

Massillon City School District
Stark County, Ohio
Audited Financial Statements

June 30, 2011



Dave Yost • Auditor of State

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

We have reviewed the *Independent Auditor's Report* of the Massillon City School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2010 through June 30, 2011. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost
Auditor of State

March 6, 2012

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MASSILLON CITY SCHOOL DISTRICT
Stark County, Ohio
Audited Financial Statements
For the Year Ended June 30, 2011
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Stark County, Ohio
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December 29, 2011

The Board of Education
Massillon City School District
207 Oak Street S.E.
Massillon, Ohio 44646

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Massillon City School District, Stark County, (the School District), as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the School District, as of June 30, 2011, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2011 on our consideration of the School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3 through 11 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the U. S. Office of Management and Budget Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hea & Associates, Inc.

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The discussion and analysis of the Massillon City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the basic financial statements and notes to the financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for 2011 are as follows:

- In total, net assets of governmental activities decreased \$383,942.
- Revenues for governmental activities totaled \$51,751,261 in 2011. Of this total, \$40,959,791 or approximately 79 percent consisted of general revenues, while program revenues accounted for the balance \$10,791,470 or approximately 21 percent.
- Total program expenses were \$52,135,203.
- Outstanding debt, excluding capital leases, decreased from \$15,262,258 to \$14,119,018 during 2011 through the payment of debt.

Using this Annual Report

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

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

Reporting the School District as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2011?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include *all assets and liabilities* using the *accrual basis of accounting* similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

These two statements report the School District's *net assets* and *changes in those assets*. This change in net assets is important because it tells the reader that, for the School District as a whole, the *financial position* of the School District has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, current property tax laws in Ohio which restrict revenue growth, facility conditions, required educational programs, and other factors.

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

Reporting the School District's Most Significant Funds

Fund Financial Statements

The financial statements of the School District's major funds begins on page 14. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for financial transactions. However, these fund financial statements focus on the School District's most significant funds. The School District's major governmental funds are the general fund and bond retirement fund.

Governmental Funds - Most of the School District's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are fewer or greater financial resources that can be spent in the near future to finance educational programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial statements.

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in an agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 19 and 20. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The School District as a Whole

You may recall the Statement of Net Assets provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net assets for 2011 compared to 2010:

Table 1
Net Assets
Governmental Activities

	2011	Restated 2010
Assets		
Current and Other Assets	\$ 30,161,072	\$ 33,989,004
Capital Assets, Net	41,956,819	43,545,835
<i>Total Assets</i>	72,117,891	77,534,839
Liabilities		
Current Liabilities	16,117,814	20,026,278
Long-term Liabilities		
Due Within One Year	4,893,222	4,072,523
Due in More Than One Year	12,345,431	14,280,672
<i>Total Liabilities</i>	33,356,467	38,379,473
Net Assets		
Invested in Capital Assets, Net of Related Debt	29,766,004	31,076,094
Restricted For:		
Capital Outlay	2,577,591	2,538,408
Debt Service	2,270,627	2,005,630
Classroom Facilities Maintenance	1,840,078	1,587,701
Student Activities Programs	561,901	452,213
Federally Funded Programs	1,544,814	1,051,528
State Funded Programs	8,117	49,107
Set Asides	0	26,442
Other Purposes	393,006	438,307
Unrestricted	(200,714)	(80,064)
<i>Total Net Assets</i>	\$ 38,761,424	\$ 39,145,366

Total assets decreased by \$5,416,948. Current and other assets decreased by approximately \$4 million, primarily the result of decreased cash balances. Cash decreased in the general fund due to cash disbursements continuing to exceed cash receipts. Cash balances decreased in the federal grant funds due to the School District disbursing the majority of their federal grant proceeds prior to year end to ensure compliance with federal laws. Capital assets decreased by \$1,589,016, the result of current year depreciation expense far exceeding asset additions.

Total liabilities decreased by \$5,023,006. Current liabilities decreased approximately \$3.9 million, largely due to a significant decrease in deferred revenue. Deferred revenue decrease is directly related to an increase in the property tax amount available for advance at the end of fiscal year 2011. The Stark County Auditor's Office installed new software enabling them to more accurately calculate this amount. Long-term liabilities decreased by approximately \$1.1 million through the repayment of debt.

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Table 2
Change in Net Assets
Governmental Activities

	2011	2010 *
Revenues		
Program Revenues		
Charges for Services and Sales	\$ 3,009,864	\$ 3,128,960
Operating Grants, Contributions and Interest	7,766,405	8,093,692
Capital Grants, Contributions and Interest	15,201	19,194
Total Program Revenues	10,791,470	11,241,846
General Revenues		
Property Taxes	15,643,689	14,632,383
Income Taxes	19,497	43,323
Grants and Entitlements	25,119,172	23,979,446
Investment Earnings	46,300	54,514
Miscellaneous	127,453	135,339
Premium on Notes	3,680	0
Total General Revenues	40,959,791	38,845,005
Total Revenues	51,751,261	50,086,851
Program Expenses		
Instruction:		
Regular	21,557,316	20,977,844
Special	5,678,378	5,292,502
Vocational	1,792,424	1,935,492
Adult/Continuing	46,950	46,869
Student Intervention Services	262,276	304,333
Other	935,713	843,457
Support Services:		
Pupils	3,356,494	3,089,051
Instructional Staff	1,805,090	1,768,971
Board of Education	511,222	357,926
Administration	2,997,902	3,023,005
Fiscal	997,118	1,012,827
Business	10,308	14,274
Operation and Maintenance of Plant	4,756,007	5,050,866
Pupil Transportation	1,879,324	1,749,770
Central	973,286	662,702
Operation of Food Services	1,695,501	1,712,689
Other Non-Instructional Services	314,891	320,541
Extracurricular Activities	1,864,022	1,953,743
Interest and Fiscal Charges	700,981	1,395,414
Total Program Expenses	52,135,203	51,512,276
Change in Net Assets	\$ (383,942)	\$ (1,425,425)

* 2010 was not restated for changes in fund structure noted in Note 21. These activities are deemed insignificant and would not impact the entity-wide analysis.

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

The vast majority of revenues supporting governmental activities are the general revenues. General revenues totaled \$40,959,791 which is approximately 79 percent of total revenue. The most significant portions of the general revenue are the unrestricted grants and entitlements, which are approximately 49 percent of total revenue. The unrestricted grants and entitlements consist of state foundation, homestead and rollback, and personal property tax exemption. Taxes, including property taxes and income taxes, account for 30 percent of total revenues. Interest income and miscellaneous revenue account for less than 1 percent of total revenues. The remaining amount of revenue received was in the form of program revenues, which equaled \$10,791,470 or 21 percent of total revenue.

Governmental Activities

The School District has carefully planned its financial existence by forecasting its revenues and expenses over the next five years. The School District's revenue growth is mostly dependent upon property tax increases and new construction. Property taxes made up 30 percent of revenues for governmental activities for the School District in fiscal year 2011. Although the School District relies heavily upon local property taxes to support its operations, the School District does actively solicit and receive additional grant and entitlement funds to help offset some operating cost.

Instruction comprises 58 percent of governmental program expenses. Additional supporting services for pupils, staff and business operations encompassed an additional 33 percent. The remaining 9 percent of program expenses is used for other obligations of the School District such as non-instructional services, extracurricular activities and interest and fiscal charges.

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

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Table 3
Total and Net Cost of Program Services
Governmental Activities

	Total Cost of Services 2011	Total Cost of Services 2010 *	Net Cost of Services 2011	Net Cost of Services 2010 *
Program Expenses				
Instruction:				
Regular	\$ 21,557,316	\$ 20,977,844	\$ (17,984,754)	\$ (17,349,368)
Special	5,678,378	5,292,502	(3,629,669)	(2,499,924)
Vocational	1,792,424	1,935,492	(1,287,303)	(1,633,820)
Adult/Continuing	46,950	46,869	(1,782)	(41,329)
Student Intervention Services	262,276	304,333	(154,302)	(156,921)
Other	935,713	843,457	(724,470)	(659,752)
Support Services:				
Pupils	3,356,494	3,089,051	(2,912,011)	(2,726,537)
Instructional Staff	1,805,090	1,768,971	(1,341,695)	(1,273,863)
Board of Education	511,222	357,926	(511,222)	(357,926)
Administration	2,997,902	3,023,005	(2,734,571)	(3,019,593)
Fiscal	997,118	1,012,827	(967,038)	(1,002,176)
Business	10,308	14,274	(10,308)	(14,274)
Operation and Maintenance of Plant	4,756,007	5,050,866	(4,555,360)	(4,446,191)
Pupil Transportation	1,879,324	1,749,770	(1,591,414)	(1,701,244)
Central	973,286	662,702	(920,978)	(644,411)
Operation of Food Services	1,695,501	1,712,689	(47,475)	44,617
Other Non-Instructional Services	314,891	320,541	(58,040)	(73,903)
Extracurricular Activities	1,864,022	1,953,743	(1,210,360)	(1,318,401)
Interest and Fiscal Charges	700,981	1,395,414	(700,981)	(1,395,414)
<i>Total</i>	<u>\$ 52,135,203</u>	<u>\$ 51,512,276</u>	<u>\$ (41,343,733)</u>	<u>\$ (40,270,430)</u>

* 2010 was not restated for changes in fund structure noted in Note 21. These activities are deemed insignificant and would not impact the entity-wide analysis.

The dependence upon grants and entitlements for governmental activities is apparent. Grants directly support 48 percent of expenses. Program revenues only account for 21 percent of all governmental expenses. Program revenues include charges for services, grants and contributions that are program specific. The community is the second largest area of support for the School District students.

The School District's Funds

Information about the School District's major funds starts on page 14. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues and other financing sources of \$63,896,724 and expenditures and other financing uses of \$64,274,320. The net change in fund balance for the year was a decrease of \$377,596.

The net change in fund balance for the year was most significant in the general fund. In fiscal year 2011, the fund balance decreased \$724,680. This was the result of expenditures exceeding revenues. The bond retirement fund balance increased \$373,086 in 2011.

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

General Fund Budgeting Highlights

The School District's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the main operating fund of the School District, the general fund.

For the general fund, the original and final budget basis revenue was \$39,046,729 (including other financing sources). Actual revenues were \$38,623,438 (including other financing sources) a decrease of \$423,291. Most of this difference was due to an overestimation of intergovernmental revenues. The School District's general fund unencumbered cash balance at the end of the fiscal year was \$3,786,885.

