



Rea & associates *a brighter way*

Massillon City School District

Stark County, Ohio

Audited Financial Statements

For the Fiscal Year Ended
June 30, 2014



Dave Yost • Auditor of State

Board of Education
Massillon City School District
930 17th Street NE
Massillon, Oh 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, 2013 through June 30, 2014. 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

December 5, 2014

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Massillon City School District
Stark County, Ohio
Table of Contents
June 30, 2014

	<i>Page</i>
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis.....	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Position	13
Statement of Activities.....	14
Fund Financial Statements:	
Balance Sheet – Governmental Funds	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Basis) and Actual – General Fund	19
Statement of Fiduciary Net Position – Fiduciary Funds	20
Statement of Changes in Fiduciary Net Position – Private Purpose Trust Fund	21
Notes to the Basic Financial Statements	22
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements – Performed in Accordance with Government Auditing Standards.....	58
Independent Auditor’s Report on Compliance for Each Major Program and Report on Internal Control Over Compliance Required by OMB Circular A-133.....	60
Schedule of Expenditures of Federal Awards.....	62
Notes to Schedule of Expenditures of Federal Awards	63
Schedule of Findings and Questioned Costs.....	64

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November 14, 2014

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

Independent Auditor's Report

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Massillon City School District, Stark County, Ohio, (the "School District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Massillon City School District, Stark County, Ohio, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that *Management's Discussion and Analysis* on pages 5 through 12 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering School District's internal control over financial reporting and compliance.

Rea & Associates, Inc.

New Philadelphia, Ohio

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Massillon City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

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, 2014. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

Financial Highlights

Key financial highlights for fiscal year 2014 are as follows:

- Net position increased \$5,165,885, which represents a 14 percent increase from fiscal year 2013.
- Capital assets decreased \$1,140,546 during fiscal year fiscal year 2014.
- During the year, outstanding debt, excluding unamortized premiums and refunding losses, decreased from \$11,181,124 to \$10,663,811 due to principal payments made by the School District.

Using this Annual Report

This annual report consists of a series of financial statements and notes to those statements. The statements are organized so the reader can understand the Massillon City School District as a whole entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

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

Reporting the School District as a Whole

Statement of Net Position and the Statement of Activities

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2014?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

Massillon City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

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

In the *Statement of Net Position* and the *Statement of Activities*, Governmental Activities include the School District's programs and services, including instruction, support services, extracurricular activities, and non instructional services, i.e., food service operations.

Reporting the School District's Most Significant Funds

Fund Financial Statements

The major funds financial statements begin on page 15. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in the agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 20 and 21. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

The School District as a Whole

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2014 compared to fiscal year 2013:

Massillon City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Table 1
Net Position

	Governmental Activities	
	2014	Restated 2013
Assets		
Current and Other Assets	\$ 40,421,739	\$ 33,828,051
Capital Assets	36,518,318	37,658,864
<i>Total Assets</i>	<u>76,940,057</u>	<u>71,486,915</u>
Deferred Outflows of Resources	<u>645,173</u>	<u>700,473</u>
Liabilities		
Other Liabilities	4,750,536	4,904,867
Long-Term Liabilities	15,119,492	15,068,449
<i>Total Liabilities</i>	<u>19,870,028</u>	<u>19,973,316</u>
Deferred Inflows of Resources	<u>16,432,287</u>	<u>16,097,042</u>
Net Position		
Net Investment in Capital Assets	25,440,235	26,560,944
Restricted	9,995,360	7,792,107
Unrestricted	5,847,320	1,763,979
<i>Total Net Position</i>	<u>\$ 41,282,915</u>	<u>\$ 36,117,030</u>

At year end, capital assets represented 48 percent of total assets. Capital assets include, land, construction in progress, land improvements, buildings and improvements, furniture and fixtures and vehicles. Net investments in capital assets were \$25,440,235 at June 30, 2014. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$9,995,360 or 24 percent represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position of \$5,847,320 may be used to meet the government's ongoing obligations to students and creditors.

Total assets increased \$5,453,142. The largest increase was in taxes receivable and cash due to an emergency operating levy being passed in fiscal year 2013 and the collection of tax revenues in fiscal year 2014. Grants receivable also increased due to grants not being completely drawn down at the end of fiscal year 2014. Capital assets decreased \$1,140,546 as depreciation outpaced additions.

Net position increased \$5,165,885 due to additional tax revenues from the passing of an emergency levy in fiscal year 2013.

Massillon City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Table 2 shows the changes in net position for fiscal year 2014 and 2013.

Table 2
Changes in Net Position

	Governmental Activities	
	2014	2013
Revenues		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,598,847	\$ 2,791,672
Operating Grants	6,469,200	4,779,769
<i>Total Program Revenues</i>	<u>9,068,047</u>	<u>7,571,441</u>
<i>General Revenues:</i>		
Property Taxes	17,572,101	15,370,049
Income Taxes	23,680	25,302
Grants and Entitlements Not Restricted	24,825,283	23,673,717
Other	290,438	254,282
<i>Total General Revenues</i>	<u>42,711,502</u>	<u>39,323,350</u>
<i>Total Revenues</i>	<u>51,779,549</u>	<u>46,894,791</u>
Program Expenses		
Instruction:		
Regular	19,753,743	19,550,690
Special	5,078,413	4,600,588
Vocational	2,000,682	1,860,105
Adult/Continuing	46,642	53,938
Student Intervention Services	101,674	92,552
Other	545,999	715,374
Support Services:		
Pupils	2,771,484	2,995,043
Instructional Staff	1,240,738	1,366,487
Board of Education	116,871	138,673
Administration	2,588,351	2,708,782
Fiscal	1,011,705	1,005,027
Business	9,788	8,019
Operation and Maintenance of Plant	4,976,927	5,461,315
Pupil Transportation	1,645,807	1,708,738
Central	313,631	495,765
Operation of Non-Instructional Services:		
Food Service Operations	1,613,878	1,541,425
Community Services	269,087	175,254
Other	0	78,405
Extracurricular Activities	2,001,642	1,986,806
Debt Service:		
Interest and Fiscal Charges	526,602	508,168
<i>Total Expenses</i>	<u>46,613,664</u>	<u>47,051,154</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 5,165,885</u>	<u>\$ (156,363)</u>

Massillon City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Revenues increased in fiscal year 2014 by \$4,884,758. Operating grants increased by \$1,689,431 due to the grants not being completely drawn down at the end of fiscal year 2014. Property taxes also showed an increase in the amount of \$2,202,052. This increase is due to the passing of an emergency operating levy in fiscal year 2013 and the taxes being collected in fiscal year 2014 due to the lag of collection of taxes. The special instruction expense increased by \$477,825. Fluctuations between support services pupils and instructional staff expenses can be attributed to re-coding of expenses in accordance with the revised expenditure standards approved by the State Board of Education on December 11, 2012. The expenditure standards revisions addressed operating expenditures and classroom instruction versus non-classroom expenditures.

