

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

AUDITED FINANCIAL STATEMENTS
AND AUDITOR'S REPORT

FOR THE YEAR ENDED
JUNE 30, 1999



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

We have reviewed the Independent Auditor's Report of the Massillon City School District, Stark County, prepared by Guillan & Company, for the audit period July 1, 1998 to June 30, 1999. 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, appearing to read "Jim Petro", written over a circular stamp or mark.

JIM PETRO
Auditor of State

July 27, 2000

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
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MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

ELECTED OFFICIALS
AS OF JUNE 30, 1999

<u>Elected Officials</u>	<u>Title</u>	<u>Term of Office</u>
<u>Board of Education:</u>		
Ann Lightfoot	President	1/1/96-12/31/99
Elaine Petrilli	Vice President	1/1/98-12/31/01
Ron Pribich	Member	1/1/98-12/31/01
Richard Reichel	Member	1/1/96-12/31/99
Wilbur Arnold	Member	1/1/96-12/31/99

Statutory Legal Counsel

John Ferrero
100 City Hall Street NE
Massillon, Ohio 44646

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

Buckingham, Doolittle, & Burroughs
1375 East 9th Street, Suite 1700
Cleveland, Ohio 44114

(A) Republic Franklin Insurance

<u>Surety</u>	<u>Amount</u>	<u>Period</u>
(A)	\$20,000	1/1/99-1/1/00

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

ADMINISTRATIVE PERSONNEL
AS OF JUNE 30, 1999

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

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

<u>Surety</u>	<u>Amount</u>	<u>Period</u>
(B)	\$20,000	1/1/99 - 1/1/00
(A)	\$20,000	1/1/96 - 1/1/00

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
INDEX OF FUNDS

GOVERNMENTAL FUND TYPES:

General Fund:

General Fund

Special Revenue Funds:

Public School Support Fund

Early Childhood Education Fund

District Managed Student Activity Fund

Adult Vocational Education Fund

Lottery Fund

Disadvantaged Pupil Program Fund

Career Development Fund

Preschool Grant Fund

Latchkey Grant Fund

Management Information System Fund

Adult Basic Education Fund

Title VI-B - Special Education: Assistance To States For
Education Of Handicapped Children Fund

Vocational Education Fund

Elementary And Secondary Education Act Block Grant:

Title I - Special Educational Needs Of Disadvantaged
Children Fund

Elementary And Secondary Education Act Block Grant:

Title VI - Consolidation Of Federal Programs
For Elementary And Secondary Education Fund

Water Safety Grant Fund

Drug Free Schools Grant Fund

Auxiliary Services Fund

Teacher Development 1990

Career Development Grant

Debt Service Fund:

Bond Retirement Fund

Capital Projects Funds:

Permanent Improvement Fund

Vocational Education Equipment Fund

Schoolnet Plus

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

INDEX OF FUNDS
(Continued)

PROPRIETARY FUND TYPES:

Enterprise Funds:

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

Internal Service Funds:

Internal Services Rotary Fund

FIDUCIARY FUND TYPES:

Expendable Trust Fund:

Special Trust Funds

Non-Expendable Trust Fund:

William and Pearl Henderson

Agency Fund:

Student Activity Funds

ACCOUNT GROUPS:

General Long -Term Debt Account Group

General Fixed Asset Account Group

Guillan & Company

CERTIFIED PUBLIC ACCOUNTANT
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2137 Wales Ave. N.W. • Massillon, Ohio 44646
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Independent Auditor's Report

Board of Education
Massillon City School District
Massillon, Ohio 44646

We have audited the accompanying general-purpose financial statements of the Massillon City School District, as of and for the year ended June 30, 1999, as listed in the table of contents. These general purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

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

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Massillon City School District, as of June 30, 1999, and the results of its operations and the cash flows of its proprietary fund types and non-expendable trust funds for the year then ended in conformity with generally accepted accounting principles.

