The State Treasurer's investment pool (STAROhio);
7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim moneys available for investment at any on 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.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity. Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the Treasurer or qualified trustee or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

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

Deposits: At year-end, the carrying amount of the School District's deposits was (\$417,295) and the bank balance was \$490,779. Of the bank balance:

1. \$100,000 was covered by federal depository insurance; and
2. \$390,779 was uninsured and uncollateralized. Although the securities serving as collateral were held by the pledging institution in the School District's name and all State statutory requirements for the deposit of money had been followed, non-compliance with federal requirements could potentially subject the School District to a successful claim by the Federal Deposit Insurance Corporation.

Investments: The School District's investments are required to be categorized below to give an indication of the level of credit risk assumed by the School District at fiscal year end. Category 1 includes investments that are insured or registered or for which the securities are held by the School District or its agent in the School District's name. Category 2 includes uninsured and unregistered investments which are held by the counter party's trust department or agent in the School District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counter party, or by its trust department or agent but not in the School District's name. STAROhio is an unclassified investment since it is not evidenced by securities that exist in physical or book entry form.

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Notes to the General Purpose Financial Statements
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	<u>Category 3</u>	<u>Carrying Value</u>	<u>Fair Value</u>
Repurchase Agreements	\$9,515,000	\$9,515,000	\$9,515,000
STAROhio		10,913	10,913
Total	<u>\$9,515,000</u>	<u>\$9,525,913</u>	<u>\$9,525,913</u>

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 Expendable Trust Funds and Governmental 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:

	<u>Cash and Cash Equivalents/Deposit</u>	<u>Investments</u>
GASB Statement No. 9	\$9,108,618	\$0
Investments which are part of a cash management pool:		
Repurchase Agreements	(9,515,000)	9,515,000
Investment in State Treasurer's Investment Pool	(10,913)	10,913
GASB Statement No. 3	<u>(\$417,295)</u>	<u>\$9,525,913</u>

Note 7 - Property Taxes

Property taxes are levied and assessed on a calendar year basis while the School District fiscal year runs from July through June. First half tax collections are received by the School District in the second half of the fiscal year. Second half tax distributions occur in the first half of the following fiscal year.

Property taxes include amounts levied against all real, public utility and tangible personal property located in the School District. Property tax revenue received during calendar 2001 for real and public utility property taxes represents collections of calendar 2000 taxes. Property tax payments received during calendar 2001 for tangible personal property (other than public utility property) is for calendar 2001 taxes.

2001 real property taxes are levied after April 1, 2001, on the assessed value as of January 1, 2001, the lien date. Assessed values are established by State law at thirty-five percent of appraised market value.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at thirty-five percent of true value. 2001 public utility property taxes became a lien December 31, 2000, are levied after April 1, 2001 and are collected in 2002 with real property taxes.

2001 tangible personal property taxes are levied after April 1, 2000, on the value as of December 31, 2000. Collections are made in 2001. Tangible personal property assessments are twenty-five percent of true value.

Massillon City School District
Notes to the General Purpose Financial Statements
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The assessed values upon which the fiscal year 2001 taxes were collected are:

	2000 Second- Half Collections		2001 First- Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/ Residential and Other Real Estate	\$253,954,450	71.80%	\$298,675,880	76.14%
Public Utility Personal	26,931,740	7.62	26,040,480	6.64
Tangible Personal Property	72,805,867	20.58	67,554,089	17.22
Total Assessed Value	<u>\$353,692,057</u>	<u>100.00%</u>	<u>\$392,270,449</u>	<u>100.00%</u>
Tax rate per \$1,000 of assessed valuation	\$51.90		\$54.30	

Real property taxes are payable annually or semiannually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits later 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 semiannually. If paid annually, payment is due April 30; if paid semiannually, the first payment is due April 30, with the remainder payable by September 20.

The School District receives property taxes from Stark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2001, are available to finance fiscal year 2002 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable represent delinquent taxes outstanding and real property, personal property and public utility taxes which became measurable as of June 30, 2001 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 were levied to finance current year operations. The receivable is therefore offset by a credit to deferred revenue for that portion not levied to finance current year operations. The amount available as an advance is recognized as revenue.

The amount available to the School District as an advance at June 30, 2001, was \$418,890 in the general fund and \$58,980 in the bond retirement debt service fund.