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

Table 3
Governmental Activities

	Total Cost of Service		Net Cost of Service	
	2014	2013	2014	2013
Instruction:				
Regular	\$ 19,753,743	\$ 19,550,690	\$ 18,220,012	\$ 17,811,993
Special	5,078,413	4,600,588	3,057,052	3,598,246
Vocational	2,000,682	1,860,105	1,181,279	1,348,806
Adult/Continuing	46,642	53,938	(8,381)	854
Student Intervention Services	101,674	92,552	79,781	92,552
Other	545,999	715,374	193,522	434,697
Support Services:				
Pupils	2,771,484	2,995,043	2,283,499	2,784,384
Instructional Staff	1,240,738	1,366,487	743,976	790,173
Board of Education	116,871	138,673	116,871	138,673
Administration	2,588,351	2,708,782	2,296,376	2,425,188
Fiscal	1,011,705	1,005,027	1,011,705	1,005,027
Business	9,788	8,019	9,788	8,019
Operation and Maintenance of Plant	4,976,927	5,461,315	4,791,242	5,234,963
Pupil Transportation	1,645,807	1,708,738	1,570,863	1,643,054
Central	313,631	495,765	302,831	484,965
Operation of Non-Instructional Services:				
Food Service Operations	1,613,878	1,541,425	(132,607)	(192,803)
Community Services	269,087	175,254	17,113	(53,216)
Other	0	78,405	0	78,405
Extracurricular Activities	2,001,642	1,986,806	1,284,093	1,337,565
Debt Service:				
Interest and Fiscal Charges	526,602	508,168	526,602	508,168
Total Expenses	\$ 46,613,664	\$ 47,051,154	\$ 37,545,617	\$ 39,479,713

Massillon City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

The dependence upon general revenues for governmental activities is apparent. Nearly 81 percent of governmental activities are supported through taxes and other general revenues; such revenues are 82 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

Governmental Funds

Information about the School District's major funds starts on page 15. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$50,480,411 and expenditures of \$46,174,074 for fiscal year. The net change in fund balances for the fiscal year was an increase of \$5,148,460 for all governmental funds with the most significant increase in the general fund.

The general fund's net change in fund balance for fiscal year 2014 was an increase of \$4,414,820. Revenues increased by \$3,743,215, mainly in tax revenue and intergovernmental revenue. This increase is due the passing of an emergency operating levy in fiscal year 2013 and collection of taxes in fiscal year 2014. Intergovernmental revenue increased due to additional State foundation revenue in fiscal year 2014.

General Fund Budgeting Highlights

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

During the course of fiscal year 2014, the School District did amend its general fund budget a few times. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

The final budget revenues of \$40,496,398 were \$2,023,474 higher compared to the original budget revenues of \$38,472,924. This increase is due to an underestimation of tax and intergovernmental revenue.

For the general fund, actual budget basis revenue was \$41,809,102, which was higher than the final budget basis revenue by \$1,312,704. Most of this difference is due to an underestimation of tax and intergovernmental revenue.

Final expenditure appropriations of \$40,896,082 were \$2,460,720 higher than the actual expenditures of \$38,435,362 as cost savings were recognized mostly in support services operation and maintenance. Final expenditure appropriations were \$1,200,756 higher than original appropriations of \$39,695,326, as expenses were conservatively budgeted for in anticipation of an increase in property taxes.

Massillon City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Capital Assets and Debt Administration

Capital Assets

At the end of fiscal year 2014, the School District had \$36,518,318 invested in capital assets. Table 4 shows fiscal year 2014 balances compared with 2013.

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

	Governmental Activities	
	2014	2013
Land	\$ 3,544,936	\$ 3,544,936
Construction in Progress	68,360	0
Land Improvements	1,318,525	1,584,179
Buildings and Building Improvements	28,197,878	29,748,693
Furniture and Fixtures	2,081,028	2,226,666
Vehicles	1,307,591	554,390
<i>Totals</i>	<u>\$ 36,518,318</u>	<u>\$ 37,658,864</u>

The \$1,140,546 decrease in capital assets was attributable to depreciation and disposals exceeding additional purchases in the current year. See Note 6 for more information about the capital assets of the School District.

Debt

At June 30, 2014, the School District had \$10,663,811 in debt outstanding. See Note 14 for additional details. Table 5 summarizes bonds outstanding.

Table 5
Outstanding Debt at June 30

	Governmental Activities	
	2014	2013
General Obligation Bonds:		
Various Series/Term Bonds	\$ 9,975,000	\$ 10,675,000
Various Capital Appreciation Bonds	209,995	209,995
Accretion on Capital Appreciation Bonds	478,816	296,129
<i>Totals</i>	<u>\$ 10,663,811</u>	<u>\$ 11,181,124</u>

Massillon City School District
Stark County, Ohio
Management's Discussion and Analysis
For the Fiscal Year Ended June 30, 2014

Current Issues

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

The Board and Administration has been working over the past couple years to right-size the School District. The first phase was in fiscal year 2012, the Massillon City Board of Education voted to close three (3) elementary schools, reduce five (5) administrative positions, twenty-eight (28) certified positions and twenty (20) classified positions. All staff voted to take a wage and step increase freeze for fiscal year 13 and fiscal year 14. The second phase was to pass a \$3.4 million Emergency Levy with a term of 5 years to enable the School District to maintain the current programs being offered. With this accomplished on November 6, 2012, the School District is now able to follow the Strategic Plan's Goal "To become a fiscally accountable and transparent school district worth of our citizens' trust".

Massillon is a proud community with a rich history. We need to preserve that. We are examining ways to reduce expenditures while minimizing the impact on students. Our priority to stabilize our financial situation has been accomplished, but must be monitored so that we may continue to provide the basic education services necessary for students and their families. We will continue to operate within the five-year forecast. Our long term goal is to be a school district that inspires our community with our academic, artistic and athletic programs.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to show the School District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact Sandy Moeglin, Treasurer of Massillon City School District, 930 17th Street N. E., Massillon, Ohio 44646 or smoeglin@massillonschools.org.

Massillon City School District
Stark County, Ohio
Statement of Net Position
June 30, 2014

	Primary Government	Component Unit
	Governmental Activities	Massillon Digital Academy
Assets		
Equity in Pooled Cash and Investments	\$ 18,582,642	\$ 824,620
Cash and Cash Equivalents in Segregated Accounts	90,321	0
Receivables:		
Accrued Interest	6,809	0
Accounts	30,662	0
Intergovernmental	1,558,464	61,097
Income Taxes	27,826	0
Property Taxes	20,125,015	0
Nondepreciable Capital Assets	3,613,296	0
Depreciable Capital Assets (Net)	32,905,022	30,670
<i>Total Assets</i>	<u>76,940,057</u>	<u>916,387</u>
Deferred Outflows of Resources		
Deferred Charges on Refunding	645,173	0
Liabilities		
Accounts Payable	125,281	700
Accrued Wages and Benefits	3,446,613	0
Contracts Payable	169,444	0
Intergovernmental Payable	588,795	0
Retainage Payable	14,143	0
Accrued Vacation Leave Payable	129,985	0
Matured Compensated Absences Payable	237,844	0
Accrued Interest Payable	38,431	0
Long Term Liabilities:		
Due Within One Year	1,088,249	0
Due In More Than One Year	14,031,243	0
<i>Total Liabilities</i>	<u>19,870,028</u>	<u>700</u>
Deferred Inflows of Resources		
Property Taxes Levied for the Next Year	16,432,287	0
Net Position		
Net Investment in Capital Assets	25,440,235	30,670
Restricted For:		
Capital Outlay	4,262,012	0
Debt Service	655,258	0
Other Purposes	5,078,090	43,977
Unrestricted	5,847,320	841,040
<i>Total Net Position</i>	<u>\$ 41,282,915</u>	<u>\$ 915,687</u>

The accompanying notes are intergral part of the basic financial statements.