The original and final general fund appropriations (including other financing uses) totaled \$44,563,245. Actual expenditures and other financing uses were \$42,153,831, which was \$2,409,414 less than budgeted amounts due to cost savings measures throughout the School District.

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

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal 2011, the School District had \$41,956,819 invested in land, land improvements, buildings and improvements, furniture and fixtures, and vehicles. Table 4 shows fiscal 2011 values compared to 2010. More detailed information is presented in Note 6 of the notes to the basic financial statements.

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

	2011	2010
Land	\$ 3,552,636	\$ 3,552,636
Land Improvements	2,128,544	2,424,472
Buildings and Improvements	32,923,189	34,577,855
Furniture and Fixtures	2,533,152	2,619,529
Vehicles	819,298	371,343
Totals	\$ 41,956,819	\$ 43,545,835

All capital assets, except land, are reported net of depreciation.

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

Senate Bill 345 requires the School District to set aside \$171.96 per pupil of certain general fund revenues in each of two areas, one for the purchase of textbooks and materials related to instruction and the other for capital outlay. For fiscal year 2011, this amounted to \$586,676 for each set aside for Massillon City School District. The School District had qualifying disbursements or offsets exceeding these requirements for capital improvements and textbooks. More detailed information is presented in Note 19 of the notes to the basic financial statements.

Debt

At June 30, 2011, the School District had \$14,119,018 outstanding in general obligation bonds and a bond anticipation note, with \$4,648,950 due within one year. Table 5 shows fiscal year 2011 values compared to 2010. More detailed information regarding the School District is presented in Note 14 of the notes to the basic financial statements.

Table 5
 Outstanding Debt, at June 30
 Governmental Activities

	2011	2010
2011 Classroom Facilities Refunding Bonds:		
Serial Bonds	\$ 8,810,000	\$ 0
Capital Appreciation Bonds	209,995	0
Accretion on Capital Appreciation Bonds	25,444	0
Unamortized Preium	980,702	0
Refunding Loss	(811,073)	0
2003 Middle School General Obligation Bonds:		
Serial Bonds	825,000	1,940,000
Term Bonds	0	8,235,000
1994 High School General Obligation Bonds:		
Capital Appreciation Bonds	135,662	292,278
Accretion on Capital Appreciation Bonds	1,518,288	2,794,980
Bond Anticipation Note	2,425,000	2,000,000
Total	\$ 14,119,018	\$ 15,262,258

Current Issues

Massillon City School District has continued to maintain the highest standards of service to our students, parents and community. The School District is always presented with challenges and opportunities. Recent national events and their impact on the Massillon City School District and the surrounding areas are very much under review and analysis. Economic recession will continue to impact our primary industries. However, the City of Massillon has seen a leveling off in residential housing construction. With the current economy basically in a recession and the recent government bailout of AIG, this country has seen a decrease in property valuations. The Board of Education and administration will need to closely monitor its revenues and expenditures in accordance with its five-year forecast.

Massillon City School District
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2011

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

Externally, the State of Ohio was found by the Ohio Supreme Court in March 1997 to be operating an unconstitutional educational system, one that was neither "adequate" nor "equitable." Since 1997, the State directed its tax revenue growth toward school districts with little property tax wealth. On December 11, 2002, the Ohio Supreme Court issued its latest opinion regarding the State's school funding plan. The decision reaffirmed earlier decisions that Ohio's current school-funding decision is unconstitutional. The Supreme Court relinquished jurisdiction over the case and directed ". . .the Ohio General Assembly to enact a school-funding scheme that is thorough and efficient . . ."

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

The concern is that, to meet the requirements of the court, the State may require the redistribution of commercial and industrial property taxes. With 33.62 percent of the taxes for the School District coming from local businesses and industry, one can see the significant impact this change would have on the School District and ultimately, the residential taxpayers. This percentage was taken from the SF-3 report of the Ohio Department of Education, Division of School Finance, Final SF3 fiscal year 2010.

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

These student needs will be more readily apparent since the State has implemented a new funding model which is based on grade level membership. The funding will be determined by the number of students per grade level in which the per pupil funding amount depends on that grade level. There are various components to the new funding model. These components are broken down into administrative costs, operations, teaching, etc. Who is to determine if this funding revision is the program that finally resolves the DeRolph lawsuit? Only time will reveal if that is the case. The district has not seen an increase in overall funding due to this new model.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Teresa L. Emmerling, Treasurer at Massillon City School District, 207 Oak Street S.E., Massillon, OH 44646.

Massillon City School District
Statement of Net Assets
June 30, 2011

	Primary Government	Component Unit
	Governmental Activities	Massillon Digital Academy
Assets		
Equity in Pooled Cash and Investments	\$ 9,821,041	\$ 0
Cash and Cash Equivalents with Fiscal Agent	0	577,091
Cash and Cash Equivalents in Segregated Accounts	94,227	0
Investments in Segregated Accounts	2,554,508	0
Receivables:		
Taxes	15,322,487	0
Accounts	0	60
Accrued Interest	10,502	0
Intergovernmental	2,050,909	49,340
Deferred Charges	307,398	0
Nondepreciable Capital Assets	3,552,636	0
Depreciable Capital Assets, Net	38,404,183	5,290
<i>Total Assets</i>	<u>72,117,891</u>	<u>631,781</u>
Liabilities		
Accounts Payable	19,114	0
Accrued Wages and Benefits	3,944,225	0
Intergovernmental Payable	776,354	120
Accrued Vacation Payable	23,315	0
Matured Compensated Absences Payable	92,785	0
Deferred Revenue	11,146,029	0
Accrued Interest Payable	115,992	0
Long-Term Liabilities:		
Due Within One Year	4,893,222	0
Due in More Than One Year	12,345,431	0
<i>Total Liabilities</i>	<u>33,356,467</u>	<u>120</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	29,766,004	5,290
Restricted for:		
Capital Outlay	2,577,591	0
Debt Service	2,270,627	0
Classroom Facilities Maintenance	1,840,078	0
Student Activities Programs	561,901	0
Federally Funded Programs	1,544,814	0
State Funded Programs	8,117	0
Other Purposes	393,006	50,789
Unrestricted	(200,714)	575,582
<i>Total Net Assets</i>	<u>\$ 38,761,424</u>	<u>\$ 631,661</u>

See accompanying notes are an interal part of the financial statements.

Massillon City School District
Statement of Activities
For the Fiscal Year Ended June 30, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants, Contributions and Interest	Primary Government	Component Unit
					Governmental Activities	Massillon Digital Academy
Governmental Activities						
Instruction:						
Regular	\$ 21,557,316	\$ 1,696,102	\$ 1,876,460	\$ 0	\$ (17,984,754)	\$ 0
Special	5,678,378	193,637	1,855,072	0	(3,629,669)	0
Vocational	1,792,424	27,321	477,800	0	(1,287,303)	0
Adult Continuing	46,950	0	45,168	0	(1,782)	0
Student Intervention Services	262,276	0	107,974	0	(154,302)	0
Other	935,713	0	211,243	0	(724,470)	0
Support Services:						
Pupils	3,356,494	5,931	438,552	0	(2,912,011)	0
Instructional Staff	1,805,090	0	463,395	0	(1,341,695)	0
Board of Education	511,222	0	0	0	(511,222)	0
Administration	2,997,902	0	263,331	0	(2,734,571)	0
Fiscal	997,118	24,270	5,810	0	(967,038)	0
Business	10,308	0	0	0	(10,308)	0
Operation and Maintenance of Plant	4,756,007	39,723	145,723	15,201	(4,555,360)	0
Pupil Transportation	1,879,324	48,858	239,052	0	(1,591,414)	0
Central	973,286	0	52,308	0	(920,978)	0
Operation of Non-instructional Services:						
Food Service Operations	1,695,501	365,999	1,282,027	0	(47,475)	0
Community Services	312,215	0	256,851	0	(55,364)	0
Other	2,676	0	0	0	(2,676)	0
Extracurricular Activities	1,864,022	608,023	45,639	0	(1,210,360)	0
Interest and Fiscal Charges	700,981	0	0	0	(700,981)	0
Total Primary Government	\$ 52,135,203	\$ 3,009,864	\$ 7,766,405	\$ 15,201	(41,343,733)	0
Component Unit						
Massillon Digital Academy	\$ 499,127	\$ 0	\$ 117,235	\$ 0	0	(381,892)
General Revenues						
Property Taxes Levied for:						
General Purposes					13,342,239	0
Debt Service					2,130,127	0
Other Purposes					171,323	0
Income Taxes					19,497	0
Grants and Entitlements not Restricted to Specific Programs					25,119,172	567,376
Investment Earnings					46,300	907
Premium on Notes					3,680	0
Miscellaneous					127,453	0
Total General Revenues					40,959,791	568,283
Change in Net Assets					(383,942)	186,391
Net Assets Beginning of Year - (Restated - See Note 21)					39,145,366	445,270
Net Assets End of Year					\$ 38,761,424	\$ 631,661

See accompanying notes are an integral part of the financial statements.

Massillon City School District
Balance Sheet
Governmental Funds
June 30, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Investments	\$ 5,046,189	\$ 1,858,139	\$ 2,916,713	\$ 9,821,041
Cash and Cash Equivalents in Segregated Accounts	0	0	94,227	94,227
Investments in Segregated Accounts	0	0	2,554,508	2,554,508
Receivables:				
Taxes	13,759,422	1,391,161	171,904	15,322,487
Interfund	133,872	0	0	133,872
Accrued Interest	10,502	0	0	10,502
Intergovernmental	57,772	0	1,993,137	2,050,909
<i>Total Assets</i>	<u>\$ 19,007,757</u>	<u>\$ 3,249,300</u>	<u>\$ 7,730,489</u>	<u>\$ 29,987,546</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$ 8,654	\$ 0	\$ 10,460	\$ 19,114
Accrued Wages and Benefits	3,541,316	0	402,909	3,944,225
Interfund Payable	0	0	133,872	133,872
Intergovernmental Payable	700,617	0	75,737	776,354
Matured Compensated Absences Payable	90,374	0	2,411	92,785
Deferred Revenue	11,742,406	1,082,794	1,839,659	14,664,859
<i>Total Liabilities</i>	<u>16,083,367</u>	<u>1,082,794</u>	<u>2,465,048</u>	<u>19,631,209</u>
Fund Balances				
Restricted	0	2,166,506	5,611,446	7,777,952
Assigned	1,117,577	0	0	1,117,577
Unassigned	1,806,813	0	(346,005)	1,460,808
<i>Total Fund Balances</i>	<u>2,924,390</u>	<u>2,166,506</u>	<u>5,265,441</u>	<u>10,356,337</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$ 19,007,757</u>	<u>\$ 3,249,300</u>	<u>\$ 7,730,489</u>	<u>\$ 29,987,546</u>

See accompanying notes are an interal part of the financial statements.