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

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

**Massillon City School District
Stark County**

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

June 26, 2000

Guillan + Company

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 1999

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>Assets and Other Debits</u>				
Cash, Cash Equivalents & Investments	\$ 107,451	\$ 1,210,859	\$ 141,085	\$ 97,573
Receivable (Net Allowances for Uncollectables)				
Accounts	2,348	-		
Taxes - Current	9,998,842	-	2,109,481	-
Taxes - Delinquent	1,013,863	-	170,246	-
Intergovernmental	28,376	-	-	-
Interfund Receivables	165,040	-	602,962	-
Prepaid Insurances	35,955	-	-	-
Materials & Supplies Inventory	33,299	-	-	-
Restricted Assets:				
Cash, Cash Equivalents & Investments	572,024	-	-	-
Property, Plant & Equipment (Net of Accumulated Depreciation where applicable)	-	-	-	-
Amount available in Debt Service Fund	-	-	-	-
Amount to be provided for Retirement of General Long-Term Obligations	-	-	-	-
Total Assets and Other Debits	\$ 11,957,198	\$ 1,210,859	\$ 3,023,774	\$ 97,573

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

PROPRIETARY FUND TYPES		FIDUCIARY FUNDS	ACCOUNT GROUPS		TOTALS
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	(MEMO-RANDUM ONLY)
\$ 159,678	\$ 3,986	\$ 150,954	\$ -	\$ -	\$ 1,871,586
-	-	-	-	-	2,348
-	-	-	-	-	12,108,323
-	-	-	-	-	1,184,109
-	-	-	-	-	28,376
-	-	-	-	-	768,002
-	-	-	-	-	35,955
63,047	-	-	-	-	96,346
-	-	-	-	-	572,024
772,538	-	-	38,441,743	-	39,214,281
-	-	-	-	448,604	448,604
-	-	-	-	21,451,465	21,451,465
\$ 995,263	\$ 3,986	\$ 150,954	\$ 38,441,743	\$ 21,900,069	\$ 77,781,419

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF JUNE 30, 1999
(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
<u>Liabilities, Equity and Other Credits</u>				
<u>Liabilities</u>				
Accounts Payable	\$ 216,159	\$ 50,376	\$ -	\$ 27,195
Accrued Wages & Benefits	1,907,581	227,431	-	-
Compensated Absences Payable	286,269	7,356	-	-
Intergovernmental Payables	534,134	281,572	-	-
Deferred Revenue	9,458,443	-	2,174,208	-
Interfund Payables	202,000	160,082	400,962	4,958
Capital Leases Payable	-	-	-	-
Operating Loans Payable	-	-	-	-
Early Retirement Incentive Payable	-	-	-	-
General Obligation Notes Payable	1,912,500	-	-	-
General Obligation Bonds Payable	-	-	-	-
Due to Students	-	-	-	-
Total Liabilities	14,517,086	726,817	2,575,170	32,153
<u>Equity and Other Credits</u>				
Investment in General Fixed Assets	-	-	-	-
Retained Earnings : Unreserved	-	-	-	-
Fund Balances:				
Reserved for Prepaids	35,955	-	-	-
Reserved for Encumbrances	22,908	92,616	-	33,071
Reserved for Property Taxes	527,010	-	105,520	-
Reserved for Supplies Inventory	33,299	-	-	-
Reserved for Budget Stabilization	572,024	-	-	-
Unreserved - Undesignated	(3,751,084)	391,426	343,084	32,349
Total Equity and Other Credits	(2,559,888)	484,042	448,604	65,420
Total Liabilities, Equity and Other Credits	\$ 11,957,198	\$ 1,210,859	\$ 3,023,774	\$ 97,573