Massillon City School District
Stark County, Ohio
Statement of Activities
For the Fiscal Year Ended June 30, 2014

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Component Unit
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Primary Governmental Activities	
Governmental Activities					
Instruction:					
Regular	\$ 19,753,743	\$ 1,320,468	\$ 213,263	\$ (18,220,012)	\$ 0
Special	5,078,413	155,752	1,865,609	(3,057,052)	0
Vocational	2,000,682	7,471	811,932	(1,181,279)	0
Adult/Continuing	46,642	0	55,023	8,381	0
Student Intervention Services	101,674	0	21,893	(79,781)	0
Other	545,999	0	352,477	(193,522)	0
Support Services:					
Pupils	2,771,484	0	487,985	(2,283,499)	0
Instructional Staff	1,240,738	0	496,762	(743,976)	0
Board of Education	116,871	0	0	(116,871)	0
Administration	2,588,351	0	291,975	(2,296,376)	0
Fiscal	1,011,705	0	0	(1,011,705)	0
Business	9,788	0	0	(9,788)	0
Operation and Maintenance of Plant	4,976,927	92,642	93,043	(4,791,242)	0
Pupil Transportation	1,645,807	45,929	29,015	(1,570,863)	0
Central	313,631	0	10,800	(302,831)	0
Operation of Non-Instructional Services:					
Food Service Operations	1,613,878	298,278	1,448,207	132,607	0
Community Services	269,087	0	251,974	(17,113)	0
Extracurricular Activities	2,001,642	678,307	39,242	(1,284,093)	0
Debt Service:					
Interest and Fiscal Charges	526,602	0	0	(526,602)	0
Total	<u>\$ 46,613,664</u>	<u>\$ 2,598,847</u>	<u>\$ 6,469,200</u>	<u>(37,545,617)</u>	<u>0</u>
Component Unit					
Massillon Digital Academy	<u>\$ 615,477</u>	<u>\$ 8,205</u>	<u>\$ 56,033</u>	<u>0</u>	<u>\$ (551,239)</u>
General Revenues					
Property Taxes Levied for:					
General Purposes				15,326,736	0
Debt Service				706,201	0
Capital Outlay				1,539,164	0
Income Taxes Levied for:					
General Purposes				23,680	0
Grants and Entitlements Not Restricted to Specific Programs				24,825,283	597,203
Insurance Recoveries				5,053	0
Investment Earnings				70,205	14,342
Miscellaneous				215,180	20
Total General Revenues				<u>42,711,502</u>	<u>611,565</u>
Change in Net Position				5,165,885	60,326
Net Position Beginning of Year (Restated-See Note 2P)				<u>36,117,030</u>	<u>855,361</u>
Net Position End of Year				<u>\$ 41,282,915</u>	<u>\$ 915,687</u>

The accompanying notes are intergral part of the basic financial statements.

Massillon City School District
Stark County, Ohio
Balance Sheet
Governmental Funds
June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Assets			
Equity in Pooled Cash and Investments	\$ 10,028,835	\$ 8,553,807	\$ 18,582,642
Cash and Cash Equivalents in Segregated Accounts	0	90,321	90,321
Receivables:			
Accrued Interest	6,809	0	6,809
Accounts	23,752	6,910	30,662
Interfund	65,447	0	65,447
Intergovernmental	405,887	1,152,577	1,558,464
Income Taxes	27,826	0	27,826
Property Taxes	17,639,076	2,485,939	20,125,015
<i>Total Assets</i>	<u>\$ 28,197,632</u>	<u>\$ 12,289,554</u>	<u>\$ 40,487,186</u>
Liabilities			
Accounts Payable	\$ 20,217	\$ 105,064	\$ 125,281
Accrued Wages and Benefits	3,140,404	306,209	3,446,613
Contracts Payable	0	169,444	169,444
Intergovernmental Payable	521,557	67,238	588,795
Retainage Payable	0	14,143	14,143
Matured Compensated Absences Payable	237,844	0	237,844
Interfund Payable	0	65,447	65,447
<i>Total Liabilities</i>	<u>3,920,022</u>	<u>727,545</u>	<u>4,647,567</u>
Deferred Inflows of Resources			
Property Taxes Levied for the Next Year	14,432,881	1,999,406	16,432,287
Unavailable Revenue	2,871,072	1,382,918	4,253,990
<i>Total Deferred Inflows of Resources</i>	<u>17,303,953</u>	<u>3,382,324</u>	<u>20,686,277</u>
Fund Balances			
Nonspendable	14,094	0	14,094
Restricted	0	8,339,083	8,339,083
Committed	465,378	0	465,378
Assigned	649,142	0	649,142
Unassigned	5,845,043	(159,398)	5,685,645
<i>Total Fund Balances</i>	<u>6,973,657</u>	<u>8,179,685</u>	<u>15,153,342</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 28,197,632</u>	<u>\$ 12,289,554</u>	<u>\$ 40,487,186</u>

The accompanying notes are intergral part of the basic financial statements.

Massillon City School District
Stark County, Ohio
Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
June 30, 2014

Total Governmental Fund Balances		\$ 15,153,342
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		36,518,318
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 948,056	
Income Taxes	3,418	
Property Taxes	3,302,516	
Total	4,253,990	4,253,990
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(38,431)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(9,975,000)	
Capital Appreciation Bonds	(209,995)	
Bond Premium	(780,104)	
Refunding Loss	645,173	
Accretion of Interest - Capital Appreciation Bonds	(478,816)	
Capital Lease Obligation	(709,070)	
Vacations Payable	(129,985)	
Compensated Absences	(2,966,507)	
	(14,604,304)	(14,604,304)
<i>Net Position of Governmental Activities</i>		\$ 41,282,915

The accompanying notes are intergral part of the basic financial statements.

Massillon City School District
Stark County, Ohio
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2014

	General	Other Governmental Funds	Total Governmental Funds
Revenues			
Property and Other Local Taxes	\$ 15,052,401	\$ 2,181,417	\$ 17,233,818
Income Taxes	23,999	0	23,999
Intergovernmental	25,091,913	5,200,649	30,292,562
Investment Income	64,730	6,069	70,799
Tuition and Fees	1,146,978	0	1,146,978
Extracurricular Activities	56,676	569,727	626,403
Rentals	90,971	19,573	110,544
Charges for Services	402,523	298,278	700,801
Contributions and Donations	6,578	52,750	59,328
Miscellaneous	210,895	4,284	215,179
<i>Total Revenues</i>	<u>42,147,664</u>	<u>8,332,747</u>	<u>50,480,411</u>
Expenditures			
Current:			
Instruction:			
Regular	18,255,591	187,077	18,442,668
Special	3,610,542	1,396,704	5,007,246
Vocational	1,980,070	44,353	2,024,423
Adult Education	0	46,975	46,975
Student Intervention Services	86,696	14,978	101,674
Other	242,778	284,619	527,397
Support Services:			
Pupils	2,393,452	388,082	2,781,534
Instructional Staff	1,013,818	255,960	1,269,778
Board of Education	116,871	0	116,871
Administration	2,334,612	248,292	2,582,904
Fiscal	961,303	44,665	1,005,968
Business	9,737	0	9,737
Operation and Maintenance of Plant	3,786,204	1,097,208	4,883,412
Pupil Transportation	1,472,475	31,534	1,504,009
Central	283,325	10,800	294,125
Extracurricular Activities	1,012,100	587,297	1,599,397
Operation of Non-Instructional Services:			
Food Service Operations	51	1,572,281	1,572,332
Community Services	9,300	268,808	278,108
Capital Outlay	836,170	49,086	885,256
Debt Service:			
Principal Retirement	173,860	719,670	893,530
Interest and Fiscal Charges	1,690	345,040	346,730
<i>Total Expenditures</i>	<u>38,580,645</u>	<u>7,593,429</u>	<u>46,174,074</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,567,019</u>	<u>739,318</u>	<u>4,306,337</u>
Other Financing Sources (Uses)			
Proceeds from Sale of Capital Assets	900	0	900
Insurance Recoveries	858	4,195	5,053
Inception of Capital Lease	836,170	0	836,170
Transfers In	9,873	0	9,873
Transfers Out	0	(9,873)	(9,873)
<i>Total Other Financing Sources (Uses)</i>	<u>847,801</u>	<u>(5,678)</u>	<u>842,123</u>
<i>Net Change in Fund Balance</i>	4,414,820	733,640	5,148,460
<i>Fund Balances Beginning of Year</i>	<u>2,558,837</u>	<u>7,446,045</u>	<u>10,004,882</u>
<i>Fund Balances End of Year</i>	<u>\$ 6,973,657</u>	<u>\$ 8,179,685</u>	<u>\$ 15,153,342</u>

The accompanying notes are intergral part of the basic financial statements.