Massillon City School District
*Reconciliation of Total Governmental Fund Balances to
 Net Assets of Governmental Activities
 June 30, 2011*

Total Governmental Fund Balances \$ 10,356,337

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 41,956,819

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

Grants	\$ 1,751,385
Delinquent Property Taxes	1,763,343
Income Taxes	4,102

Total 3,518,830

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

Issuance Costs	399,918
Accumulated Amortization	(92,520)

Total 307,398

Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds. (115,992)

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

General Obligation Bonds	(9,635,000)
Capital Appreciation Bonds	(345,657)
Bond Accretion	(1,543,732)
Unamortized Bond Premium	(980,702)
Refunding Loss	811,073
Bond Anticipation Note	(2,425,000)
Compensated Absences	(3,027,078)
Accrued Vacation Payable	(23,315)
Capital Leases Payable	(92,557)

Total (17,261,968)

Net Assets of Governmental Activities \$ 38,761,424

See accompanying notes are an interal part of the financial statements.

Massillon City School District
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2011

	General	Bond Retirement	Other Governmental Funds	Total Governmental Funds
Revenues				
Property and Other Local Taxes	\$ 13,562,453	\$ 2,238,261	\$ 174,589	\$ 15,975,303
Income Taxes	21,546	0	0	21,546
Intergovernmental	23,509,546	589,728	7,852,406	31,951,680
Investment Income	46,300	0	17,796	64,096
Tuition and Fees	1,730,817	0	0	1,730,817
Extracurricular Activities	68,494	0	558,369	626,863
Rentals	32,216	0	11,362	43,578
Customer Sales and Services	432,268	0	365,998	798,266
Gifts and Donations	9,212	0	86,507	95,719
Miscellaneous	126,987	0	466	127,453
<i>Total Revenues</i>	<u>39,539,839</u>	<u>2,827,989</u>	<u>9,067,493</u>	<u>51,435,321</u>
Expenditures				
Current:				
Instruction:				
Regular	18,134,720	0	1,735,717	19,870,437
Special	3,661,659	0	2,093,518	5,755,177
Vocational	1,783,434	0	22,694	1,806,128
Adult Continuing	0	0	45,533	45,533
Student Intervention Services	101,903	0	160,373	262,276
Other	511,275	0	468,371	979,646
Support Services:				
Pupils	2,830,498	0	550,859	3,381,357
Instructional Staff	1,293,221	0	465,024	1,758,245
Board of Education	511,365	0	0	511,365
Administration	2,689,893	0	296,474	2,986,367
Fiscal	946,408	36,440	10,715	993,563
Business	8,267	0	0	8,267
Operation and Maintenance of Plant	4,400,510	0	176,487	4,576,997
Pupil Transportation	1,597,314	0	663,534	2,260,848
Central	616,284	0	356,435	972,719
Operation of Non-Instructional Services:				
Food Service Operations	22,566	0	1,650,500	1,673,066
Community Services	441	0	302,983	303,424
Other	0	0	2,676	2,676
Extracurricular Activities	1,023,148	0	517,174	1,540,322
Capital Outlay	73,370	0	0	73,370
Debt Service:				
Principal Retirement	57,683	2,491,616	0	2,549,299
Interest and Fiscal Charges	6,744	1,935,682	0	1,942,426
Issuance Costs	0	173,325	0	173,325
<i>Total Expenditures</i>	<u>40,270,703</u>	<u>4,637,063</u>	<u>9,519,067</u>	<u>54,426,833</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(730,864)</u>	<u>(1,809,074)</u>	<u>(451,574)</u>	<u>(2,991,512)</u>
Other Financing Sources				
Refunding Bonds Issued	0	9,019,995	0	9,019,995
Bond Anticipation Notes Issued	0	2,000,000	425,000	2,425,000
Proceeds from Sale of Capital Assets	3,203	0	3,553	6,756
Premium on Refunding Bonds Issued	0	1,002,991	0	1,002,991
Premium on Notes	0	3,680	0	3,680
Transfers In	2,981	0	0	2,981
Payment to Refunded Bond Escrow Agent	0	(9,844,506)	0	(9,844,506)
Transfers Out	0	0	(2,981)	(2,981)
<i>Total Other Financing Sources</i>	<u>6,184</u>	<u>2,182,160</u>	<u>425,572</u>	<u>2,613,916</u>
<i>Net Change in Fund Balances</i>	<u>(724,680)</u>	<u>373,086</u>	<u>(26,002)</u>	<u>(377,596)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 21)</i>	<u>3,649,070</u>	<u>1,793,420</u>	<u>5,291,443</u>	<u>10,733,933</u>
<i>Fund Balances End of Year</i>	<u>\$ 2,924,390</u>	<u>\$ 2,166,506</u>	<u>\$ 5,265,441</u>	<u>\$ 10,356,337</u>

See accompanying notes are an integral part of the financial statements.

Massillon City School District
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2011*

Net Change in Fund Balances - Total Governmental Funds \$ (377,596)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital additions in the current period.

Capital Asset Additions	\$ 1,173,647	
Current Year Depreciation	(2,710,584)	
Total		(1,536,937)

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

(52,079)

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

Tuition and Fees	(189,659)	
Grants	834,603	
Delinquent Property Taxes	(331,614)	
Income Taxes	(2,049)	
Total		311,281

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

Bond Issuance Cost	(13,704)	
Accrued Interest	45	
Accretion on Capital Appreciation Bonds	(347,136)	
Refunding Loss	829,506	
Bond Premium	(1,002,991)	
Refunding Loss Amortization	(18,433)	
Bond Premium Amortization	22,289	
Total		(530,424)

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

Bond Principal	491,616	
Bond Principal Paid to Refunded Bond Escrow Agent	9,015,000	
Capital Appreciation Bonds	1,598,384	
Anticipation Notes	2,000,000	
Capital Leases	57,683	
Total		13,162,683

In statement of activities, bond issuance costs are amortized over the term of the bonds, whereas in governmental funds a bond issuance expenditure is reported when bonds are issued.

173,325

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net assets are not reported as revenues.

Proceeds from Refunding Bonds Issued		(9,019,995)
--------------------------------------	--	-------------

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

(2,425,000)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences	(86,381)	
Accrued Vacation Payable	(2,819)	
Total		(89,200)

Change in Net Assets of Governmental Activities \$ (383,942)

See accompanying notes are an integral part of the financial statements.

Massillon City School District
*Statement of Revenues, Expenditures, and Changes in Fund Balance -
 Budget (Non-GAAP Basis) and Actual
 General Fund
 For the Fiscal Year Ended June 30, 2011*

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 12,147,027	\$ 12,147,027	\$ 11,987,443	\$ (159,584)
Income Tax	47,351	47,351	46,729	(622)
Intergovernmental	23,822,519	23,822,519	23,509,546	(312,973)
Investment Income	47,354	47,354	46,732	(622)
Tuition and Fees	1,703,836	1,703,836	1,681,452	(22,384)
Rentals	34,894	34,894	34,436	(458)
Charges for Services	438,023	438,023	432,268	(5,755)
Contributions and Donations	608	608	600	(8)
Miscellaneous	43,568	43,568	42,995	(573)
<i>Total Revenues</i>	<u>38,285,180</u>	<u>38,285,180</u>	<u>37,782,201</u>	<u>(502,979)</u>
Expenditures				
Current:				
Instruction:				
Regular	19,405,625	19,405,625	18,356,415	1,049,210
Special	4,223,414	4,223,414	3,995,065	228,349
Vocational	1,961,557	1,961,557	1,855,501	106,056
Student Intervention Services	107,728	107,728	101,903	5,825
Other	566,811	566,811	536,165	30,646
Support Services:				
Pupils	3,252,387	3,252,387	3,076,539	175,848
Instructional Staff	1,390,325	1,390,325	1,315,154	75,171
Board of Education	570,088	570,088	539,265	30,823
Administration	2,982,600	2,982,600	2,821,339	161,261
Fiscal	1,202,587	1,202,587	1,137,566	65,021
Business	8,740	8,740	8,267	473
Operation and Maintenance of Plant	5,135,039	5,135,039	4,857,401	277,638
Pupil Transportation	1,766,431	1,766,431	1,670,925	95,506
Central	758,557	758,557	717,544	41,013
Operation of Non-instructional Services:				
Food Service Operations	23,329	23,329	22,068	1,261
Community Services	990	990	939	51
Extracurricular Activities	992,348	992,348	938,694	53,654
Capital Outlay	77,564	77,564	73,370	4,194
<i>Total Expenditures</i>	<u>44,426,120</u>	<u>44,426,120</u>	<u>42,024,120</u>	<u>2,402,000</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(6,140,940)</u>	<u>(6,140,940)</u>	<u>(4,241,919)</u>	<u>1,899,021</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	3,203	3,203
Refund of Prior Year Expenditures	0	0	76,486	76,486
Advances In	761,549	761,549	761,548	(1)
Advances Out	(137,125)	(137,125)	(129,711)	7,414
<i>Total Other Financing Sources (Uses)</i>	<u>624,424</u>	<u>624,424</u>	<u>711,526</u>	<u>87,102</u>
<i>Net Change in Fund Balance</i>	<u>(5,516,516)</u>	<u>(5,516,516)</u>	<u>(3,530,393)</u>	<u>1,986,123</u>
<i>Fund Balance Beginning of Year - Restated (See Note 21)</i>	6,454,033	6,454,033	6,454,033	0
Prior Year Encumbrances Appropriated	863,245	863,245	863,245	0
<i>Fund Balance End of Year</i>	<u>\$ 1,800,762</u>	<u>\$ 1,800,762</u>	<u>\$ 3,786,885</u>	<u>\$ 1,986,123</u>

See accompanying notes are an interal part of the financial statements.