Note 8 - Receivables

A. Intergovernmental Receivables

Receivables at June 30, 2001, consisted of income and property tax, accounts (rent and student fees) and intergovernmental grants. All receivables are considered collectible in full.

Massillon City School District
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A summary of the principal items of intergovernmental receivables follows:

	Amounts
General Fund	
Driver's Education	\$2,054
Special Revenue Funds:	
Local Grants Fund	300
Ohio Reads Grant Fund	106,000
Eisenhower Professional Development Fund	2,465
Title VI-B Fund	27,512
Carl Perkins Grant Fund	14,004
Title I Fund	187,437
Title VI Fund	17,329
Miscellaneous Federal Grant Fund	481,583
Total Special Revenue Funds	836,630
Grand Total	\$838,684

B. Income Tax Receivable

The School District levies a voted tax of three fourths of one percent for general operations on the income of residents and of estates. The tax was effective January 1, 1998, and is a continuing tax. This tax levy is for four years. Employers of residents are required to withhold income tax on compensation and remit the tax to the State. Taxpayers are required to file an annual return. The State makes quarterly distributions to the School District after withholding amounts for administrative fees and estimated refunds. Income tax revenue is credited to the General Fund.

Note 9 - Fixed Assets

A summary of the enterprise funds' fixed assets at June 30, 2001, follows:

	Enterprise
Land and Buildings	\$1,045,650
Furniture and Equipment	328,718
Less accumulated depreciation	(572,643)
Net Fixed Assets	\$801,725

Massillon City School District
Notes to the General Purpose Financial Statements
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A summary of the changes in general fixed assets during fiscal year 2001 follows:

	Balance 6/30/00	Additions	Deletions	Balance 6/30/01
Land and Buildings	\$30,975,586	\$0	\$0	\$30,975,586
Textbooks	2,161,773	0	0	2,161,773
Furniture and Equipment	4,817,084	292,463	309,917	4,799,630
Vehicles	822,274	164,139	71,054	915,359
Total	\$38,776,717	\$456,602	\$380,971	\$38,852,348

There was no significant construction in progress at June 30, 2001.

Note 10 - Risk Management

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year 2001, the School District contracted with several companies for various types of insurance as follows:

Company	Type of Coverage	Amount of Coverage
Harcum-Hyre Insurance Agency	Liability	\$1,000,000
	Educational Liability	3,000,000
UTICA National Insurance Group	Building Insurance	64,898,059
	Business Personal Property	10,544,037
Nationwide Insurance Company	Inland Marine	169,971
	Boiler and Machinery	1,000,000
	Automobile	2,000,000
	General Liability	3,000,000
	Crime	10,000

Settlements have not exceeded coverage in any of the last three fiscal years. There has not been a significant reduction in coverage from the prior year.

The School District participates in the Stark County Schools Council of Government Workers Compensation Group Rating Plan, an insurance purchasing pool (Note 17). The intent of the GRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

*Massillon City School District
Notes to the General Purpose Financial Statements
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Each participant pays its workers' compensation premium to the State based on the rate for the GRP rather than its individual rate. Total savings are then calculated and each participant's individual performances is compared to the overall savings percent of the GRP. A participant will then either receive money from or be required to contributed to the "Equity Pooling Fund". This "Equity Pooling Fund" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

Note 11 - Defined Benefit Pension Plans

A. School Employees Retirement System

The School District contributes to the School Employees Retirement System of Ohio (SERS), a cost-sharing multiple employer defined benefit pension plan. SERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided State statute per by Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the School Employees Retirement System, 45 North Fourth Street, Columbus, Ohio 43215-3634.

Plan members are required to contribute 9 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current School District rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2001, 4.2 percent of annual covered salary was the portion used to fund pension obligations. For fiscal year 2000, 5.5 percent was used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to a statutory maximum amount, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 2001, 2000, and 1999 were \$175,398, \$554,419, and \$546,871, respectively; 77.19 percent has been contributed for fiscal year 2001 and 100 percent for fiscal years 2000 and 1999. \$40,011 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds and the general long-term obligations account group.