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

*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2014*

Net Change in Fund Balances - Total Governmental Funds	\$	5,148,460
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 1,337,984	
Current Year Depreciation	<u>(2,468,159)</u>	(1,130,175)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(10,371)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	338,282	
Income Taxes	(319)	
Intergovernmental	<u>943,229</u>	1,281,192
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	700,000	
Capital Leases	<u>193,530</u>	893,530
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues.		
Inception of Capital Lease		(836,170)
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	(8,751)	
Amortization of Premium on Bonds	66,866	
Amortization of Refunding Loss	<u>(55,300)</u>	2,815
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	7,418	
Vacations Payable	<u>(8,127)</u>	(709)
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.		
		<u>(182,687)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>5,165,885</u></u>

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

Massillon City School District
Stark County, Ohio
Statement of Revenues, Expenditures, and Changes in Fund Balance -
Budget (Non-GAAP Basis) and Actual
General Fund
For the Fiscal Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
Revenues				
Property and Other Local Taxes	\$ 13,505,900	\$ 14,200,000	\$ 14,754,995	\$ 554,995
Income Taxes	25,539	25,000	26,017	1,017
Intergovernmental	23,296,910	24,661,698	25,345,901	684,203
Investment Income	35,953	35,000	45,964	10,964
Tuition and Fees	1,136,741	1,113,700	1,111,358	(2,342)
Rentals	81,862	80,000	89,799	9,799
Charges for Services	358,125	350,000	391,924	41,924
Contributions and Donations	1,086	1,000	4,150	3,150
Miscellaneous	30,808	30,000	38,994	8,994
<i>Total Revenues</i>	<u>38,472,924</u>	<u>40,496,398</u>	<u>41,809,102</u>	<u>1,312,704</u>
Expenditures				
Current:				
Instruction:				
Regular	17,752,572	18,272,886	18,012,993	259,893
Special	3,797,082	3,925,268	3,852,625	72,643
Vocational	1,942,299	2,014,424	1,973,243	41,181
Student Intervention Services	89,517	93,704	86,696	7,008
Other	566,005	263,692	254,742	8,950
Support Services:				
Pupils	2,825,937	2,882,297	2,687,318	194,979
Instructional Staff	863,937	1,191,570	1,039,748	151,822
Board of Education	208,106	162,629	152,965	9,664
Administration	2,462,749	2,562,563	2,357,384	205,179
Fiscal	1,203,486	1,139,560	1,070,001	69,559
Business	8,710	11,832	10,401	1,431
Operation and Maintenance of Plant	4,469,073	4,846,541	4,013,994	832,547
Pupil Transportation	1,667,553	1,929,157	1,699,692	229,465
Central	815,927	548,062	305,068	242,994
Extracurricular Activities	1,022,226	1,051,249	917,992	133,257
Operation of Non-Instructional Services:				
Community Services	147	648	500	148
<i>Total Expenditures</i>	<u>39,695,326</u>	<u>40,896,082</u>	<u>38,435,362</u>	<u>2,460,720</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(1,222,402)</u>	<u>(399,684)</u>	<u>3,373,740</u>	<u>3,773,424</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	0	0	900	900
Refund of Prior Year Expenditures	100,000	141,366	256,482	115,116
Insurance Recoveries	0	0	858	858
Advances In	100,000	100,000	4,852	(95,148)
Transfers In	0	11,958	11,365	(593)
Advances Out	0	(3,014)	(3,014)	0
Transfers Out	0	(511,358)	(923,691)	(412,333)
<i>Total Other Financing Sources (Uses)</i>	<u>200,000</u>	<u>(261,048)</u>	<u>(652,248)</u>	<u>(391,200)</u>
<i>Net Change in Fund Balance</i>	(1,022,402)	(660,732)	2,721,492	3,382,224
<i>Fund Balance Beginning of Year</i>	5,308,881	5,308,881	5,308,881	0
Prior Year Encumbrances Appropriated	853,048	853,048	853,048	0
<i>Fund Balance End of Year</i>	<u>\$ 5,139,527</u>	<u>\$ 5,501,197</u>	<u>\$ 8,883,421</u>	<u>\$ 3,382,224</u>

The accompanying notes are intergral part of the basic financial statements.

Massillon City School District
Stark County, Ohio
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2014

	Private Purpose Trust	Agency
Assets		
Equity in Pooled Cash and Investments	\$ 32,050	\$ 109,575
Investments	86,269	0
<i>Total Assets</i>	118,319	\$ 109,575
Liabilities		
Accounts Payable	10,000	\$ 0
Due to Students	0	109,575
<i>Total Liabilities</i>	10,000	\$ 109,575
Net Position		
Held in Trust for Scholarships	\$ 108,319	

The accompanying notes are intergral part of the basic financial statements.

Massillon City School District
Stark County, Ohio
Statement of Changes in Fiduciary Net Position
Private Purpose Trust Fund
For the Fiscal Year Ended June 30, 2014

	Private Purpose Trust
Additions	
Gifts and Contributions	\$ 1,000
Miscellaneous	25,000
Investment Earnings	150
<i>Total Additions</i>	26,150
Deductions	
Payments in Accordance with Trust Agreements	33,023
<i>Change in Net Position</i>	(6,873)
<i>Net Position Beginning of Year</i>	115,192
<i>Net Position End of Year</i>	\$ 108,319

The accompanying notes are intergral part of the basic financial statements.

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

The School District is located in Stark County and encompasses the entire City of Massillon.

Reporting Entity

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

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

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

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

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The Academy may acquire facilities as needed and contract for any services necessary for the operation of the school. The Academy is fiscally dependent on the School District for all accounting and fiscal purposes and is, therefore, presented as a component unit of the School District. Financial statements can be obtained from the Massillon Digital Academy, 930 17th Street N.E., Massillon, Ohio 44646.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting entity for establishing governmental accounting and financial reporting principles. The School District's significant accounting policies are described below.

A. Basis of Presentation

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

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

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

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

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

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

C. Measurement Focus

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

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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 inflows and outflows, and in the presentation of expenses versus expenditures.

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

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2014, but which were levied to finance 2015 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue includes delinquent property taxes, homestead and roll back, and intergovernmental local, state monies. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

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.

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

During fiscal year 2014, investments were limited to Federal National Mortgage Association notes, Federal Home Loan Bank notes, Federal Home Loan Mortgage Association notes Federal Farm Credit Bank notes, First American Treasury Market, US Treasury Note, a repurchase agreement, certificates of deposit, STAR Plus 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."

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, 2014.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2014 amounted to \$64,730, which includes \$19,425 assigned from other School District funds.

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

G. Capital Assets

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

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their 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.

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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:

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

H. Interfund Balances

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

I. Compensated Absences

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

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

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

J. Accrued Liabilities and Long-Term Obligations

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

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

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

K. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2014, none of the School District's net position was restricted by enabling legislation. Net position restricted for other purposes include instructional activities, grants and extracurricular activities.

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

L. Fund Balance Reserves

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

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

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

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

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

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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.

M. 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.

N. 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 2014.

O. 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.

P. Implementation of New Accounting Policies

For the fiscal year ended June 30, 2014, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 65, *Items Previously Reported as Assets and Liabilities*, GASB Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*, and GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*.