Massillon City School District
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2011

	Private Purpose Trust	
	Scholarship	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 21,080	\$ 106,993
Investments in Segregated Accounts	100,591	0
<i>Total Assets</i>	121,671	\$ 106,993
Liabilities		
Undistributed Monies	0	\$ 12,189
Due to Students	0	94,804
<i>Total Liabilities</i>	0	\$ 106,993
Net Assets		
Held in Trust for Scholarships	\$ 121,671	

See accompanying notes are an interal part of the financial statements.

Massillon City School District
Statement of Changes in Fiduciary Net Assets
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2011

	<u>Scholarship</u>
Additions	
Gifts and Contributions	\$ 7,000
Interest	542
<i>Total Additions</i>	7,542
Deductions	
Scholarships	18,500
<i>Change in Net Assets</i>	(10,958)
<i>Net Assets Beginning of Year - Restated (See Note 21)</i>	132,629
<i>Net Assets End of Year</i>	\$ 121,671

See accompanying notes are an interal part of the financial statements.

Massillon City School District
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2011

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

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

The School District is located in Stark County and encompasses the entire City of Massillon. It controls the School District’s ten instructional/support facilities, staffed by 184 classified employees, 304 certificated full-time teaching personnel, and 14 administrators, who provide services to 4,179 students and other community members.

Reporting Entity

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

Component units are legally separate organizations for which the School District is financially accountable. The School District is financially accountable for an organization if the School District appoints a voting majority of the organization’s governing board and (1) the School District is able to significantly influence the programs or services performed or provided by the organization; or (2) the School District is legally entitled to, or can otherwise access, the organization’s resources; the School District is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provides financial support to, the organization; or the School District is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the School District in that the School District approves the budget, the issuance of debt or the levying of taxes.

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

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

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 1: NATURE OF BASIC OPERATIONS AND DESCRIPTION OF THE ENTITY (Continued)

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The School District applies generally accepted accounting principles (GAAP) that were issued prior to November 30, 1989 by the Financial Accounting Standards Board (FASB) to its governmental funds provided they not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The more significant of the School District's accounting policies are shown below.

A. *Basis of Presentation*

The School District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements – The statement of net assets and the statement of activities display information about the School District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities of the School District at year-end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the School District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the School District, with certain limitations. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the School District.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements – During the year, the School District segregates transactions related to certain School District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the School District at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by type.

B. Fund Accounting

The School District uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The various funds of the School District are grouped into the categories governmental and fiduciary.

Governmental Funds – Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The School Districts major funds are described below:

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

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

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

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

C. Measurement Focus

Government-wide Financial Statements- The government-wide financial statements are prepared using the economic resources measurement focus. All assets and all liabilities associated with the operation of the School District are included on the statement of net assets. The statement of activities presents increases (i.e., revenues) and decreases (i.e., expenditures) in total net assets.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements – All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

D. Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements and the statements fiduciary funds are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

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

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

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

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

Property taxes for which there is an enforceable legal claim as of June 30, 2011, but which were levied to finance fiscal year 2012 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

Expenses/Expenditures – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization, are not recognized in governmental funds.

E. Budgetary Process

All funds, other than agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the appropriation resolution and the certificate of estimated resources, which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amounts that the Board of Education may appropriate. The appropriation resolution is the Board’s authorization to spend resources and sets annual limits on expenditures plus encumbrances at a level of control selected by the Board. The legal level of control has been established by the Board of Education at the fund level. Budgetary modifications at this level require a resolution of the Board of Education. The Treasurer has been given the authority to allocate Board appropriations to the function and object levels within each fund.

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the Treasurer. The amounts reported as the original and final budgeted amounts in the budgetary statements reflect the amounts in the certificate when the original and final appropriations were adopted.

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

F. Cash and Investments

To improve cash management, all cash received by the School District is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through School District records. Interest in the pool is presented as “equity in pooled cash and investments” on the financial statements.

During fiscal year 2011, investments were limited to Federal National Mortgage Association notes, Federal Home Loan Bank notes, Federal Home Loan Mortgage Association notes, First American Treasury Market, a money market, certificates of deposit and STAROhio.

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

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

STAROhio is an investment pool managed by the State Treasurer’s Office which allows governments within the State to pool their funds for investment purposes. STAROhio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAROhio are valued at STAROhio’s share price which is the price the investment could be sold for on June 30, 2011.

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 2011 amounted to \$46,300, which includes \$15,342 assigned from other School District funds.

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

G. Deferred Charges

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

H. Capital Assets

All capital assets of the School District are classified as general capital assets. These assets generally result from expenditures in the governmental funds. They are reported in the governmental activities column of the government-wide statement of net assets but are not reported in the fund financial statements.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The School District maintains a capitalization threshold of \$500. The School District does not possess any infrastructure. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset’s life are not.

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

<u>Description</u>	<u>Estimated Lives</u>
Land Improvements	20 Years
Building and Improvements	20-50 Years
Furniture and Fixtures	8-20 Years
Vehicles	10-15 Years

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Interfund Balances

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

J. Compensated Absences

Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributable to services already rendered and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means.

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

On the governmental fund statements, compensated absences are recognized as a liability and expenditure to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the funds from which the employee will be paid.

K. Accrued Liabilities and Long-Term Obligations

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

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

L. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2011, none of the School District’s net assets were restricted by enabling legislation. Net assets restricted for other purposes include instructional activities, grants and extracurricular activities.

The School District applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Fund Balance Reserves

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

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

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

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

Assigned – Amounts in the assigned fund balance classification are intended to be used by the School District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of the School District Board of Education.

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

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

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

N. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

O. Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2011.

P. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Q. Implementation of New Accounting Policies

For the year ended June 30, 2011, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "*Fund Balance Reporting and Governmental Fund Type Definitions*" and GASB Statement No. 59, "*Financial Instruments Omnibus*."

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The requirements of this statement classify fund balance as nonspendable, restricted, committed, assigned and/or unassigned.

GASB Statement No. 59 updated and improved existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. Implementation of this GASB statement did not affect the presentation of the financial statements of the School District.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 3: FUND DEFICITS

Fund balances at June 30, 2011, included the following individual fund deficits:

	<u>Deficit</u>
Nonmajor Special Revenue Funds:	
Local School Grants	\$ 11,604
Management Information Systems	41
Public Preschool Grants	184
Title VI-B	126,995
Nutrition Ed	4,161
Adult Communication Education	2,588
Carl Perkins Grant	260
Title I	153,069
Preschool Grants Handicap	44
Title VI-R	47,059

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

NOTE 4: BUDGETARY BASIS OF ACCOUNTING

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

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

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 4: BUDGETARY BASIS OF ACCOUNTING (Continued)

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

Net Change in Fund Balance

	<u>General</u>
GAAP Basis	\$ (724,680)
Net Adjustment for Revenue Accruals	(1,536,663)
Advance In	761,548
Advance Out	(129,711)
Net Adjustment for Expenditure Accruals	(775,305)
Funds Budgeted Elsewhere **	(7,292)
Adjustment for Encumbrances	(1,118,290)
Budget Basis	\$ (3,530,393)

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

NOTE 5: DEPOSITS AND INVESTMENTS

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAROhio).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

Investments in stripped principal or interest obligations, reverse repurchase agreements and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage and short selling are also prohibited. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the School District, and must be purchased with the expectation that it will be held to maturity.

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

According to State law the School District has no deposit policy for custodial risk beyond the requirements of State Statute, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During 2011, the School District and public depositories complied with the provisions of these statutes.

Deposits with Financial Institutions

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

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

At fiscal year-end, the carrying amount of the School District's deposits was \$780,651, which includes petty cash and cash on-hand in the amount of \$396. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures," as of June 30, 2011, the School District's entire bank balance of \$1,751,831 was covered by Federal Deposit Insurance Corporation. Deposits that are not covered by depository insurance are collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

Investments

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the School District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The School District has no investment policy dealing with investment custodial risk beyond the requirement in Ohio law that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

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

As of June 30, 2011, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities				
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	More Than 24 Months
Federal National Mortgage Association (FNMA) Discount	\$ 1,000,303	\$ 0	\$ 0	\$ 1,000,303	\$ 0	\$ 0
Federal Home Loan Bank (FHLB) Notes	2,507,157	250,035	0	1,334,114	923,008	0
Federal Home Loan Bank (FHLB) Discount	1,567,574	0	1,567,574	0	0	0
Federal Home Loan Mortgage (FHLM) Discount	199,667	0	199,667	0	0	0
Federal Home Loan Mortgage (FHLM) Notes	5,861,558	0	0	4,476,388	0	1,385,170
First American Treasury Market	17,623	17,623	0	0	0	0
U.S Treasury notes	639,155	639,155	0	0	0	0
STAROhio	124,752	124,752	0	0	0	0
Total Investments	\$ 11,917,789	\$ 1,031,565	\$ 1,767,241	\$ 6,810,805	\$ 923,008	\$ 1,385,170

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 5: DEPOSITS AND INVESTMENTS (Continued)

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

Concentration of Credit Risk The School District places no limit on the amount the School District may invest in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2011:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Federal National Mortgage Association (FNMA) Notes	\$ 1,000,303	8.39%
Federal Home Loan Bank (FHLB) Notes	2,507,157	21.04%
Federal Home Loan Bank (FHLB) Discount	1,567,574	13.15%
Federal Home Loan Mortgage (FHLM) Discounts	199,667	1.68%
Federal Home Loan Mortgage (FHLM) Notes	5,861,558	49.18%
U. S. Treasury Notes	639,155	5.36%
First American Treasury Market	17,623	0.15%
STAROhio	<u>124,752</u>	<u>1.05%</u>
Total	<u>\$ 11,917,789</u>	<u>100.00%</u>

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

	Balance 06/30/2010	Additions	Deletions	Balance 06/30/2011
Governmental Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 3,552,636	\$ 0	\$ 0	\$ 3,552,636
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	6,393,097	0	(21,015)	6,372,082
Buildings and Improvements	55,610,085	28,941	(365,398)	55,273,628
Furniture and Fixtures	10,169,953	607,164	(770,768)	10,006,349
Vehicles	2,017,731	537,542	0	2,555,273
<i>Total Capital Assets, Being Depreciated</i>	<u>74,190,866</u>	<u>1,173,647</u>	<u>(1,157,181)</u>	<u>74,207,332</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(3,968,625)	(292,780)	17,867	(4,243,538)
Buildings and Improvements	(21,032,230)	(1,674,533)	356,324	(22,350,439)
Furniture and Fixtures	(7,550,424)	(653,684)	730,911	(7,473,197)
Vehicles	(1,646,388)	(89,587)	0	(1,735,975)
<i>Total Accumulated Depreciation</i>	<u>(34,197,667)</u>	<u>(2,710,584) *</u>	<u>1,105,102</u>	<u>(35,803,149)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>39,993,199</u>	<u>(1,536,937)</u>	<u>(52,079)</u>	<u>38,404,183</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 43,545,835</u>	<u>\$ (1,536,937)</u>	<u>\$ (52,079)</u>	<u>\$ 41,956,819</u>