B. State Teachers Retirement System

The School District contributes to the State Teachers Retirement System of Ohio (STRS), a cost-sharing multiple employer public employee retirement system. STRS provides retirement and disability benefits, annual cost-of-living adjustments, and death and survivor benefits to members and beneficiaries. Benefits are established by Chapter 3307 of the Ohio Revised Code. STRS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information for STRS. That report may be obtained by writing to the State Teachers Retirement System, 275 East Broad Street, Columbus, Ohio 43215-3771.

For the fiscal year ended June 30, 2001, plan members were required to contribute 9.3 percent of their annual covered salaries. The School District was required to contribute 14 percent; 9.5 percent was the portion used to fund pension obligations. For fiscal year 2000, the portion used to fund pension obligations was 6 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed

Massillon City School District
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For the Fiscal Year Ended June 30, 2001

statutory maximum rates of 10 percent for members and 14 percent for employers. The School District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 2001, 2000 and 1999 were \$1,351,390, \$2,117,614, and \$2,061,471, respectively; 84.19 percent has been contributed for fiscal year 2001 and 100 percent for the fiscal years 2000 and 1999. \$213,599 representing the unpaid contribution for fiscal year 2001, is recorded as a liability within the respective funds.

Note 12 - Postemployment Benefits

The School 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 on a pay-as-you-go basis.

All STRS benefit recipients and sponsored dependants are eligible for health care coverage. The STRS Board has statutory authority over much, if any, of the health care costs will be absorbed by STRS. Most benefit recipients pay a portion of health care costs in the form of a monthly premium. By law, the cost of coverage paid from STRS funds shall be included in the employer contribution rate, currently 14 percent of covered payroll. For the fiscal year ended June 30, 2001, the STRS Board allocated employer contributions equal to 4.5 percent of covered payroll to the Health Care Reserve Fund. For the School District, this amount equaled \$640,132 for fiscal year 2001.

STRS pays health care benefits from the Health Care Reserve Fund. At June 30, 2000, (the latest information available) the balance in the Fund was \$3,419 million. For the year ended June 30, 2000, net health care costs paid by STRS were \$283,137,000 and STRS had 99,011 eligible benefit recipients.

For SERS, coverage is made available to service retirees with ten or more fiscal years of qualifying service credit, and to 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.

After the allocation for basic benefits, the remainder of the employer's 14 percent contribution is allocated to providing health care benefits. For the fiscal year ended June 30, 2001, employer contributions to fund health care benefits were 9.8 percent of covered payroll, an increase of 1.3 percent from fiscal year 2000. 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 2001, the minimum pay was established at \$12,400. For the School District, the amount contributed to fund health care benefits, including the surcharge, during the 2001 fiscal year equaled \$540,815.

The surcharge, added to the unallocated portion of the 14 percent employer contribution rate, provides for maintenance of the asset target level for the health care fund. The target level for the health care reserve is 150 percent of the annual health care expenses. Expenses for health care for the fiscal year ended June 30, 2000 (the latest information available), were \$140,696,340 and the target level was \$211 million. At June 30, 2000, SERS had net assets available for payment of health care benefits of \$252.3 million. SERS has approximately 50,000 participants currently receiving health care benefits.

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 13 - Other Employee Benefits

A. *Compensated Absences*

The criteria for determining vacation, personal and sick leave benefits are derived from negotiated agreements and State laws. Employees earn three days of personal leave per year. This may not be accumulated. Classified employees earn five to twenty-five days of vacation per year, depending upon length of service. Accumulated unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

Teachers, administrators and classified employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated 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.

B. *Insurance*

The School District is a participant in the Stark County Schools Council (SCOG), a risk sharing pool, for the purpose of obtaining benefits are a reduced premium for health care. The program is administered by Mutual Health Services Company and Aultcare. Payments are made to the SCOG for the monthly stop-loss premiums and administrative charges.

Note 14 - Long-Term Obligations

The changes in the School District's long-term obligations during fiscal year 2001 were as following:

	Outstanding 6/30/00	Additions	Reductions	Outstanding 6/30/01
General Obligation Account Group:				
General Obligation Bonds 1994 5.95%	\$11,329,678	\$0	\$1,305,000	\$10,024,678
Intergovernmental Payable	335,744	306,883	335,744	306,883
Compensated Absences	946,532	1,214,224	60,704	2,100,052
Early Retirement Incentive	1,135,367	0	1,135,367	0
Total General Long-Term Obligations	\$13,747,321	\$1,521,107	\$2,836,815	\$12,431,613

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. The early retirement incentive was paid from the general fund.