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

PROPRIETARY FUND TYPES		FIDUCIARY FUND	ACCOUNT GROUPS		TOTALS
ENTERPRISE	INTERNAL SERVICE	TRUST AND AGENCY	GENERAL FIXED ASSETS	GENERAL LONG-TERM OBLIGATIONS	(MEMO-RANDUM ONLY)
\$ 5,482	\$ -	\$ 5,636	\$ -	\$ -	\$ 304,848
-	-	-	-	-	2,135,012
-	-	-	-	492,233	785,858
121,302	-	114	-	260,139	1,197,261
6,619	-	-	-	-	11,639,270
-	-	-	-	-	768,002
-	-	-	-	63,960	63,960
-	-	-	-	6,759,372	6,759,372
-	-	-	-	1,739,687	1,739,687
-	-	-	-	-	1,912,500
-	-	-	-	12,584,678	12,584,678
-	-	118,266	-	-	118,266
133,403	-	124,016	-	21,900,069	40,008,714
-	-	-	38,441,743	-	38,441,743
861,860	3,986	26,718	-	-	892,564
-	-	-	-	-	35,955
-	-	-	-	-	148,595
-	-	-	-	-	632,530
-	-	-	-	-	33,299
-	-	-	-	-	572,024
-	-	220	-	-	(2,984,005)
861,860	3,986	26,938	38,441,743	-	37,772,705
\$ 995,263	\$ 3,986	\$ 150,954	\$ 38,441,743	\$ 21,900,069	\$ 77,781,419

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Revenues				
Taxes	\$ 11,877,701	\$ -	\$ 4,212,665	\$ -
Tuition & Fees	106,601	4,296	-	-
Earnings on Investments	194,008	1,098	142,635	-
Intergovernmental	13,782,577	3,193,739	1,543,779	327,487
Extracurricular Activities	-	529,905	-	-
Other Revenue	345,552	79,361	-	-
Total Revenues	26,306,439	3,808,399	5,899,079	327,487
Expenditures				
Instruction:				
Regular Instruction	12,861,667	921,323	-	299,528
Special Instruction	1,866,706	906,307	-	-
Vocational Instruction	1,316,898	88,774	-	-
Adult/ Continuing	-	36,484	-	-
Other Instruction	316,845	-	-	-
Support Services:				
Pupils	1,201,549	245,081	-	2,178
Instructional Staff	558,316	210,477	-	-
Board of Education	9,691	-	-	-
School Administration	1,884,909	183,852	-	-
Fiscal	407,345	-	-	-
Business	492,315	18,131	-	-
Operations & Maintenance	3,558,237	1,962	-	264,857
Pupil Transportation	771,450	-	-	-
Central	38,995	1,135	-	-
Community Services	-	261,727	-	-
Extracurricular Activities	493,841	568,585	-	-
Debt Service:				
Principal Retirement	1,600,000	-	2,538,307	-
Interest & Fiscal Charges	-	-	1,243,568	-
Total Expenditures	\$ 27,376,764	\$ 3,443,838	\$ 3,781,875	\$ 566,563

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

FIDUCIARY FUND EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)
\$ -	\$ 16,090,366
-	110,897
-	337,741
-	18,847,582
26	529,931
-	424,913
26	36,341,430

-	14,082,518
-	2,773,013
-	1,405,672
-	36,484
-	316,845
-	1,448,808
-	766,793
-	9,691
-	2,068,761
-	407,345
-	510,446
-	3,825,056
-	771,450
203	40,333
-	261,727
-	1,062,426
-	4,138,307
-	1,243,568
\$ 203	\$ 35,169,243

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL AND EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

(Continued)

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (1,070,325)	\$ 364,561	\$ 2,117,204	\$ (239,076)
<u>Other Financing Sources/ (Uses)</u>				
Operating Transfers In	2,418,113	114,119	-	-
Operating Transfers Out	(254,372)	(47,735)	(2,237,500)	-
Refund of Prior Year Expenditures	448	-	-	-
Pass-Through	-	(2,668)	-	-
Proceeds from Sale of Assets	5,977	-	-	-
Proceeds of Notes	1,600,000	-	-	-
Total Other Financing Sources/ (Uses)	3,770,166	63,716	(2,237,500)	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	2,699,841	428,277	(120,296)	(239,076)
FUND BALANCES - July 1, 1998	(5,259,731)	55,765	568,900	304,496
FUND BALANCES - June 30, 1999	\$ (2,559,890)	\$ 484,042	\$ 448,604	\$ 65,420