GASB Statement No. 65 properly classifies certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or recognizes certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The implementation of GASB Statement No. 65 resulted in debt issuance costs being expensed rather than being deferred. This had the following effect on net position as previously reported:

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

	Governmental Activities
Net Position Previously Reported June 30, 2013	\$ 36,381,614
Unamortized Debt Issuance Costs	(264,584)
Restated Net Position at July 1, 2013	\$ 36,117,030

GASB Statement No. 66 resolves conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting and thereby enhance the usefulness of the financial reports. The implementation of GASB Statement No. 66 did not have an effect on the financial statements of the School District.

GASB Statement No. 70 improves comparability of financial statements by requiring consistent reporting and specifying information required to be disclosed for extending and receiving nonexchange financial guarantees. The implementation of GASB Statement No. 70 did not have an effect on the financial statements of the School District.

NOTE 3: ACCOUNTABILITY AND COMPLIANCE

A. *Accountability*

Fund balances at June 30, 2014, included the following individual fund deficits:

	Deficit
Nonmajor Funds:	
Auxiliary Services	\$ 7,560
Title VI-B	51,799
Title I	99,676
Title VI-R	363

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).

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

<u>Net Change in Fund Balance</u>	
	<u>General</u>
GAAP Basis	\$ 4,414,820
Net Adjustment for Revenue Accruals	(763,728)
Net Adjustment for Expenditure Accruals	207,260
Funds Budgeted Elsewhere **	(478,035)
Adjustment for Encumbrances	<u>(658,825)</u>
 Budget Basis	 <u>\$ 2,721,492</u>

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

NOTE 5: DEPOSITS AND INVESTMENTS

State 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:

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

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

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

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 2014, 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.

At fiscal year-end, the carrying amount of the School District's deposits was \$4,047,832. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2014, \$1,858,181 the School District's bank balance of \$4,859,796 was exposed to custodial risk as discussed above, while \$3,001,615 was covered by Federal Deposit Insurance Corporation (FDIC), which includes \$2,574,983 held in a STAR Plus account. Deposits that are not covered by depository insurance are collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

Investments

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

Interest Rate Risk As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the School District's investment policy limits investment portfolio maturities to five years or less. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

As of June 30, 2014, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities		
		6 Months or Less	19 to 24 Months	More Than 24 Months
Federal Farm Credit				
Bank (FFCB) Notes	\$ 250,055	\$ 0	\$ 0	\$ 250,055
Federal National Mortgage Association (FNMA) Notes	1,989,307	0	750,531	1,238,776
Federal Home Loan Bank (FHLB) Notes	1,571,288		648,187	923,101
Federal Home Loan Bank (FHLB) Discount	244,945	244,945	0	0
Federal Home Loan Mortgage (FHLM) Discount	394,908	394,908	0	0
Federal Home Loan Mortgage (FHLM) Notes	2,108,566	430,444	625,269	1,052,853
First American Treasury Market	178,750	178,750	0	0
U.S Treasury notes	325,279	325,279	0	0
Repurchase Agreements	7,665,000	7,665,000	0	0
STAROhio	124,927	124,927	0	0
Total Investments	\$ 14,853,025	\$ 9,364,253	\$ 2,023,987	\$ 3,464,785

Credit Risk First American Treasury Market, U.S. Treasury notes, FHLM notes, FNMA notes, FHLB notes, FHLB discounts and FFCB notes were rated AAA and AA+ by Standard & Poor's and Moody's Investor Services. The School District's investments in the federal agency securities that underlie the School District's repurchase agreements were rated AA+ by Moody's Investor Services. STAROhio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAROhio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAROhio as of June 30, 2014, is 51.4 days and carries a rating of AAAM by Standard and Poor's. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Total</u>
Federal Farm Credit		
Bank (FFCB) Notes	\$ 250,055	1.68%
Federal National Mortgage		
Association (FNMA) Notes	1,989,307	13.39%
Federal Home Loan Bank (FHLB) Notes	1,571,288	10.58%
Federal Home Loan Bank (FHLB) Discount	244,945	1.65%
Federal Home Loan Mortgage		
(FHLM) Discounts	394,908	2.66%
Federal Home Loan Mortgage		
(FHLM) Notes	2,108,566	14.20%
U. S. Treasury Notes	325,279	2.19%
First American Treasury Market	178,750	1.20%
Repurchase Agreements	7,665,000	51.61%
STAROhio	124,927	0.84%
	<hr/>	<hr/>
Total	\$ 14,853,025	100.00%

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 6: CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 06/30/2013	Additions	Deletions	Balance 06/30/2014
Governmental Activities				
<i>Capital Assets, Not Being Depreciated:</i>				
Land	\$ 3,544,936	\$ 0	\$ 0	\$ 3,544,936
Construction in Progress	0	68,360	0	68,360
<i>Total Capital Assets Not Being Depreciated</i>	<u>3,544,936</u>	<u>68,360</u>	<u>0</u>	<u>3,613,296</u>
<i>Capital Assets, Being Depreciated:</i>				
Land Improvements	6,278,413	0	0	6,278,413
Buildings and Improvements	54,978,723	0	0	54,978,723
Furniture and Fixtures	9,742,201	353,829	(151,374)	9,944,656
Vehicles	2,282,535	915,795	0	3,198,330
<i>Total Capital Assets, Being Depreciated</i>	<u>73,281,872</u>	<u>1,269,624</u>	<u>(151,374)</u>	<u>74,400,122</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(4,694,234)	(265,654)	0	(4,959,888)
Buildings and Improvements	(25,230,030)	(1,550,815)	0	(26,780,845)
Furniture and Fixtures	(7,515,535)	(489,096)	141,003	(7,863,628)
Vehicles	(1,728,145)	(162,594)	0	(1,890,739)
<i>Total Accumulated Depreciation</i>	<u>(39,167,944)</u>	<u>(2,468,159) *</u>	<u>141,003</u>	<u>(41,495,100)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>34,113,928</u>	<u>(1,198,535)</u>	<u>(10,371)</u>	<u>32,905,022</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 37,658,864</u>	<u>\$ (1,130,175)</u>	<u>\$ (10,371)</u>	<u>\$ 36,518,318</u>

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,343,884
Special	67,266
Vocational	103,167
Adult/Continuing	206
Other	18,608
Support Services:	
Pupil	6,777
Instructional Staff	3,918
Administration	5,105
Fiscal	276
Business	51
Operation and Maintenance of Plant	312,411
Pupil Transportation	157,912
Central	559
Operation of Non-Instructional Services:	
Food Services Operations	8,337
Community Services	13,034
Extracurricular Activities	<u>426,648</u>
Total Depreciation Expense	<u>\$ 2,468,159</u>

NOTE 7: PROPERTY TAXES

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2014 represents collections of calendar year 2013 taxes. Real property taxes received in calendar year 2014 were levied after April 1, 2013, on the assessed value listed as of January 1, 2013, the lien date. Assessed values for real property taxes are established by State law at thirty-five percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2014 represents collections of calendar year 2013 taxes. Public utility real and tangible personal property taxes received in calendar year 2014 became a lien December 31, 2012, were levied after April 1, 2013 and are collected in 2014 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014, are available to finance fiscal year 2014 operations. The amount available as an advance at June 30, 2014 was \$338,541 in the general fund, \$17,283 in the bond retirement debt service fund, \$3,579 in the classroom facilities maintenance special revenue fund and \$30,809 in the permanent improvement capital projects fund. The amount available as an advance at June 30, 2013, was \$41,135 in the general fund, \$1,775 in the bond retirement debt service fund, \$522 in the classroom facilities maintenance special revenue fund and \$4,281 in the permanent improvement capital projects fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2014 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources.