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 6: CAPITAL ASSETS (Continued)

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,655,611
Special	50,244
Vocational	118,002
Adult/Continuing	1,125
Other	6,256
Support Services:	
Pupil	16,856
Instructional Staff	20,409
Administration	6,221
Fiscal	1,203
Business	2,041
Operation and Maintenance of Plant	289,448
Pupil Transportation	83,939
Central	466
Operation of Non-Instructional Services:	
Operation of Food Services	15,735
Community Services	24,669
Extracurricular Activities	418,359
Total Depreciation Expense	\$ 2,710,584

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 (used in business) located in the School District. Real property tax revenue received in calendar 2011 represents collections of calendar 2010 taxes. Real property taxes received in calendar year 2011 were levied after April 1, 2010, on the assessed value listed as of January 1, 2010, the lien date. Assessed values for real property taxes are established by State Law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2011 represents collections of calendar year 2010 taxes. Public utility real and tangible taxes received in calendar year 2011 became a lien December 31, 2009, were levied after April 1, 2010 and are collected in 2011 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 7: PROPERTY TAXES (Continued)

Tangible personal property tax revenue received during calendar 2011 (other than public utility property) represents the collection of 2011 taxes. Tangible personal property taxes received in calendar year 2011 were levied after April 1, 2011, on the value as of December 31, 2010. Tangible personal property assessments are being phased out. The assessment percentage for all property including inventory for 2007 is 12.5 percent. This will be reduced to 6.25 percent for 2009 and zero for 2009. Payments by multi-county taxpayers are due September 20. Single county taxpayers may pay annually or semi-annually. If paid annually, payment is due April 30; if paid semi-annually, the first payment is due April 30, with the remainder payable by September 20. Tangible personal property taxes paid by April 30 are usually received by the School District prior to June 30.

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

The School District receives property taxes from Stark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2011, are available to finance fiscal year 2011 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and tangible personal property taxes which are measurable as of June 30, 2011 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the delayed personal property tax and the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred revenue.

The amount available as an advance at June 30, 2011 was \$2,052,510 in the general fund, \$308,367 in the bond retirement debt service fund, and \$25,858 in the classroom facilities maintenance special revenue fund.

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

The assessed values upon which the fiscal year 2011 taxes were collected are:

	2010 Second Half Collections		2011 First Half Collections	
	Amount	Percent	Amount	Percent
Agricultural/Residential	\$ 294,202,460	69.37%	\$ 294,382,970	69.57%
Commercial/Industrial	108,818,410	25.66%	107,288,230	25.36%
Public Utility Personal	21,074,970	4.97%	21,455,440	5.07%
	<u>\$ 424,095,840</u>	<u>100.00%</u>	<u>\$ 423,126,640</u>	<u>100.00%</u>
Tax rate per \$1,000 assessed valuation	<u>\$ 50.10</u>		<u>\$ 48.70</u>	

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 8: RECEIVABLES

Receivables at June 30, 2011 consisted of taxes, interfund, accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All are expected to be received within one year.

NOTE 9: RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2011, the School District contracted with Leonard Insurance/Ohio Casualty for various types of insurance as follows:

Coverage	Amount
General Liability:	
Occurrence	\$ 1,000,000
Aggregate	1,000,000
Umbrella	5,000,000
Buildings and Contents	129,276,410
Automobile Liability	1,000,000

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

B. Employee Health Benefits

The School District participates in the Stark County Schools Council of Governments Health Benefits Program, a shared risk pool (Note 17) to provide employee medical/surgical benefits. The Council is a risk sharing pool created pursuant to State statute for the purpose of carrying out a cooperative program for the provision and administration of health care benefits. The Assembly is the legislative decision-making body of the Council. The Assembly is comprised of the superintendents or executive officers of the members, who have been appointed by the respective governing body of each member.

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

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. For fiscal year 2011 the School District's premiums were \$1,149.05 for family coverage and \$473.01 for single coverage per employee per month. Dental and vision insurance is also provided by the School District to qualified employees through the Stark County Schools Council of Governments. For fiscal year 2011, the School District's cost was \$160.91 and \$65.22 for family coverage and \$34.16 and \$13.75 for single coverage per employee per month, respectively.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 9: RISK MANAGEMENT (Continued)

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

C. Workers' Compensation

The School District participates in the Stark County Schools Council of Government Workers' Compensation Group Rating Plan, an insurance purchasing pool (Note 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.

Each participant pays its worker's compensation premium to the State Bureau of Workers' Compensation based on the rate for the group rather than its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings of the GRP. A participant will then either receive money from or be required to contribute to the "Equity Pooling Fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the GRP. Participation in the GRP is limited to school districts that can meet the GRP's selection criteria. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRP.

NOTE 10: PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits; annual cost-of-living adjustments; and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute at an actuarially determined rate. The current rate is 14 percent of annual covered payroll. A portion of the School District's contribution is used to fund pension obligations with the remainder being used to fund health care benefits; for fiscal year 2011, 11.81 percent of annual covered salary was the portion used to fund pension obligations. The contribution requirements of plan members and employers are established and may be amended, up to statutory maximum amounts, by the SERS' Retirement Board. The School District's required contributions for pension obligations to SERS for the years ended June 30, 2011, 2010 and 2009 were \$478,944, \$893,513 and \$891,154, respectively; 45 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 10: PENSION PLANS (Continued)

B. State Teachers Retirement System

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

New members have a choice of three retirement plans, a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. The DB Plan offers an annual retirement allowance based on final average salary times a percentage that varies based on years of service, or an allowance based on member contributions and earned interest matched by STRS Ohio funds divided by an actuarially determined annuity factor. The DC Plan allows members to allocate their member contributions and employer contributions equal to 10.5 percent of earned compensation among various investment accounts. Investment decisions are made by the member. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The Combined Plan offers features of both the DC Plan and the DB Plan. In the Combined Plan, member contributions are invested by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. DC and Combined Plan members will transfer to the DB Plan during their fifth year of membership unless they permanently select the DC or Combined Plan. Existing members with less than five years of service credit as of June 30, 2001 were given the option of making a one time irrevocable decision to transfer their account balances from the existing DB Plan into the DC Plan or the Combined Plan. This option expired on December 31, 2001. Benefits are established by Chapter 3307 of the Ohio Revised Code.

A DB or Combined Plan member with five or more years of credited service who becomes disabled may qualify for a disability benefit. Eligible spouses and dependents of these active members who die before retirement may qualify for survivor benefits. Members in the DC plan who become disabled are entitled only to their account balance. If a member dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

Funding Policy - For the fiscal year ended June 30, 2011, plan members were required to contribute 10 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. For fiscal year 2010, the portion used to fund pension obligations was also 13 percent. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employer contributions. Chapter 3307 of the Ohio Revised Code provides statutory authority for member and employer contributions.

The School District’s required contributions for pension obligations to STRS Ohio for the fiscal years ended June 30, 2011, 2010 and 2009 were \$2,620,077, \$2,737,175 and \$2,773,212, respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for the fiscal years 2010 and 2009. Contributions to the DC and Combined Plans for fiscal year 2011 were \$53,531 made by the School District and \$38,416 made by the plan members.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 11: POSTEMPLOYMENT BENEFITS

A. State Teachers Retirement System

Plan Description - The School District contributes to the cost sharing multiple employer defined benefits Health Plan administered by the State Teachers Retirement System of Ohio (STRS Ohio) for eligible retirees who participated in the defined benefit or combined pension plans offered by STRS Ohio. Benefits include hospitalization, physicians' fees, prescription drugs and reimbursement of monthly Medicare Part B premiums. The Plan is included in the report of STRS Ohio which may be obtained by visiting www.strsoh.org or by calling (888) 227-7877.

Funding Policy – Ohio law authorizes STRS Ohio to offer the Plan and gives the retirement board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2011, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for fiscal years ended June 30, 2011, 2010 and 2009 were \$201,544, \$210,552 and \$198,087, respectively; 84 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

B. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing multiple-employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physician's fees through several types of plans including HMO's, PPO's and traditional indemnity plans as well as prescription drug programs. The Medicare B plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries up to a statutory limit. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746.

Funding Policy – State statute permit SERS to fund health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established under, and is administered in accordance with Internal Revenue Code 401(h). For 2011, 1.43 percent of covered payroll was allocated to the Health Care Fund. In addition, employers pay a surcharge for employees earning less than an actuarially determined amount; for 2011, this amount was \$35,800.

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

The School District's contributions for health care for the fiscal years ended June 30, 2011, 2010, and 2009 were \$88,813, \$290,846 and \$265,038, respectively; 45 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 11: POSTEMPLOYMENT BENEFITS (Continued)

The Retirement Board, acting with advice of the actuary, allocates a portion of the employer contribution to the Medicare B Fund. For 2011, this actuarially required allocation was 0.76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2011, 2010 and 2009 were \$30,821, \$53,135 and \$47,783, respectively; 45 percent has been contributed for fiscal year 2011 and 100 percent for fiscal years 2010 and 2009.

NOTE 12: OTHER EMPLOYEE BENEFITS

A. *Compensated Absences*

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and state laws. All employees earn three days of personal leave per year. This may not be accumulated. Classified employees earn five to 26 days of vacation per fiscal year, depending upon length of service and position. Vacation days may be accumulated up to a maximum of 26 days. Accumulated, unused vacation time is paid to classified employees upon termination of employment. Teachers do not earn vacation time.

All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 313 days for union personnel. Administrators and executive staff may accumulate up to a maximum of 320 days. Upon completion of ten or more years of service to the School District, state, or other political subdivision, and retirement from the profession, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 78 days for certified employees and classified employees; the bargaining unit for the secretarial staff (OAPSE 148) has no maximum days for severance payout.