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The interest on the early retirement incentive was calculated at 7.0 percent of each retiree's balance for fiscal year 2001. The interest was accrued from thirty days after the employee's retirement date. The early retirement incentive enrollment ended on August 15, 2000. The School Board paid the liability in full for each retiree during fiscal year 2001.

The School District's overall legal debt margin was \$13,798,201 with an unvoted debt margin of \$392,270 at June 30, 2001.

Principal and interest requirements to retire general obligation bonds outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$1,360,000	\$385,856	\$1,745,856
2003	1,415,000	325,826	1,740,826
2004	1,480,000	261,396	1,741,396
2005	1,545,000	192,561	1,737,561
2006	1,615,000	219,073	1,834,073
2007-2011	2,474,016	6,186,545	8,660,561
2012	135,662	1,619,339	1,755,001
Total	<u>\$10,024,678</u>	<u>\$9,190,596</u>	<u>\$19,215,274</u>

Note 15 - Notes and Loans Payable

A summary of the note and loan activity for the year ended June 30, 2001, follows:

	Outstanding 6/30/00	Issued	Reductions	Outstanding 6/30/01
General Fund:				
State Vocational School Loan 1991 0%	\$1,657,493	\$0	\$254,998	\$1,402,495
School Foundation Loan 1998 4.44%	3,714,484	0	1,183,712	2,530,772
State Assistance Loan 2000 0%	<u>3,316,000</u>	<u>0</u>	<u>1,658,000</u>	<u>1,658,000</u>
Total Loans Payable	<u>8,687,977</u>	<u>0</u>	<u>3,096,710</u>	<u>5,591,267</u>
Tax Anticipation Notes 1996 4.56%	800,000	0	400,000	400,000
Tax Anticipation Notes 1997 4.45%	<u>475,000</u>	<u>0</u>	<u>237,500</u>	<u>237,500</u>
Total Notes Payable	<u>1,275,000</u>	<u>0</u>	<u>637,500</u>	<u>637,500</u>
Total Notes and Loans Payable	<u>\$9,962,977</u>	<u>\$0</u>	<u>\$3,734,210</u>	<u>\$6,228,767</u>

The State vocational school loan, school foundation loan and State assistance loan will be repaid with State foundation revenues. The note liability is reflected in the general fund which received the proceeds. The notes are backed by the full faith and credit of the School District.

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For the Fiscal Year Ended June 30, 2001

Principal and interest requirements to retire outstanding notes at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$637,500	\$28,809	\$666,309

Principal and interest requirements to retire loans outstanding at June 30, 2001, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2002	\$3,150,350	\$117,524	\$3,267,874
2003	1,548,419	61,247	1,609,666
2004	570,468	0	570,468
2005	254,998	0	254,998
2006	67,032	0	67,032
Total	\$5,591,267	\$178,771	\$5,770,038

Note 16 - Jointly Governed Organization

Stark/Portage Area Computer Consortium The Stark/Portage Area Computer Consortium (SPARCC) is a jointly governed organization created as a regional council of Government pursuant to State Statutes made up of public school districts and county boards of education from Stark, Portage, and Carroll Counties. The primary function of SPARCC is to provide data processing services to its member districts with the major emphasis being placed on accounting, inventory control and payroll services. Other areas of service provided by SPARCC include student scheduling, registration, grade reporting, and test scoring. Each member district pays an annual fee for the services provided by SPARCC.

SPARCC is governed by a board of directors comprised of each Superintendent within the Consortium. The Stark County Educational Service Center serves as the fiscal agent of the Consortium and receives funding from the State Department of Education. Each district has one vote in all matters and each member district's control over budgeting and financing of SPARCC is limited to its voting authority and any representation it may have on the board of directors. The continued existence of SPARCC is not dependent on the District's continued participation and no equity interest exists. Massillon City School District paid \$35,000 to SPARCC during fiscal year 2001 for services. Financial information can be obtained by writing the Stark/Portage Area Computer Consortium, 2100 38th Street NW, Canton, Ohio 44709.