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

<u>FIDUCIARY FUND</u> <u>EXPENDABLE</u> <u>TRUST</u>	<u>TOTALS</u> <u>(MEMORANDUM</u> <u>ONLY)</u>
\$ (177)	\$ 1,172,187
-	2,532,232
-	(2,539,607)
-	448
-	(2,668)
-	5,977
-	1,600,000
-	<u>1,596,382</u>
(177)	2,768,569
<u>397</u>	<u>(4,330,173)</u>
<u>\$ 220</u>	<u>\$ (1,561,604)</u>

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
<u>Revenues</u>			
Taxes	\$ 10,886,168	\$ 10,886,168	\$ -
Intergovernmental	13,807,924	13,807,924	-
Tuition and Fees	111,925	111,925	-
Earnings on Investments	187,609	187,609	-
Extracurricular Activities	-	-	-
Other Revenue	344,357	344,357	-
Total Revenues	25,337,983	25,337,983	-
<u>Expenditures</u>			
Instruction:			
Regular Instruction	13,371,055	13,371,055	-
Special Instruction	1,968,916	1,968,916	-
Vocational Instruction	1,404,624	1,404,624	-
Adult/ Continuing	-	-	-
Other Instruction	347,028	347,028	-
Support Services:			
Pupils	1,196,470	1,196,470	-
Instructional Staff	577,289	577,289	-
Board of Education	9,396	9,396	-
School Administration	1,895,970	1,895,970	-
Fiscal	418,055	418,055	-
Business	488,910	488,910	-
Operations & Maintenance	3,505,238	3,505,238	-
Pupil Transportation	834,331	834,331	-
Central	38,995	38,995	-
Operation of Non-instructional Services	-	-	-
Extracurricular Activities	515,717	515,717	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	\$ 26,571,994	\$ 26,571,994	\$ -

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

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ 4,198,845	\$ 4,198,845	\$ -
3,193,738	3,193,738	-	1,543,779	1,543,779	-
4,296	4,296	-	-	-	-
1,098	1,098	-	142,635	142,635	-
529,905	529,905	-	-	-	-
79,361	79,361	-	-	-	-
3,808,398	3,808,398	-	5,885,259	5,885,259	-
839,448	839,448	-	-	-	-
910,588	910,588	-	-	-	-
80,880	80,880	-	-	-	-
30,277	30,277	-	-	-	-
-	-	-	-	-	-
235,047	235,047	-	-	-	-
187,119	187,119	-	-	-	-
-	-	-	-	-	-
190,982	190,982	-	-	-	-
-	-	-	-	-	-
18,131	18,131	-	-	-	-
518	518	-	-	-	-
-	-	-	-	-	-
1,725	1,725	-	-	-	-
345,934	345,934	-	-	-	-
621,918	621,918	-	-	-	-
-	-	-	5,030,805	5,030,805	-
-	-	-	988,570	988,570	-
\$ 3,462,567	\$ 3,462,567	\$ -	\$ 6,019,375	\$ 6,019,375	\$ -

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL TYPES AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)

	GENERAL FUND		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (1,234,011)	\$ (1,234,011)	\$ -
Other Financing Sources/ (Uses)			
Proceeds from Sale of Assets	5,977	5,977	-
Proceeds from Sale of Notes	1,600,000	1,600,000	-
Advances In	202,000	202,000	-
Advances Out	(163,285)	(163,285)	-
Operating Transfers In	180,613	180,613	-
Operating Transfers Out	(254,372)	(254,372)	-
Pass-Through	-	-	-
Total Other Financing Sources/ (Uses)	1,570,933	1,570,933	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	336,922	336,922	-
Fund Balances - July 1, 1998	121,313	121,313	-
Fund Balances - June 30, 1999	\$ 458,235	\$ 458,235	\$ -