B. *Life Insurance*

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

NOTE 13: INTERFUND ACTIVITY

A. *Interfund Balances*

Interfund balances at June 30, 2011 consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable
	General
<i>Nonmajor Special Revenue Funds:</i>	
Other Grants	\$ 50,000
Title I School Improvement	38,645
Nutrition Education	4,161
IDEA B	36,589
Miscellaneous Federal Grants	3,234
Adult Communication Education Fund	1,243
Total	\$ 133,872

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 13: INTERFUND ACTIVITY (Continued)

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

B. Interfund Transfers

The following is a summary of transfers in and out for all funds for 2011:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 2,981	\$ 0
District Managed Student Activity	<u>0</u>	<u>2,981</u>
Total	<u>\$ 2,981</u>	<u>\$ 2,981</u>

The district managed student activity fund made a residual equity transfer to the general fund.

Interfund transfers between governmental funds are eliminated on the government-wide financial statements; therefore, no transfers are reported on the statement of activities.

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Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 14: LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2011 were as follows:

	<u>Outstanding 6/30/2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Outstanding 6/30/2011</u>	<u>Due Within One Year</u>
Governmental Activities					
<i>General Obligation Bonds:</i>					
2011 Classroom Facilities					
Refunding Bonds:					
\$8,810,000-2.00-4.00% Serial Bonds	\$ 0	\$ 8,810,000	\$ 0	8,810,000	\$ 215,000
\$209,995-2.55-2.8% Capital Appreciation Bonds	0	209,995	0	209,995	0
Accretion on Capital					
Appreciation Bonds	0	25,444	0	25,444	0
Unamortized Premium	0	1,002,991	(22,289)	980,702	0
Refunding Loss	0	(829,506)	18,433	(811,073)	0
2003 Middle School Bonds:					
\$3,565,000-2.00-4.00% Serial Bonds	1,940,000	0	(1,115,000)	825,000	355,000
\$8,235,000-4.75-5.25% Term Bonds	8,235,000	0	(8,235,000)	0	0
1994 High School Bonds:					
\$919,678-5.10-5.30% Capital Appreciation Bonds	292,278	0	(156,616)	135,662	135,662
Accretion on Capital					
Appreciation Bonds	2,794,980	321,692	(1,598,384)	1,518,288	1,518,288
<i>Total General Obligation Bonds</i>	<u>13,262,258</u>	<u>9,540,616</u>	<u>(11,108,856)</u>	<u>11,694,018</u>	<u>2,223,950</u>
Other Long-Term Obligations:					
2010 Bond Anticipation Note, 1.75% interest rate, maturing July 2011					
	0	2,425,000	0	2,425,000	2,425,000
2009 Bond Anticipation Note, 3.8% interest rate, maturing July 2010					
	2,000,000	0	(2,000,000)	0	0
Capital Leases	150,240	0	(57,683)	92,557	60,272
Compensated Absences	2,940,697	221,095	(134,714)	3,027,078	184,000
<i>Total General Long-Term Obligations</i>	<u>\$ 18,353,195</u>	<u>\$ 12,186,711</u>	<u>\$ (13,301,253)</u>	<u>\$ 17,238,653</u>	<u>\$ 4,893,222</u>

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

2011 Classroom Facilities Refunding General Obligation Bonds

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

At the date of refunding, \$9,844,506 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$9,015,000 of the 2003 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the 2011 financial statements. The advance refunding reduced cash flows required for debt service by \$424,543 over the next thirteen years and resulted in an economic gain of \$345,154. As of June 30, 2011 the entire amount of defeased bonds were outstanding.

The bonds were issued with a premium of \$1,002,991, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2011 was \$22,289. The issuance costs of \$173,325 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$3,852. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$829,506. This difference, reported in the accompanying financial statements as a decrease to bonds payable, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2011 was \$18,433.

The bond issue consists of serial and capital appreciation bonds. The serial bonds were issued with a varying interest rate of 2.0 - 4.00 percent. The bonds that mature on or after December 1, 2021 are subject to prior redemption, by and at the sole option of the School District, in whole or in part as selected by the School District (in whole multiples of \$5,000), on any date on or after December 1, 2020, at a redemption price equal to 100 percent of the principal amount redeemed, plus interest accrued to date.

The capital appreciation bonds will mature on December 1, 2015 and December 1, 2016. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$1,230,000. The fiscal year 2011 accretion amount is \$25,444.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

1994 School Improvement Bonds

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

The capital appreciation bonds will mature December 1, 2007 through December 1, 2011. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$8,785,000. The fiscal year 2011 accretion amount is \$321,692.

2004 Various Purpose Improvement Bonds

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

The issuance costs of \$226,593 are reported as deferred charges and are being amortized over the life of the bonds using the straight-line method. The amortization of the issuance costs for fiscal year 2011 was \$9,852.

Bond Anticipation Notes

On July 30, 2009 the School District issued \$2,000,000 in bond anticipation notes to provide funds for the installations, modifications and remodeling of school buildings to conserve energy. The notes were issued for one year, and are backed by the full faith and credit of the School District.

On July 29, 2010 the School District issued \$2,425,000 in bond anticipation notes to provide funds for the purchase of buses, installations, modifications and remodeling of school buildings to conserve energy. The notes were retired on July 28, 2011.

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

The following is a summary of the School District's annual debt service principal and interest payments on debt outstanding at June 30, 2011:

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 14: LONG-TERM OBLIGATIONS (Continued)

Fiscal Year Ending June 30,	Anticipation Notes		General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$2,425,000	\$ 42,320	\$ 570,000	\$ 375,504	\$ 135,662	\$ 1,619,339	\$ 3,130,662	\$ 2,037,163
2013	0	0	500,000	303,231	0	0	500,000	303,231
2014	0	0	560,000	288,400	0	0	560,000	288,400
2015	0	0	575,000	276,100	0	0	575,000	276,100
2016	0	0	0	270,350	119,476	475,524	119,476	745,874
2017-2021	0	0	2,805,000	1,183,000	90,519	544,481	2,895,519	1,727,481
2022-2026	0	0	4,625,000	478,205	0	0	4,625,000	478,205
Total	<u>\$2,425,000</u>	<u>\$ 42,320</u>	<u>\$9,635,000</u>	<u>\$ 3,174,790</u>	<u>\$ 345,657</u>	<u>\$ 2,639,344</u>	<u>\$12,405,657</u>	<u>\$ 5,856,454</u>

NOTE 15: CAPITAL LEASES

During 2005, the School District entered into a capitalized lease for a telephone system. This lease meets the criteria of a capital lease as defined by generally accepted accounting standards, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

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

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2011.

Fiscal Year Ended June 30,	2012	Amount
	2013	\$ 64,427
		<u>33,733</u>
		98,160
Less: amount representing interest		<u>5,603</u>
Present value of net minimum lease payments		<u>\$ 92,557</u>

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 16: JOINTLY GOVERNED ORGANIZATION

Stark/Portage Area Computer Consortium

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 school districts, the Stark County Educational Service Center and the Portage County Educational Service Center and the Portage County Education Service Center. The purpose of the organization is to apply modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating district is limited to its representation on the assembly, which appoints the five-member executive board. The executive board exercises total control over the operation of SPARCC including budgeting, appropriating, contracting and designating management. The executive board consists of five superintendents. All revenues are generated from State funding and an annual fee charged to participating districts. The School District paid \$135,627 to SPARCC during the fiscal year 2011. The Stark County Educational Service Center is the fiscal agent of SPARCC. Financial information can be obtained by writing to the Stark County Educational Service Center, 2100 38th Street NW, Canton, OH 44709-2300.

NOTE 17: PUBLIC ENTITY RISK POOLS

A. Risk Sharing Pool

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

B. Insurance Purchasing Pool

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

NOTE 18: CONTINGENCIES

A. Grants

The School District received financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the overall financial position of the School District at June 30, 2011.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 18: CONTINGENCIES (Continued)

B. *Litigation*

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

NOTE 19: SET-ASIDE CALCULATIONS

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

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

	<u>Textbooks</u>	<u>Capital Improvements</u>
Set-Aside Restricted Balance as of June 30, 2010	\$ 26,442	\$ 0
Current Year Set-Aside Requirement	586,676	586,676
Contributions in Excess of the Current Fiscal Year Set-Aside Requirement	0	0
Current Year Qualifying Disbursements	(673,807)	(562,048)
Excess Qualified Expenditures from Prior Years	0	0
Current Year Offsets	0	(300,174)
Waiver Granted by Department of Education	0	0
Prior Year Offsets from Bond Proceeds	0	0
	<u>0</u>	<u>0</u>
 Totals	 <u>\$ (60,689)</u>	 <u>\$ (275,546)</u>
 Balance Carried Forward to Fiscal Year 2012	 <u>\$ 0</u>	 <u>\$ 0</u>
 Set-Aside Restricted Balance as of June 30, 2011	 <u>\$ 0</u>	 <u>\$ 0</u>

The School District had qualifying expenditures during the fiscal year that reduced textbook set-aside amount below zero. Effective July 1, 2011, textbook set-aside laws have been repealed. Therefore, the negative amount is not presented as being carried forward to future years.

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 of future years. This negative balance is therefore not presented as being carried forward to future years.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 20: RELATED PARTY TRANSACTIONS

During 2011, the School District provided accounting and fiscal services to the Massillon Digital Academy (the “Digital Academy”), a discretely presented component unit of the School District. The School District acts as the Sponsor for the Academy. The School District and the Academy entered into a 5-year sponsorship agreement commencing on the first day of the 2007 academic year whereby terms of the sponsorship were established. Pursuant to this agreement, the School District’s treasurer serves as the Academy’s fiscal officer. The School District is to be paid an initial payment of \$25,000 and \$150 per student per year for various services by the Academy; however, the School District waived the \$150 per student for fiscal year 2011.