Note 17 - Public Entity Risk Pools

A. Risk Sharing Pool

The Stark County Schools Council of Government Health Benefit Plan (Council) is a shared risk pool created pursuant to State statute for the purpose of administering health care benefits. The council is governed by an assembly which consists of one representative from each participating school district (usually the

Massillon City School District
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superintendent or designee). The assembly elects officers for one year terms to serve on the Board of Directors. The assembly exercises control over the operation of the council. All council revenues are generated from charges for services received from the participating school districts, based on the established premiums for the insurance plans. Each school district reserves the right to terminate the plan in whole or in part, at any time. If it is terminated, no further contributions will be made, but the benefits under the insurance contract shall be paid in accordance of the terms of the contract.

B. Insurance Purchasing Pool

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

The intent of the pool is to achieve a reduced rate for the School District by the group with other members of the group. The injury claim history of all participating members are used to calculate a common rate for the group. An annual fee is paid to Comp Management, Inc. to administer the group and to manage any injury claims. Premium savings created by the group are prorated to each member entity annually based on its payroll percent of the group.

Note 18 - Segment Information for Enterprise Funds

The School District maintains three enterprise funds to account for the operations of food service, uniform school supplies, and rotary. The table below reflects in a summarized format the more significant financial data relating to the enterprise funds of Massillon City School District as of and for the fiscal year ended June 30, 2001.

	Food Service	Uniform School Supplies	Rotary	Total Enterprise Funds
Operating Revenues	\$574,650	\$121,449	\$10,553	\$706,652
Depreciation	3,114	0	0	3,114
Operating Income (Loss)	(664,290)	89,129	2,212	(572,949)
Donated Commodities	11,545	0	0	11,545
Operating Grants	572,887	0	0	572,887
Net Income (Loss)	(78,898)	89,129	2,212	12,443
Fixed Assets Additions	3,015	0	0	3,015
Long-term Compensated Absences	53,155	0	0	53,155
Net Working Capital	223,193	104,450	2,601	330,244
Total Assets	1,062,625	105,732	2,601	1,170,958
Total Equity	971,763	104,450	2,601	1,078,814
Encumbrances, June 30, 2001	900	0	0	900

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

Note 19 - Interfund Transactions

Interfund balances at June 30, 2001, consist of the following:

Fund	Interfund Receivable	Interfund Payable
General	\$20,560	\$0
Special Revenue		
Other Local Grants	0	1,165
Career Development	0	3,634
Carl Perkins Grant	0	14,005
Preschool Grants Handicapped	0	1,756
Total Special Revenue	0	20,560
Total	\$20,560	\$20,560

Note 20 - Contingencies

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditures of funds received under these programs generally require 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 School District at June 30, 2001.

B. Litigation

The Massillon City School District is party to legal proceedings. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material effect adverse on the overall financial position of the School District at June 30, 2001.

Note 21 - Set-Asides

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

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The following cash basis information describes the change in the year-end set-aside amounts for buses, textbooks, capital acquisition, and budget stabilization. Disclosure of this information is required by State statute.

	Textbooks	Capital Improvements	Budget Stabilization
Set-Aside Reserve Balance as of June 30, 2000	\$83,334	\$83,334	\$366,315
Current Year Set-Aside Requirement	687,951	687,951	0
Reduction Authorized by Legislative Revisions	0	0	(153,659)
Qualifying Disbursements	(681,954)	(1,054,408)	0
Totals	<u>\$89,331</u>	<u>(\$283,123)</u>	<u>\$212,656</u>
Set-Aside Balance Carried Forward to Future Fiscal Years	<u>\$89,331</u>	<u>\$0</u>	<u>\$212,656</u>
Set-Aside Reserve Balance as of June 30, 2001	<u>\$89,331</u>	<u>\$0</u>	<u>\$212,656</u>

Although the School District had qualifying disbursements during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement for future years. This negative balance is therefore not presented as being carried forward to future years. The total reserve balance for the three set-asides at the end of the fiscal year was \$301,987.

Effective April 10, 2001, Am. Sub. Senate Bill 345 amended ORC Section 5705.29 effectively eliminating the requirement for the School District to establish and maintain a budget stabilization reserve. As of June 30, 2001, the School Board has not taken action to designate these funds for a specific use. Monies representing Bureau of Worker's Compensation refunds that were received prior to April 10, 2001, have been shown as a restricted asset and reserve fund balance in the general fund since allowable expenditures are restricted by State statute. All remaining monies previously reported in the budget stabilization reserve are now reported as unreserved and undesignated fund balance in the general fund. The School District is still required by State law to maintain the textbook and capital acquisition reserve.