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

SPECIAL REVENUE FUNDS			DEBT SERVICE FUNDS		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ 345,831	\$ 345,831	\$ -	\$ (134,116)	\$ (134,116)	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
158,327	158,327	-	400,962	400,962	-
-	-	-	(602,962)	(602,962)	-
114,119	114,119	-	-	-	-
(47,735)	(47,735)	-	-	-	-
(2,668)	(2,668)	-	-	-	-
222,043	222,043	-	(202,000)	(202,000)	-
567,874	567,874	-	(336,116)	(336,116)	-
420,231	420,231	-	477,201	477,201	-
\$ 988,105	\$ 988,105	\$ -	\$ 141,085	\$ 141,085	\$ -

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)

	<u>CAPITAL PROJECTS FUNDS</u>		
	<u>REVISED</u>		<u>VARIANCE</u>
	<u>BUDGET</u>	<u>ACTUAL</u>	<u>FAVORABLE /</u> <u>(UNFAVORABLE)</u>
<u>Revenues</u>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental	761,339	761,339	-
Tuition and Fees	-	-	-
Earnings on Investments	-	-	-
Extracurricular Activities	-	-	-
Other Revenue	-	-	-
Total Revenues	761,339	761,339	-
<u>Expenditures</u>			
Instruction:			
Regular Instruction	706,078	706,078	-
Special Instruction	-	-	-
Vocational Instruction	2,000	2,000	-
Adult/ Continuing	-	-	-
Other Instruction	-	-	-
Support Services:			
Pupils	2,178	2,178	-
Instructional Staff	-	-	-
Board of Education	-	-	-
School Administration	-	-	-
Fiscal	-	-	-
Business	-	-	-
Operations & Maintenance	264,858	264,858	-
Pupil Transportation	-	-	-
Central	-	-	-
Operation of Non-instructional Services	-	-	-
Extracurricular Activities	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest and Fiscal Charges	-	-	-
Total Expenditures	\$ 975,114	\$ 975,114	\$ -

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

EXPENDABLE TRUST FUND			TOTALS (MEMORANDUM ONLY)		
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
\$ -	\$ -	\$ -	\$ 15,085,013	\$ 15,085,013	\$ -
-	-	-	19,306,780	19,306,780	-
-	-	-	116,221	116,221	-
-	-	-	331,342	331,342	-
26	26	-	529,931	529,931	-
-	-	-	423,718	423,718	-
26	26	-	35,793,005	35,793,005	-
-	-	-	14,916,581	14,916,581	-
-	-	-	2,879,504	2,879,504	-
-	-	-	1,487,504	1,487,504	-
-	-	-	30,277	30,277	-
-	-	-	347,028	347,028	-
-	-	-	1,433,695	1,433,695	-
-	-	-	764,408	764,408	-
-	-	-	9,396	9,396	-
-	-	-	2,086,952	2,086,952	-
-	-	-	418,055	418,055	-
-	-	-	507,041	507,041	-
-	-	-	3,770,614	3,770,614	-
-	-	-	834,331	834,331	-
248	248	-	40,968	40,968	-
-	-	-	345,934	345,934	-
-	-	-	1,137,635	1,137,635	-
-	-	-	5,030,805	5,030,805	-
-	-	-	988,570	988,570	-
\$ 248	\$ 248	\$ -	\$ 37,029,298	\$ 37,029,298	\$ -

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES, BUDGET - ACTUAL (BUDGETARY BASIS)
ALL GOVERNMENTAL AND SIMILAR FIDUCIARY FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999
(Continued)