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

The assessed values upon which the fiscal year 2014 taxes were collected are:

	2013 Second Half Collections		2014 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 351,753,290	94.00%	\$ 351,242,250	93.71%
Public Utility Personal Property	22,443,140	6.00%	23,573,390	6.29%
	\$ 374,196,430	100.00%	\$ 374,815,640	100.00%
Tax rate per \$1,000 assessed valuation	\$ 50.20		\$ 57.10	

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 8: RECEIVABLES

Receivables at June 30, 2014 consisted of taxes, accounts (rent, extracurricular, miscellaneous, charges for services, tuition and fees), interfund, accrued interest and intergovernmental grants. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All are expected to be received within one year.

NOTE 9: RISK MANAGEMENT

A. Property and Liability

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2014, the School District contracted with Leonard Insurance/Ohio Casualty for various types of insurance as follows:

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

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

B. Employee Health Benefits

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

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

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. For fiscal year 2014 the School District's premiums were \$1,437.74 for family coverage and \$591.85 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 2014, the School District's cost was \$185.39 and \$75.15 for family coverage and \$39.37 and \$15.86 for single coverage per employee per month, respectively.

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

C. Workers' Compensation

The School District participates in the Ohio Association of School Business Officials Group Retrospective Rating Program ("GRRP"). The intent of the GRRP is to achieve the benefit of a reduced premium for the School District by virtue of its grouping and representation with other participants in the GRRP. The workers' compensation experience of the participating school districts is calculated as one experience and a common premium rate is applied to all school districts in the GRP.

Each participant continues to pay their own individual premiums and have the opportunity to receive retrospective premium adjustments based upon the combined performance of the GRRP. Depending on that performance, the participating employers can receive either a premium refund or assessment. The firm of Comp Management, Inc. provides administrative, cost control and actuarial services to the GRRP.

NOTE 10: PENSION PLANS

A. School Employees Retirement System

Plan Description - The School District contributes to the School Employees Retirement System of Ohio ("SERS"), a cost-sharing multiple-employer defined benefit pension plan. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by state statute per Chapter 3309 of the Ohio Revised Code. SERS issues a publicly available, stand-alone financial report that includes financial statements and required supplementary information. That report can be obtained by contacting SERS, 300 East Broad Street, Suite 100, Columbus, Ohio 43215-3746 or by calling toll free (800) 878-5853. It is also posted on SERS' website at www.ohsers.org 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 2014, 13.05 percent and .05 percent of annual covered salary was the portion used to fund pension obligations and death benefits, respectively. The contribution requirements of plan members and employers are established and may be amended by the SERS' Retirement Board up to statutory maximum amount of 10 percent for plan members and 14 percent for employers. Chapter 3309 of the Ohio Revised Code provides statutory authority for member and employer contributions. The School District's required contributions for pension obligations and death benefits to SERS for the fiscal years ended June 30, 2014, 2013 and 2012 were \$916,901, \$868,443 and \$910,444, respectively; 100 percent for the fiscal years 2014, 2013 and 2012.

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

B. State Teachers Retirement System

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

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

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

Funding Policy - For fiscal year 2014, plan members were required to contribute 11 percent of their annual covered salaries. The School District was required to contribute 14 percent; 13 percent was the portion used to fund pension obligations. Contribution rates are established by the State Teachers Retirement Board, upon recommendations of its consulting actuary, not to exceed statutory maximum rates of 11 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, 2014, 2013, and 2012 were \$2,045,231, \$2,715,284 and \$2,607,066, respectively; 86 percent has been contributed for fiscal year 2014 and 100 percent for the fiscal years 2013 and 2012. Contributions to the DC and Combined Plans for fiscal year 2014 were \$74,093 made by the School District and \$94,300 made by the plan members.

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 11: POSTEMPLOYMENT BENEFITS

A. School Employees Retirement System

Plan Description – The School District participates in two cost-sharing, multiple employer defined benefit OPEB plans administered by the School Employees Retirement System for non-certificated retirees and their beneficiaries, a Health Care Plan and a Medicare Part B Plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage and traditional indemnity plans. A prescription drug plan is also available to those who elect health coverage. SERS employs two third-party administrators and a pharmacy benefit manager to manage the self-insurance and prescription drug plans, respectively. The Medicare Part B Plan reimburses Medicare Part B premiums paid by eligible retirees and beneficiaries as set forth in Ohio Revised Code Section 3309.69. Qualified benefit recipients who pay Medicare Part B premiums may apply for and receive a monthly reimbursement from SERS. The reimbursement amount is limited by statute to the lesser of the January 1, 1999 Medicare Part B premium or the current premium. The Medicare Part B monthly premium for calendar year 2014 was \$104.90 for most participants, but could be as high as \$335.70 per month depending on their income. SERS' reimbursement to retirees was \$45.50. Benefit provisions and the obligations to contribute are established by the System based on authority granted by State statute. The financial reports of both Plans are included in the SERS Comprehensive Annual Financial Report which is available by contacting SERS at 300 East Broad St., Suite 100, Columbus, Ohio 43215-3746. It is also posted on SERS' website at www.ohsers.org under Employers/Audit Resources.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). For 2014, .14 percent of covered payroll was allocated to health care. An additional health care surcharge on employers is collected for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. Statutes provide that no employer shall pay a health care surcharge greater than 2.0 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the statewide SERS-covered payroll for the health care surcharge. For fiscal year 2014, the actuarially determined amount was \$20,250.

Active members do not contribute to the postemployment benefit plans. The SERS Retirement Board establishes the rules for the premiums paid by the retirees for health care coverage for themselves and their dependents or for their surviving beneficiaries. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2014, 2013, and 2012 were \$116,937, \$112,643, and \$39,429, respectively; 100 percent for fiscal years 2014, 2013 and 2012.

The Retirement Board, acting with advice of the actuary, allocates a portion of the current employer contribution to the Medicare B Fund. For fiscal year 2014, the actuarially required allocation was .76 percent of covered payroll. The School District's contributions for Medicare Part B for the fiscal years ended June 30, 2014, 2013, and 2012 were \$53,194, \$49,057, and \$53,766, respectively; 100 percent for fiscal years 2014, 2013 and 2012.

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

B. State Teachers Retirement System

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

Funding Policy - Ohio law authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS Ohio. Active employee members do not contribute to the Plan. All benefit recipients pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For 2014, STRS Ohio allocated employer contributions equal to 1 percent of covered payroll to the Health Care Stabilization Fund. The School District's contributions for health care for the fiscal years ended June 30, 2014, 2013, and 2012 were \$157,325, \$208,868, and \$200,544, respectively; 86 percent has been contributed for fiscal year 2014 and 100 percent for fiscal years 2013 and 2012.

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

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 13: INTERFUND TRANSFERS AND BALANCES

A. Interfund Transfers

During the fiscal year, the general fund transferred \$55 to the House Bill 264 fund, \$8,629 to the other local grants fund and \$1,189 to miscellaneous state grants fund to provide additional resources for current operations. Interfund transfers between governmental funds are eliminated in the statement of activities.