Note 22 - Subsequent Event

On September 6, 2001, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision identified aspects of the current plan that require modification if the plan is to be considered constitutional, including:

- ▶ A change in the school districts that are used as the basis for determining the base cost support amount. Any change in the amount of funds distributed to school districts as a result of this change must be retroactive to July 1, 2001, although a time line for distribution is not specified.
- ▶ Fully funding parity aid no later than the beginning of fiscal year 2004 rather than fiscal year 2006.

Massillon City School District
Notes to the General Purpose Financial Statements
For the Fiscal Year Ended June 30, 2001

The Supreme Court relinquished jurisdiction over the case based on anticipated compliance with its order. In general, it is expected that the decision would result in an increase in State funding for most Ohio school districts. However, as of December 3, 2001, the Ohio General Assembly is still analyzing the impact this Supreme Court decision will have on funding for individual school districts. Further, the State of Ohio, in a motion filed September 17, 2001, asked the Court to reconsider and clarify the parts of the decision changing the school districts that are used as the basis for determining the base cost support amount and the requirement that changes be made retroactive to July 1, 2001.

On November 2, 2001, the Court granted this motion for reconsideration. The Court may re-examine and redetermine any issue upon such reconsideration.

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

**MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

Federal Grantor/Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Non-Cash Receipts	Expenditures	Non-Cash Expenditures
U.S. DEPARTMENT OF EDUCATION						
<i>(Passed Through Ohio Department of Education)</i>						
Title I Grants to Local Educational Agencies	044354C1S199	84.010	\$0	\$0	\$15,614	\$0
	044354C1S100		255,245	0	\$268,795	0
	044354C1S101		<u>765,878</u>	<u>0</u>	<u>640,035</u>	<u>0</u>
Total Title I Grants to Local Educational Agencies			1,021,123	0	924,444	0
Special Education Cluster:						
Special Education - Grants to States	0443546BSF00P	84.027	(8,745)	0	75,825	0
	0443546BSF01P		<u>389,062</u>	<u>0</u>	<u>275,880</u>	<u>0</u>
Total Special Education - Grants to States			380,317	0	351,705	0
Special Education - Preschool Grants	004354PGS101P	84.173	<u>11,861</u>	<u>0</u>	<u>11,861</u>	<u>0</u>
Total Special Education Cluster			392,178	0	363,566	0
Safe and Drug - Free Schools and Communities - State Grants	044354DRS199	84.186	(566)	0	0	0
	044354DRS100		0	0	3,201	0
	044354DRS101		<u>21,231</u>	<u>0</u>	<u>21,223</u>	<u>0</u>
Total Safe and Drug - Free Schools and Communities - State Grants			20,665	0	24,424	0
Eisenhower Professional Development State Grants	044354MSS199	84.281	0	0	6,148	0
	044354MSS100		18,239	0	8,108	0
	044354MSS101		<u>22,181</u>	<u>0</u>	<u>513</u>	<u>0</u>
Total Eisenhower Professional Development State Grants			40,420	0	14,769	0
Innovative Education Program Strategies	044354C2S199C	84.298	(2,503)	0	3,573	0
	044354C2S100C		24,305	0	16,968	0
	044354C2S101C		<u>16,727</u>	<u>0</u>	<u>4,499</u>	<u>0</u>
Total Innovative Education Program Strategies			38,529	0	25,040	0
Class Size Reduction Subsidy	044354CRS100	84.340	96,067	0	49,976	0
	044354CRS100		<u>147,506</u>	<u>0</u>	<u>126,488</u>	<u>0</u>
Total Class Size Reduction Subsidy			243,573	0	176,464	0
Medical Assistance Program	N/A	93.778	44,916	0	31,004	0
Adult Education_State Grant Program	044354ABS199C	84.002	(52)	0	0	0
	044354ABS101C		<u>40,688</u>	<u>0</u>	<u>40,688</u>	<u>0</u>
Total Adult Education_State Grant Program			40,636	0	40,688	0
Vocational Education_Basic Grants to States	04435420C198	84.048	0	0	3,986	0
	04435420C100		14,500	0	6,312	0
	04435420C101		<u>79,359</u>	<u>0</u>	<u>92,763</u>	<u>0</u>
Total Vocational Education_Basic Grants to States			93,859	0	103,061	0
Goals 2000_State and Local Education Systemic Improvement Grants	044354G2S299	84.276	0	0	38,595	0
	044354G2S200		0	0	475	0
	044354G2S201		36,000	0	8,204	0
	044354G2S202		<u>25,000</u>	<u>0</u>	<u>393</u>	<u>0</u>
Total Goals 2000_State and Local Education Systemic Improvement Grants			61,000	0	47,667	0
Reading Excellence	044354RNS100	84.338	352,000	0	323,674	0
Twenty-First Century Community Learning Centers	N/A	84.287	460,099	0	464,083	0
Comprehensive School Reform Demonstration	044354RFS199	84.332	0	0	187	0
	044354RFS100		<u>0</u>	<u>0</u>	<u>20,617</u>	<u>0</u>
Total Comprehensive School Reform Demonstration			0	0	20,804	0
<i>Total U.S. Department of Education</i>			2,808,998	0	2,559,688	0
U.S. DEPARTMENT OF AGRICULTURE						
<i>(Passed Through Ohio Department of Education)</i>						
Child Nutrition Cluster						
Food Distribution Program	N/A	10.550	0	85,539	0	85,801
National School Breakfast Program	N/A	10.553	75,894	0	75,894	0
National School Lunch Program	N/A	10.555	<u>539,513</u>	<u>0</u>	<u>539,513</u>	<u>0</u>
<i>Total U.S. Department of Agriculture/ Child Nutrition Cluster</i>			615,407	85,539	615,407	85,801
Total Federal Assistance			<u>\$3,424,405</u>	<u>\$85,539</u>	<u>\$3,175,095</u>	<u>\$85,801</u>

**MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY**

**NOTES TO SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Receipts and Expenditures of Federal Awards (Schedule) is a summary of the activity of the District's federal award programs. The Schedule has been prepared on the cash basis of accounting.

NOTE B - FOOD DISTRIBUTION

Non-monetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed. Monies are commingled with state grants. It is assumed federal monies are expended first. At June 30, 2001, the District had no significant food commodities in inventory.



STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

Massillon City School District
Stark County
207 Oak Street, S.E.
Massillon, Ohio 44646

To the Board of Education:

We have audited the general purpose financial statements of the Massillon City School District, Stark County, (the District) as of and for the year ended June 30, 2001, and have issued our report thereon dated December 3, 2001, in which we noted the District adopted Governmental Accounting Standards Board Statements (GASB) No. 33 and GASB No. 36 during the year ended June 30, 2001. Additionally, an error was discovered during the current audit resulting in a restatement of the July 1, 2000 fund balance of the General Fund. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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 instances of immaterial noncompliance that we have reported to management of the District in a separate letter dated December 3, 2001.

Internal Control 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. 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 of 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that do not require inclusion within this report, that we have reported to management of the District in a separate letter dated December 3, 2001.

Massillon City School District
Stark County
Report of Independent Accountants on Compliance and on
Internal Control Required by *Government Auditing Standards*
Page 2

This report is intended for the information and use of management, the Board of Education, 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.

Jim Petro
Auditor of State

December 3, 2001



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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Massillon City School District
Stark County
207 Oak Street, S.E.
Massillon, Ohio 44646

To the Board of Education:

Compliance

We have audited the compliance of the Massillon City School District, Stark County, (the District) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2001. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal program is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. 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, 2001. However, we noted an instance of noncompliance that does not require inclusion in this report that we have reported to the management of the District in a separate letter dated December 3, 2001.

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.

Massillon City School District
Stark County
Report of Independent Accountants on Compliance with Requirements
Applicable to Each Major Federal Program and on Internal Control over
Compliance in Accordance with OMB Circular A-133
Page 2

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements 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 management, the Board of Education, 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.

Jim Petro
Auditor of State

December 3, 2001

**MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
June 30, 2001**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Special Education Cluster - CFDA# 84.027& 84.173; Reading Excellence - CFDA#84.338; Twenty-First Century - CFDA#84.287.
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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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
JANUARY 10, 2002**