	CAPITAL PROJECTS FUNDS		
	REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)
Excess (Deficit) of Revenues Over (Under) Expenditures	\$ (213,775)	\$ (213,775)	\$ -
<u>Other Financing Sources/ (Uses)</u>			
Proceeds from Sale of Assets	-	-	-
Proceeds from Sale of Notes	-	-	-
Advances In	4,958	4,958	-
Advances Out	-	-	-
Operating Transfers In	-	-	-
Operating Transfers Out	-	-	-
Pass-Through	-	-	-
Total Other Financing Sources/ (Uses)	4,958	4,958	-
Excess (Deficit) of Revenues and Other Financing Sources Over (Under) Expenditures & Other Financing Uses	(208,817)	(208,817)	-
Fund Balances - July 1, 1998	258,542	258,542	-
Fund Balances - June 30, 1999	\$ 49,725	\$ 49,725	\$ -

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

EXPENDABLE TRUST FUND				TOTALS (MEMORANDUM ONLY)			
REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)		REVISED BUDGET	ACTUAL	VARIANCE FAVORABLE / (UNFAVORABLE)	
\$ (222)	\$ (222)	\$ -		\$ (1,236,293)	\$ (1,236,293)	\$ -	
-	-	-		5,977	5,977	-	
-	-	-		1,600,000	1,600,000	-	
-	-	-		766,247	766,247	-	
-	-	-		(766,247)	(766,247)	-	
-	-	-		294,732	294,732	-	
-	-	-		(302,107)	(302,107)	-	
-	-	-		(2,668)	(2,668)	-	
-	-	-		1,595,934	1,595,934	-	
(222)	(222)	-		359,641	359,641	-	
397	397	-		1,277,684	1,277,684	-	
\$ 175	\$ 175	\$ -		\$ 1,637,325	\$ 1,637,325	\$ -	

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN
RETAINED EARNINGS - ALL PROPRIETARY AND NON-EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	ENTERPRISE FUND	INTERNAL SERVICE FUND	NON EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)
<u>Operating Receipts</u>				
Food Service	\$ 531,717	\$ -	\$ -	\$ 531,717
Classroom Materials and Supplies	133,472	-	-	133,472
Total Operating Revenues	665,189	-	-	665,189
<u>Operating Expenses</u>				
Salaries	453,991	-	-	453,991
Fringe Benefits	81,897	-	-	81,897
Purchased Services	31,182	-	-	31,182
Depreciation	20,960	-	-	20,960
Capital Outlay	561	-	-	561
Materials & Supplies	657,996	-	-	657,996
Other	378	-	1,500	1,878
Total Operating Expenses	1,246,965	-	1,500	1,248,465
Operating (Loss)	(581,776)	-	(1,500)	(583,276)
<u>Nonoperating Revenues/ (Expenses)</u>				
Intergovernmental Revenues	823,225	-	-	823,225
Miscellaneous	28,019	255	-	28,274
Total Nonoperating Revenues/(Expenses)	651,244	255	-	651,499
Income(Loss) Before Operating Transfers	69,468	255	(1,500)	68,223
Transfers In	5,968	-	-	5,968
Net Income(Loss)	75,436	255	(1,500)	74,191
Retained Earnings at July 1, 1998	786,424	3,731	28,218	818,373
Retained Earnings at June 30, 1999	\$ 861,860	\$ 3,986	\$ 26,718	\$ 892,564

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

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY AND NON-EXPENDABLE TRUST FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1999