B. Interfund Balances

Interfund balances at June 30, 2014 consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable General
<i>Nonmajor Special Revenue Funds:</i>	
Adult Communication Education Fund	\$ 1,152
Title VI-B	10,178
Carl Perkins Grant Fund	296
Title I	28,976
Miscellaneous Federal Grants Fund	14,421
IDEA Preschool Handicapped	131
Other Local Grants	2,514
Title VI-R Fund	7,779
Total	\$ 65,447

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

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 14: LONG-TERM OBLIGATIONS

Changes in the School District's long-term obligations during fiscal year 2014 were as follows:

	Outstanding 6/30/2013	Additions	Deductions	Outstanding 6/30/2014	Due Within One Year
Governmental Activities					
<i>General Obligation Bonds:</i>					
2011 Limited Tax General					
Obligation Various Purpose Bonds:					
\$1,355,000-1.00-3.00% Serial Bonds	\$ 1,040,000	\$ 0	\$ (140,000)	\$ 900,000	\$ 140,000
\$1,090,000-3.25-3.75% Term Bonds	1,070,000	0	0	1,070,000	0
2011 Classroom Facilities					
Refunding Bonds:					
\$8,810,000-2.00-4.00% Serial Bonds	8,470,000	0	(465,000)	8,005,000	575,000
\$209,995-2.55-2.8% Capital Appreciation Bonds	209,995	0	0	209,995	0
Accretion on Capital					
Appreciation Bonds	296,129	182,687	0	478,816	0
Unamortized Premium	846,970	0	(66,866)	780,104	0
2004 Middle School Bonds:					
\$3,565,000-2.00-4.00% Serial Bonds	95,000	0	(95,000)	0	0
Total General Obligation Bonds	12,028,094	182,687	(766,866)	11,443,915	715,000
Other Long-Term Obligations:					
Capital Leases	66,430	836,170	(193,530)	709,070	181,872
Compensated Absences	2,973,925	269,734	(277,152)	2,966,507	191,377
Total General Long-Term Obligations	\$ 15,068,449	\$ 1,288,591	\$ (1,237,548)	\$ 15,119,492	\$ 1,088,249

2011 Limited Tax General Obligation Various Purpose Bonds

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

2011 Classroom Facilities Refunding General Obligation Bonds

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

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

At the date of refunding, \$9,844,506 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$9,015,000 of the 2003 Series Bonds are considered to be defeased. The liability of the bonds was removed from the financial statements at the time of the refunding. The advance refunding reduced cash flows required for debt service by \$424,543 over the next thirteen years and resulted in an economic gain of \$345,154. As of June 30, 2014 the \$8,685,000 of the 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 2014 was \$66,866. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$829,506. This difference, reported in the accompanying financial statements as a deferred outflow of resources - deferred charges on refunding, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2014 was \$55,300.

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

The capital appreciation bonds will mature on December 1, 2015 and December 1, 2016. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$1,230,000. The fiscal year 2014 accretion amount is \$182,687.

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

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

The following is a summary of the School District's annual debt service principal and interest payments on debt outstanding at June 30, 2014:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 715,000	\$ 333,812	\$ 0	\$ 0	\$ 715,000	\$ 333,812
2016	150,000	325,162	119,476	475,524	269,476	800,686
2017	150,000	322,162	90,519	544,481	240,519	866,643
2018	790,000	310,137	0	0	790,000	310,137
2019	815,000	287,612	0	0	815,000	287,612
2020-2024	4,950,000	951,305	0	0	4,950,000	951,305
2025-2026	<u>2,405,000</u>	<u>97,131</u>	<u>0</u>	<u>0</u>	<u>2,405,000</u>	<u>97,131</u>
Total	<u>\$ 9,975,000</u>	<u>\$ 2,627,321</u>	<u>\$ 209,995</u>	<u>\$ 1,020,005</u>	<u>\$ 10,184,995</u>	<u>\$ 3,647,326</u>

NOTE 15: CAPITAL LEASES

During fiscal year 2014, the School District entered into a new equipment capital lease. This lease meets the criteria of a capital lease as defined by generally accepted accounting standards, which defines a capital lease generally as one which transfers benefits and risks of ownership to the lessee.

Capital assets acquired by the leases have been capitalized in the amount of \$902,600. 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, 2014.

	Amount
Fiscal Year Ending June 30, 2014	\$ 198,729
2015	198,729
2016	177,482
2017	<u>175,550</u>
	750,490
Less: amount representing interest	<u>41,420</u>
Present value of net minimum lease payments	<u>\$ 709,070</u>

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 16: JOINTLY GOVERNED ORGANIZATION

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 school districts, the Stark County Educational Service Center and the Portage County Educational Service Center and the Portage County Education Service Center. The purpose of the organization is to apply modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating district is limited to its representation on the assembly, which appoints the five-member executive board. The executive board exercises total control over the operation of SPARCC including budgeting, appropriating, contracting and designating management. The executive board consists of five superintendents. All revenues are generated from State funding and an annual fee charged to participating districts. The School District paid \$86,034 to SPARCC during the fiscal year 2014. 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 POOL

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

NOTE 18: CONTINGENCIES

A. Grants

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2014, if applicable, cannot be determined at this time.

B. Litigation

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

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

NOTE 19: COMMITMENTS

A. Contractual Commitments

At June 30, 2014, the School District had the following contractual commitments:

	Amount of Contracts	Expenditures as of 6/30/14	Amount Remaining on Contracts
Additional Press Boxes at Stadium	\$ 116,911	\$ 60,942	\$ 55,969
Roof Repair	465,191	127,776	337,415
	\$ 582,102	\$ 188,718	\$ 393,384

B. Encumbrance Commitments

Outstanding encumbrances for governmental funds include \$631,939 in the general fund and \$583,807 in nonmajor governmental funds.

NOTE 20: SET-ASIDE CALCULATIONS

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

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

	Capital Improvements
Set-Aside Restricted Balance as of June 30, 2013	\$ 0
Current Year Set-Aside Requirement	651,397
Current Year Qualifying Disbursements	(558,203)
Current Year Offsets	(353,607)
Totals	\$ (260,413)
Balance Carried Forward to Fiscal Year 2015	\$ 0
Set-Aside Restricted Balance as of June 30, 2014	\$ 0

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Although the School District had qualifying disbursements and offsets during the fiscal year that reduced the set-aside amount to below zero for the capital acquisition set-aside, this amount may not be used to reduce the set-aside requirement of future years. This negative balance is therefore not presented as being carried forward to future years.

NOTE 21: RELATED PARTY TRANSACTIONS

During fiscal year 2014, the School District provided accounting and fiscal services to the Massillon Digital Academy (the “Digital Academy”), a discretely presented component unit of the School District. The School District acts as the Sponsor for the Academy. The School District and the Academy entered into a 5-year sponsorship agreement commencing on the first day of the 2013 academic year whereby terms of the sponsorship were established. Pursuant to this agreement, the District’s treasurer/CFO serves as the Academy’s fiscal officer. The Academy is required to pay \$150 per student per year to the District, from funding provided to the Academy by the Ohio Department of Education pursuant to Section 3314.08 of the Ohio Revised Code. The Sponsor has waived the \$150 per student since the Academy’s inception.

NOTE 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.

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for:			
Unclaimed Monies	\$ 14,094	\$ 0	\$ 14,094
Restricted for:			
Debt Service	0	548,247	548,247
Capital Outlay	0	3,953,661	3,953,661
Other Purposes	0	850,312	850,312
Classroom Facilities Maintenance	0	2,261,621	2,261,621
Student Activities Programs	0	711,167	711,167
Federally Funded Programs	0	9,625	9,625
State Funded Programs	0	4,450	4,450
Total Restricted	<u>0</u>	<u>8,339,083</u>	<u>8,339,083</u>
Committed for:			
Termination of Benefits	<u>465,378</u>	<u>0</u>	<u>465,378</u>
Assigned for:			
Subsequent Years Appropriations	17,673	0	17,673
Encumbrances:			
Instruction	320,554	0	320,554
Support Services	<u>310,915</u>	<u>0</u>	<u>310,915</u>
Total Assigned	<u>649,142</u>	<u>0</u>	<u>649,142</u>
Unassigned	<u>5,845,043</u>	<u>(159,398)</u>	<u>5,685,645</u>
<i>Total Fund Balance</i>	<u>\$ 6,973,657</u>	<u>\$ 8,179,685</u>	<u>\$ 15,153,342</u>

NOTE 23: MASSILLON DIGITAL ACADEMY

The Massillon Digital Academy (the “Digital Academy”) has been determined to be a discretely presented component unit. The School District Management has determined it is significant; therefore, it has been included as part of the School District’s basic financial statements. The Digital Academy issues a publicly available, stand-alone financial report that includes financial statements and supplementary information. That report may be obtained by writing to Massillon Digital Academy, 930 17th Street N.E., Massillon, Ohio 44646.