NOTE 21: RESTATEMENT OF FUND BALANCES

Fund reclassifications are required in order to report funds in accordance with GASB Statement No. 54 “*Fund Balance Reporting and Governmental Fund Type Definitions.*” These fund reclassifications had the following effect on the School District’ governmental fund balances as previously reported:

	General	Nonmajor Governmental
Fund Balance Previously Reported at June 30, 2010	\$ 3,519,207	\$ 5,524,047
Fund Reclassification:		
Uniform School Supplies Fund	48,619	(48,619)
Customer Service Fund	4,372	(4,372)
Public School Support Fund	76,872	(76,872)
Endowments	0	(102,741)
Restated Fund Balance at July 1, 2010	\$ 3,649,070	\$ 5,291,443

The fund reclassifications had the following effect on net assets previously reported:

	Governmental Activities	Private Purpose Trust Funds
Previously Reported Net Assets, June 30, 2010	\$ 39,248,107	\$ 29,888
Fund Reclassification:		
Endowments	(102,741)	102,741
Restated Net Assets, July 1, 2010	\$ 39,145,366	\$ 132,629

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 21: RESTATEMENT OF FUND BALANCES (Continued)

In prior years certain funds that are legally budgeted in separate special revenue funds were considered part of the general fund on a budgetary basis. Pursuant to GASB Statement No. 54, only the legally budgeted general fund should be reported in the budgetary statement; therefore, a restatement to the beginning budgetary balance is required. The restatement of the general fund's budgetary basis fund balance at June 30, 2010 is as follows:

	General Fund
Balance at June 30, 2010	\$ 6,454,297
Funds Budgeted Elsewhere	(264)
Restated Balance at July 1, 2010	\$ 6,454,033

NOTE 22: FUND BALANCE

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

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

	General	Bond Retirement	Other Governmental Funds	Total
Restricted for:				
Debt Service	\$ 0	\$ 2,166,506	\$ 0	\$ 2,166,506
Capital Outlay	0	0	2,577,591	2,577,591
Other Purposes	0	0	453,802	453,802
Classroom Facilities Maintenance	0	0	1,820,838	1,820,838
Student Activities Programs	0	0	561,901	561,901
Federally Funded Programs	0	0	189,053	189,053
State Funded Programs	0	0	8,261	8,261
Total Restricted	0	2,166,506	5,611,446	7,777,952
Assigned for:				
Encumbrances	1,117,577	0	0	1,117,577
Unassigned	1,806,813	0	(346,005)	1,460,808
<i>Total Fund Balance</i>	\$ 2,924,390	\$ 2,166,506	\$ 5,265,441	\$ 10,356,337

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 23: SUBSEQUENT EVENT

On July 19, 2011, the School District issued \$2,425,000 of general obligation bonds to retire bond anticipation notes. The bonds consist of serial and term bonds in the amount of \$1,355,000 and \$1,070,000, respectively. Interest rates range from 1.00 to 3.00 percent on the serial bonds and 3.25 to 3.75 percent on the term bonds. They were issued for a fourteen year period with final maturities at December 1, 2025.

NOTE 24: MASSILLON DIGITAL ACADEMY

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

A. Significant Accounting Policies

Accounting Basis The Digital Academy applies generally accepted accounting principles (GAAP) that were issued prior to November 30, 1989 by the Financial Accounting Standards Board (FASB) to its governmental funds provided they not conflict with or contradict GASB pronouncements. The FASB has codified its standards and the standards issued prior to November 30, 1989 are included in the codification. The more significant of the Academy’s accounting policies are shown below.

Basis of Presentation Enterprise accounting is used to account for operations that are financed and operated in a manner similar to private business enterprises where the intent is that the costs (expenses) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or where it has been decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Measurement Focus and Basis of Accounting Enterprise accounting uses a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities are included on the statement of net assets. The statement of revenues, expenses and changes in net assets presents increases (e.g. revenues) and decreases (e.g. expenses) in net total assets. The statement of cash flows reflects how the Digital Academy finances and meets its cash flow needs.

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

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 24: MASSILLON DIGITAL ACADEMY (Continued)

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

Cash and Cash Equivalents Cash held by the Digital Academy is reflected as "Cash and Cash Equivalents in Segregated Accounts" on the statement of net assets. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During 2011, the Academy had no investments.

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

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

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

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

Amounts received under the grant programs for the year ended June 30, 2011 was \$117,235.

Capital Assets and Depreciation Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair market values as of the date received. The Digital Academy maintains a capitalization threshold of five hundred dollars. The Digital Academy does not possess any infrastructure.

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

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

Net Assets Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Digital Academy had unrestricted net assets of \$575,582 and \$50,789 of restricted net assets at year end. The Digital Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 24: MASSILLON DIGITAL ACADEMY (Continued)

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

Estimates The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Extraordinary and Special Items Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended 2011.

B. Deposits

At June 30, 2011 the carrying amount of the Digital Academy's deposits was \$577,091 and the bank balance was \$585,438. At year-end, \$335,438 of the Digital Academy's bank balance was exposed to custodial risk while \$250,000 was covered by Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2011, was as follows:

Balance 06/30/2010	Additions	Disposals	Balance 06/30/2011
\$ 2,646	\$ 0	\$ 0	\$ 2,646
204,321	998	0	205,319
(188,598)	(14,077)	0	(202,675)
\$ 18,369	\$ (13,079)	\$ 0	\$ 5,290

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 24: MASSILLON DIGITAL ACADEMY (Continued)

D. Fiscal Officer

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

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

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

E. Related Party Transactions

The Digital Academy is a component unit of the Massillon City School District (the “School District”). The School District is the Academy’s sponsor. The Digital Academy and the School District entered into a 5-year sponsorship agreement commencing on the first day of the 2007 academic year, whereby terms of the sponsorship were established. Pursuant to this agreement, the School District’s treasurer serves as the Digital Academy’s fiscal officer. The Digital Academy is required to pay an initial payment of \$25,000 and \$150 per student per year to the School District, from funding provided to the Academy by the Ohio Department of Education pursuant to Section 3314.08 of the Ohio Revised Code. The Sponsor has not requested payment of the \$150 per student since the Academy’s inception. The Sponsor realizes that the survival of the Academy’s existence rests on the operational funds provided through the State Foundation program.

F. Purchased Services

For the year ended June 30, 2011, purchased service expenses were recognized for professional services rendered by various vendors as follows:

	2011
Massillon Board of Education	\$ 428,113
SPARCC	21,075
Massillon Cable TV Inc.	20,075
Other	4,415
Total Purchased Services	\$ 473,678

For the year ended June 30, 2011, the Academy recognized \$428,113 in expenses for educational services and curriculum provided by the Massillon Board of Education.

Massillon City School District
Notes To The Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2011

NOTE 24: MASSILLON DIGITAL ACADEMY (Continued)

G. Contingencies

Grants The Digital Academy received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability. However in the opinion of the management, any such disallowed claims will not have a material adverse effect on the overall financial position of the Digital Academy at June 30, 2011.

Full Time Equivalency The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. Upon final review of the state funding in 2011 it was found that the State under paid the Academy by \$1,036. This amount was recorded as an intergovernmental receivable as of June 30, 2011.

H. Risk Management

The Digital Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2011, the Digital Academy contracted with the Ohio Casualty Insurance Company through its agent Leonard Insurance Services of Canton, Ohio. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

December 29, 2011

To the Board of Education
Massillon City School District
207 Oak Street S.E.
Massillon, Ohio 44646

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Massillon City School District (the "School District") as of and for the year ended June 30, 2011, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated December 31, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the School District in a separate letter dated December 29, 2011.

This report is intended solely for the information and use of the Board of Education, management, federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than those specified parties.

Rea & Associates, Inc.

December 29, 2011

To the Board of Education
Massillon City School District
207 Oak Street S.E.
Massillon, Ohio 44646

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Compliance

We have audited the compliance of Massillon City School District (the "School District") with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133, *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the School District's management. Our responsibility is to express an opinion on the School District's compliance based on our audit.

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

In our opinion, the School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-001 & 2011-002.

Internal Control Over Compliance

Management of the School 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 School 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-001 & 2011-002. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The School District's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit the School District's responses and, accordingly, we express no opinion on them.

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

Rea & Associates, Inc.

**MASSILLON CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CASH BASIS
FOR THE YEAR ENDED JUNE 30, 2011**

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
U. S. Department of Education						
<i>Passed Through Ohio Department of Education:</i>						
<i>Title I Cluster:</i>						
Title I	84.010	2010	\$ 14,453	\$ 0	\$ 16,585	\$ 0
Title I	84.010	2011	1,049,159	0	1,087,579	0
ARRA - Title I	84.389	2010	386,234	0	380,651	0
ARRA - Title I	84.389	2011	161,848	0	154,499	0
Total Title I Cluster			<u>1,611,694</u>	<u>0</u>	<u>1,639,314</u>	<u>0</u>
School Improvement Grants	84.377	2010	1,803	0	301	0
ARRA - McKinney-Vento Homeless Assistance Act	84.387	2010	400	0	0	0
ARRA - McKinney-Vento Homeless Assistance Act	84.387	2011	3,761	0	3,761	0
Total ARRA - McKinney-Vento Homeless Assistance Act			<u>4,161</u>	<u>0</u>	<u>3,761</u>	<u>0</u>
21st Century Community Learning Centers	84.287	2010	141,724	0	114,585	0
21st Century Community Learning Centers	84.287	2011	450,448	0	453,684	0
Total 21st Century Community Learning Centers			<u>592,172</u>	<u>0</u>	<u>568,269</u>	<u>0</u>
Title II-A - Improving Teacher Quality	84.367	2010	26	0	0	0
Title II-A - Improving Teacher Quality	84.367	2011	290,620	0	290,495	0
Total Title II-A - Improving Teacher Quality			<u>290,646</u>	<u>0</u>	<u>290,495</u>	<u>0</u>
<i>Special Education Cluster:</i>						
ARRA - IDEA Part B	84.391	2010	78,448	0	69,990	0
IDEA Part B	84.027	2011	969,324	0	981,046	0
ARRA - IDEA Part B	84.391	2011	483,290	0	514,417	0
Total IDEA Part B			<u>1,531,062</u>	<u>0</u>	<u>1,565,453</u>	<u>0</u>
Early Childhood Special Education	84.173	2011	11,735	0	11,735	0
ARRA - Early Childhood Special Education	84.392	2010	554	0	0	0
ARRA - Early Childhood Special Education	84.392	2011	5,433	0	5,433	0
Total Early Childhood Special Education			<u>17,722</u>	<u>0</u>	<u>17,168</u>	<u>0</u>
Total Special Education Cluster			<u>1,548,784</u>	<u>0</u>	<u>1,582,621</u>	<u>0</u>
Safe and Drug-Free Schools	84.186	2011	3,279	0	3,380	0
Education Technology State Grant	84.318	2010	3,967	0	3,977	0
Education Technology State Grant	84.318	2011	4,737	0	4,737	0
Total Education Technology State Grants			<u>8,704</u>	<u>0</u>	<u>8,714</u>	<u>0</u>
Carl D. Perkins Career and Technical Education Grant	84.048	2011	91,014	0	91,014	0
ARRA - State Fiscal Stabilization Fund	84.394	2010	0	0	566,325	0
ARRA - State Fiscal Stabilization Fund	84.394	2011	1,521,219	0	1,871,104	0
Total State Fiscal Stabilization Fund			<u>1,521,219</u>	<u>0</u>	<u>2,437,429</u>	<u>0</u>
Adult Education and Family Literacy Grant	84.002	2011	82,002	0	82,002	0
<i>Total U.S. Department of Education</i>			<u>\$ 5,755,478</u>	<u>\$ 0</u>	<u>\$ 6,707,300</u>	<u>\$ 0</u>