	ENTERPRISE FUND	INTERNAL SERVICE FUND	NON EXPENDABLE TRUST	TOTALS (MEMORANDUM ONLY)
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>				
Operating Income (Loss)	\$ (581,776)	\$ -	\$ (1,500)	\$ (583,276)
Adjustments to reconcile operating loss to NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES:				
Depreciation	20,960	-	-	20,960
(INCREASE) DECREASE IN ASSETS:				
Materials & Supplies Inventory	(3,627)	-	-	(3,627)
Due From Other Governments	75,415	-	-	75,415
INCREASE (DECREASE) IN LIABILITIES:				
Accounts payable	(18,458)	-	-	(18,458)
Deferred Revenues	(473)	-	-	(473)
Due to other governments	(6,563)	-	-	(6,563)
Total Adjustments	67,254	-	-	67,254
Net cash provided (used) by operating activities	(514,522)	-	(1,500)	\$ (516,022)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Miscellaneous	28,019	255	-	28,274
Operating grants received	623,225	-	-	623,225
Net cash provided by noncapital financing activitie	651,244	255	-	651,499
<u>CASH FLOWS FROM CAPITAL AND RELATED ACTIVITIES</u>				
Acquisition of capital assets	(2,268)	-	-	(2,268)
Net cash provided by capital & related activities	(2,268)	-	-	(2,268)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>				
Transfers In	5,968	-	-	5,968
Net cash provided by noncapital financing activitie	5,968	-	-	5,968
Net increase in cash & cash equivalents	140,422	255	(1,500)	139,177
Cash & cash equivalents - July 1, 1998	19,256	3,731	28,218	51,205
Cash & cash equivalents - June 30, 1999	\$ 159,678	\$ 3,986	\$ 26,718	\$ 190,382

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

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

1. Description of the School District and Reporting Entity

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

The Reporting Entity

The District has implemented the Governmental Accounting Standards Board (GASB) Statement No. 14 concerning the definition of the reporting entity. Accordingly, the District's balance sheet includes all funds, account groups, agencies, boards, commissions, and component units over which District officials exercise oversight responsibility.

Oversight responsibility includes such aspects as appointment of governing body members, budget review, approval of property tax levies, outstanding debt secured by the District's full faith and credit or revenues, and responsibility for funding deficits. On this basis, there were no organizations subject to the District's oversight responsibility which required incorporation into the financial statements.

The following organizations are not part of the reporting entity and are excluded from the accompanying financial statements:

City of Massillon - The City is a separate politic and corporate body. City officials are elected independent of any relationship with the District and administer the provisions of traditional City services. The City Council acts as the taxing and budgetary authority for the services provided in the City.

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

2. Summary of Significant Accounting Policies

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as it applies to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Under

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

the guidelines of Governmental Accounting Standards Board (GASB) Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Units That Use Proprietary Fund Accounting, the District has elected not to apply Financial Accounting Standards Board (FASB) Statements and interpretations issued after November 30, 1989, to its proprietary activities. The adoption of this approach to accounting for proprietary activities by the District has required no change from prior years.

The District's significant accounting policies are described below.

A. Basis of Presentation

Fund Accounting

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

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

Governmental Fund Types

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

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

General Fund

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

Special Revenue Funds

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

Debt Service Fund

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

Capital Projects Fund

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

Proprietary Fund Types

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

Enterprise Funds

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

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

A. Basis of Presentation (Continued)

Proprietary Fund Types (Continued)

Internal Service Fund - to account for the financing of goods or services provided by one department or agency to other departments or agencies of the governmental unit, or to other governmental units, on a reimbursement basis.

Fiduciary Fund Types

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

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

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

Account Groups

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

General Fixed Assets Account Group

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

General Long-Term Obligations Account Group

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

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting

Measurement Focus

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

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

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

Basis of Accounting

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

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

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

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

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

B. Measurement Focus and Basis of Accounting (Continued)

The District reports deferred revenues on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In the subsequent period, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Property taxes measurable as of June 30, 1999, and delinquent property taxes, whose availability is indeterminable and which are intended to finance fiscal year 2000 operations, have been recorded as deferred revenue.