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

A. Significant Accounting Policies

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

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

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

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

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

Cash and Cash Equivalents Cash held by the Digital Academy is reflected as "Cash and Cash Equivalents with Fiscal Agent" on the statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2014, the Academy had no investments.

During 2014, the Academy investments were limited to Federal Farm Credit System Bank Bonds.

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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, 2014 was \$56,033.

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

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

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

Net Position Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position are reported as restricted when there are limitation imposed on their use either through the enabling legislation adopted by the academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Digital Academy had unrestricted net position of \$841,040 and \$43,977 of restricted net position at year end. The Digital Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

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

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

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

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 2014.

B. Deposits

At June 30, 2014 the carrying amount of the Digital Academy's deposits was \$327,140 and the bank balance was \$327,951. At year-end, \$77,951 of the Digital Academy's bank balance was exposed to custodial risk while \$250,000 was covered by Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Investments are reported at fair value. As of June 30, 2014, the Academy had the following investments:

Investment Type	Fair Value	Investment Maturity Months	% of Investments
Federal Farm Credit System Bank Bonds	\$497,480	42	100.00%

C. Capital Assets

Capital asset activity for the fiscal year ended June 30, 2014, was as follows:

	Balance 07/01/2013	Additions	Disposals	Balance 06/30/2014
Furniture	\$ 2,646	\$ 0	\$ 0	\$ 2,646
Computer Equipment	246,900	4,299	(17,823)	233,376
Less: Accumulated Depreciation	(212,313)	(10,241)	17,202	(205,352)
Total Capital Assets, Net	\$ 37,233	\$ (5,942)	\$ (621)	\$ 30,670

D. Fiscal Officer

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

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

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

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

3. 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 2014 academic year, whereby terms of the sponsorship were established. Pursuant to this agreement, the School District’s treasurer serves as the Digital Academy’s fiscal officer. The Digital Academy is required to pay \$150 per student per year to the School District, from funding provided to the Academy by the Ohio Department of Education pursuant to Section 3314.08 of the Ohio Revised Code. The Sponsor has not requested payment of the \$150 per student since the Academy’s inception. The Sponsor realizes that the survival of the Academy’s existence rests on the operational funds provided through the State Foundation program.

F. Purchased Services

For the year ended June 30, 2014, purchased service expenses were recognized for professional services rendered by various vendors as follows:

Massillon Board of Education	\$ 450,365
SPARCC	13,440
Verizon	60,213
Other	26,432
Total Purchased Services	<u>\$ 550,450</u>

For the year ended June 30, 2014, the Academy recognized \$450,365 in expenses for educational services and curriculum provided by the Massillon Board of Education.

G. Contingencies

Grants

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2014, if applicable, cannot be determined at this time.

Litigation

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

Massillon City School District
Stark County, Ohio
Notes To The Basic Financial Statements
For the Fiscal Year Ended June 30, 2014

Full Time Equivalency

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. This information was not available as of the date of this report. The Academy does not anticipate any material adjustments to state funding for fiscal year 2014, as a result of such review.

H. Risk Management

The Digital Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2014, 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.

November 14, 2014

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

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Massillon City School District, Stark County, Ohio (the "School District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 14, 2014.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Hea & Associates, Inc.

New Philadelphia, Ohio

November 14, 2014

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

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

Report on Compliance for Each Major Federal Program

We have audited Massillon City School District's, Stark County, Ohio (the "School District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2014. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of the School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School District's internal control over compliance.

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

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

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

Rea & Associates, Inc.

New Philadelphia, Ohio

Massillon City School District
Stark County, Ohio
Schedule of Expenditures of Federal Awards - Cash Basis
For the Year Ended June 30, 2014

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Cash Receipts	Cash Disbursements
U. S. Department of Education				
<i>Passed Through Ohio Department of Education:</i>				
Title I	84.010	2013	\$ 318,019	\$ 136,552
Title I	84.010	2014	1,160,456	1,184,975
Total Title I			1,478,475	1,321,527
21st Century Community Learning Centers	84.287	2013	886	1,710
21st Century Community Learning Centers	84.287	2014	188,792	201,914
Total 21st Century Community Learning Centers			189,678	203,624
Title II-A - Improving Teacher Quality	84.367	2013	13,432	19,664
Title II-A - Improving Teacher Quality	84.367	2014	105,654	112,396
Total Title II-A - Improving Teacher Quality			119,086	132,060
<i>Special Education Cluster:</i>				
IDEA Part B	84.027	2013	68,567	70,422
IDEA Part B	84.027	2014	805,333	811,955
Total IDEA Part B			873,900	882,377
Early Childhood Special Education	84.173	2014	11,149	11,249
Total Special Education Cluster			885,049	893,626
Carl D. Perkins Career and Technical Education Grant	84.048	2013	(1,064)	0
Carl D. Perkins Career and Technical Education Grant	84.048	2014	87,936	87,985
Total Carl D. Perkins Career and Technical Education Grant			86,872	87,985
Adult Education and Family Literacy Grant	84.002	2013	1,847	2,522
Adult Education and Family Literacy Grant	84.002	2014	78,467	79,281
Total Adult Education and Family Literacy Grants			80,314	81,803
Resident Educator	84.395	2014	4,200	3,784
Education Jobs	84.410	2014	-	(1,783)
<i>Total U.S. Department of Education</i>			2,843,674	2,722,625
U. S. Department of Agriculture				
<i>Passed Through the Ohio Department of Education:</i>				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program (B)	10.553	2014	233,597	233,597
National School Lunch Program (Food Distribution) (A)	10.555	2014	103,922	103,922
National School Lunch Program (B)	10.555	2014	1,068,665	1,065,337
Total National School Lunch Program			1,172,587	1,169,259
Total Child Nutrition Cluster			1,406,184	1,402,856
<i>Total U.S. Department of Agriculture</i>			1,406,184	1,402,856
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 4,249,858	\$ 4,125,482

See the accompanying notes to this schedule

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

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis
For the Fiscal Year Ended June 30, 2014*

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

The accompanying Schedule of Federal Awards (the Schedule) reports the Massillon City School District's (the Government's) federal award programs' receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

Note B – 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 C – Child Nutrition Cluster

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

Note D – Commingled Funds

Federal money is commingled with state subsidy reimbursements for the Child Nutrition Cluster. It is assumed federal moneys are expended first.

Note E – Ohio Bureau of Workers' Compensation

Ohio's workers' compensation system serves as an insurance program for both employers and employees alike. For those who contribute premiums, the Ohio Bureau of Workers' Compensation (BWC) covers the payment of compensation and medical costs related to industrial accidents and diseases. The BWC invested contributions over a three-year period which generated a greater than anticipated return. In May 2013, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio's workers' compensation system. Each employer's rebate reflected 56% of what they were billed during the last policy period (2011 calendar year for public-taxing districts). Approximately \$113 million of the \$1 billion rebate went to local governments around the state. Using policy year 2011 as the base year for calculation, the District allocated its BWC rebate back to all funds, including Federal funds, providing the source of initial premium payments to BWC. The subsequent expenditure of the rebate attributable to Federal programs is reflected on the District's Schedule of Expenditures of Federal Awards as a negative expenditure.

Massillon City School District
Stark County, Ohio
Schedule of Findings and Questioned Costs
OMB Circular A-133, Section .505
June 30, 2014

1. SUMMARY OF AUDITOR'S RESULTS

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

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

None noted

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None noted



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
DECEMBER 18, 2014**