MASSILLON CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURE OF FEDERAL AWARDS - CASH BASIS (continued)
FOR THE YEAR ENDED JUNE 30,2011

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Cash Receipts	Non-Cash Receipts	Cash Disbursements	Non-Cash Disbursements
U. S. Department of Agriculture						
<i>Passed Through the Ohio Department of Education:</i>						
Team Nutrition Grants	10.574	2010	\$ 0	\$ 0	\$ 515	\$ 0
<i>Child Nutrition Cluster:</i>						
School Breakfast Program (B)	10.553	2011	233,138	0	233,138	0
Total School Breakfast Program			233,138	0	233,138	0
National School Lunch Program (Food Distribution) (A)	10.555	2011	0	61,747	0	61,747
National School Lunch Program (B)	10.555	2011	982,559	0	982,559	0
Total National School Lunch Program			982,559	61,747	982,559	61,747
Total Child Nutrition Cluster			1,215,697	61,747	1,215,697	61,747
<i>Total U.S. Department of Agriculture</i>			1,215,697	61,747	1,216,212	61,747
U. S. Environmental Protection Agency						
<i>Passed Through the Stark County ESC:</i>						
ARRA - Clean Diesel Emissions Reduction Grant	66.039	2011	13,862	0	13,862	0
<i>Passed Through the Osnaburg Local School District:</i>						
ARRA - Clean Diesel Emissions Reduction Grant	66.039	2010	62,043	0	62,043	0
Total Clean Diesel Emissions Reduction Grant			75,905	0	75,905	0
<i>Total U.S. Environmental Protection Agency</i>			75,905	0	75,905	0
U. S. Department of Health and Human Services						
<i>Passed Through the Ohio Department of MRDD:</i>						
Student Intervention TANF Demonstration Project	93.558	2008	0	0	1,629	0
Medical Assistance Program						
Community Alternative Funding System (C)	93.778	n/a	14,031	0	0	0
<i>Total U.S. Department of Health and Human Services</i>			14,031	0	1,629	0
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 7,061,111</u>	<u>\$ 61,747</u>	<u>\$ 8,001,046</u>	<u>\$ 61,747</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

MASSILLON CITY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS – CASH BASIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011

Note A - Food Donation Program

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

Note B –Child Nutrition Cluster

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

Note C – Medical Assistance Program

The School District received \$14,031 of CAFS settlement in fiscal year 2011. The amount received relates to settlements for CAFS service provided during prior years.

Note D - Transfers

The School District generally must spend Federal assistance within 15 months of receipt (funds must be obligated by June 30 and spent by September 30). However, with Ohio Department of Education’s (ODE) approval, a School District can transfer unspent Federal assistance to the succeeding year, thus allowing the School District a total of 27 months to spend the assistance. During fiscal year 2011, ODE authorized the following transfers:

<u>CFDA Number / Grant Title</u>	<u>Grant Year</u>	<u>Transfer In</u>	<u>Transfer Out</u>
84.010 Title I	2011	\$ 169,353	
84.010 Title I	2010		\$ 169,353
84.389 ARRA Title I	2011	161,849	
84.389 ARRA Title I	2010		161,849
84.010 Title I School Improvement	2011	86	
84.010 Title I School Improvement	2010		86
84.186 Safe and Drug Free Schools	2011	3,380	
84.186 Safe and Drug Free Schools	2010		3,380
84.027 Special Education IDEA Part B	2011	8,983	
84.027 Special Education IDEA Part B	2010		8,983
84.318 Title II-D: Technology Literacy Challenge Fund	2011	641	
84.318 Title II-D: Technology Literacy Challenge Fund	2010		641
84.387 ARRA McKinney-Vento Homeless Prevention Act	2011	3,761	
84.387 ARRA McKinney-Vento Homeless Prevention Act	2010		3,761
84.392 ARRA Early Childhood Special Education	2011	5,891	
84.392 ARRA Early Childhood Special Education	2010		5,891
84.391 ARRA IDEA Part B	2011	690,976	
84.391 ARRA IDEA Part B	2010		690,976

**MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OMB CIRCULAR A-133, Section .505
JUNE 30, 2011**

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 significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	Yes
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unqualified
(d) (1) (vi)	Are there any reportable findings under Section .510?	Yes
(d) (1) (vii)	Major Programs (list):	Title I Cluster CFDA #84.010 and #84.389 Special Education Cluster CFDA #84.027, #84.173, #84.392 and #84.391 ARRA- State Fiscal Stabilization Fund CFDA #84.394 Nutrition Cluster CFDA #10.555 and #10.553 21 st Century Community Learning Centers 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?	No

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding Number	2011-001
CFDA Title and Number	Child Nutrition Cluster – CFDA #10.553, #10.555
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Agriculture
Pass-Through Agency	Ohio Department of Education

Questioned Cost / Noncompliance / Significant Deficiency – Eligibility

Criteria:

7 CFR part 245.3(a) states that each State agency, shall by July 1 of each year announce family-size income standards to be used by local educational agencies, as defined in §245.2, under the jurisdiction of such State agency, in making eligibility determinations for free or reduced price meals and for free milk. Such family size income standards for free and reduced price meals and for free milk shall be in accordance with Income Eligibility Guidelines published by the Department by notice in the Federal Register.

42 U.S.C. § 1758(b)(1) states the income guidelines for determining eligibility for free lunches shall be 130 percent of the applicable family size income levels contained in the nonfarm income poverty guidelines prescribed by the Office of Management and Budget, as adjusted annually in accordance with subparagraph (B). The income guidelines for determining eligibility for reduced price lunches for any school year shall be 185 percent of the applicable family size income levels contained in the nonfarm income poverty guidelines prescribed by the Office of Management and Budget, as adjusted annually in accordance with subparagraph (B).

Condition/Context:

During testing of certain free and reduced lunch applications, 2 out of 46 applications tested were improperly awarded free and reduced lunches rather than being reduced or denied. It was also noted during testing that 2 out of 46 applications tested were improperly charged full price lunches rather than being awarded free or reduced.

Effect:

As a result, the District’s federal Nutrition Cluster reimbursement was overstated. This overstatement resulted in actual questioned costs totaling \$415. Projected questioned costs exceeds \$10,000.

Recommendation:

Going forward, the School District should implement procedures to help reduce the risk that a family’s free or reduced lunch status is improperly determined, through proper training of employees who handle the data entry at all the School District’s buildings.

Finding Number	2011-001(Continued)
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Official’s Response / Corrective Action:

On January 13, 2012, we will provide all the secretaries that process Free and Reduced applications an in-service on the application process and to have a question and answer session. We will also start an internal audit of fiscal year 2012 applications and make corrections as needed.

Finding Number	2011-002
CFDA Title and Number	State Fiscal Stabilization Fund – CFDA #84.394
Federal Award Number / Year	2011
Federal Agency	U.S. Department of Education
Pass-Through Agency	Ohio Department of Education

Noncompliance/Significant Deficiency – Cash Management

Criteria:

34 CFR 80.20 (b)(7) states in part: “When advances are made by letter-of-credit or electronic transfer of funds methods, the grantee must make drawdowns as close as possible to the time of making disbursements.” The Ohio Department of Education (“ODE”) subsequently stated local agencies must have an internal control system in place to ensure advance SFSF payments are spent timely (i.e., within 30 days or month end).

Condition/Context:

Throughout the year, the School District did not spend all the advances by month end. The level of these balances allowed the School District to earn interest on these funds.

Effect:

The interest must be remitted to the U.S. Department of Education through ODE. ODE will review the calculation and determine if the amount remitted is correct. An amount of \$100 per entity may be retained under 34 CFR 80.21 for administrative expenses. During the fiscal year ended June 30, 2011, an amount due to ODE is calculated at \$2,305.

Recommendation:

Failure to timely expend federal funds and to monitor interest earnings could result in a reduction, loss, or return of federal funds. We recommend the School District monitor available cash balances in federal funds to ensure advances are spent timely.

Official’s Response/Corrective Action Plan:

Before the SFSF money was distributed, it was strongly suggested at many of the professional development meetings that School Districts do not use grant funds for salary/fringes unless there was the ability to sustain/maintain those employment positions after the funding was gone. Therefore the Massillon City School District made the decision to utilize those grant funds for the purchase of new textbooks that were sorely needed district wide for our education programs. The SFSF money was also used to upgrade the educational technology component of the curriculum coursework. These types of expenditures are NOT of such a nature that the funding can be “spent down” by month’s end. Therefore, there should have been more definitive explanations for the procedures in expending the SFSF money. At the very least, there should have been a little more leeway in the auditing of these funds.

**MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY, OHIO
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED JUNE 30, 2011**

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

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected, Significantly Different Corrective Action Taken or Finding No Longer Valid (Explain)
2010-1	Audit adjustment to increase accounts payable.	Yes	
2010-2	Following Procedures for Additions and Disposals of Capital Assets.	Partially Corrected	Included in Management Letter
2010-3	Cash Management in regards to the SFSF and spending within month end on the advances received.	No	See Finding 2011-002

Independent Accountant's Report on Applying Agreed-Upon Procedures

Board of Education
Massillon City School District
207 Oak Street S.E.
Massillon, Oh 44646

December 29, 2011

To the Board of Directors:

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

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

1. We noted the School District amended its anti-harassment policy at its meeting on October 26, 2011 to include violence within a dating relationship within its definition of harassment, intimidation or bullying.

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

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

Rea & Associates, Inc.



Dave Yost • Auditor of State

MASSILLON CITY SCHOOL DISTRICT

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
MARCH 20, 2012**