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

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

C. Budgetary Process

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

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

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Tax Budget

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

Estimated Resources

Prior to April 1, the Board of Education accepts, by formal resolution, the tax rates as determined by the County Budget Commission and receives the commission's certificate of estimated resources which states the projected revenue of each fund. Prior to June 30, the District must revise its budget so that total contemplated expenditures from any fund during the ensuing year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the appropriation measure. On or about July 1, the certificate is amended to include any unencumbered cash balances from the preceding year. The certificate may be further amended during the year if projected increases or decreases in revenue are identified by the District Treasurer. The amounts reported in the budgetary statements reflect the amounts in the final amended certificate issued during fiscal year 1999.

Appropriations

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

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

C. Budgetary Process (Continued)

Appropriations (Continued)

The Board may pass supplemental fund appropriations so long as the total appropriations by fund do not exceed the amounts set forth in the most recent certificate of estimated resources. During the year, several supplemental appropriations were legally enacted.

The budget figures which appear in the statements of budgetary comparisons represent the final appropriation amounts, including all supplemental appropriations.

Formal budgetary integration is employed as a management control device during the year for all District funds consistent with statutory provisions.

Encumbrances

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

Lapsing of Appropriations

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

D. Cash and Cash Equivalents

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

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

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents (Continued)

For purposes of the combined statement of cash flows and for presentation on the combined balance sheet, investments of the cash management pool and investments with an original maturity of three months or less at the time they are purchased by the District are considered to be cash equivalents.

The District has invested funds in the State Treasury Asset Reserve of Ohio (STAR Ohio) during 1999. STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at STAR Ohio's share price which is the price the investment could be sold for on June 30, 1999.

E. Inventory

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

F. Fixed Assets and Depreciation

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

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

G. Intergovernmental Revenues

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

Entitlements

General Fund
State Foundation Program

Nonreimbursable Grants

Special Revenue Funds
Drug Free Grant
Title I
Title VI
Title VI-B Flow Through
Preschool Grant
Eisenhower Grant

Reimbursable Grants

General Fund
Driver Education Reimbursement
School Bus Reimbursement

Capital Projects Fund
School Net

Enterprise Fund
National School Lunch Program
Government Donated Commodities

Grants and entitlements amounted to approximately 50 percent of District's operating and nonoperating revenue during the 1999 fiscal year.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies (Continued)

H. Interfund Assets and Liabilities

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

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 District 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 vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those the District has identified as probable of receiving payment in the future, in accordance with the provisions of Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences. The amount is based on accumulated sick leave and employees' wage rates at fiscal year end, taking into consideration any limits specified in the District's severance policy.

For governmental funds, the District records a liability for accumulated unused vacation time when earned for all employees with more than one year of service. The District records a liability for accumulated unused sick leave for both classified and certified employees once they meet the eligibility requirements for retirement from one of the State retirement systems. The current portion of unpaid compensated absences is the amount expected to be paid using available expendable resources. These amounts are recorded in the account "Compensated Absences Payable" in the fund from which the employees are paid. The remainder is reported in the General Long-Term Obligations Account Group. In proprietary funds, the entire amount of compensated absences is reported as a fund liability.

J. Accrued Liabilities and Long-Term Obligations

In general, governmental fund payables and accrued liabilities are reported as obligations of the funds regardless of whether they will be liquidated with current

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

2. Summary of Significant Accounting Policies(Continued)

J. Accrued Liabilities and Long-Term Obligations (Continued)

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

K. Interfund Transactions

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

L. Fund Balance Reserves

The District records reservations for portions of fund equity which are legally segregated for specific future use of which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund equity that is available for appropriation in future periods. Fund equity reserves are established for property taxes and materials and supplies inventory. The reserve for property taxes represents taxes recognized as revenue under generally accepted accounting principles but not available for appropriations under State statute.

M. Total Columns on General Purpose Financial Statements

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

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

3. Budgetary Basis of Accounting

While the District is reporting financial position, results of operations, and changes in fund balance/retained earnings on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Budget - Actual (Budgetary Basis) - All Governmental Fund Types and Similar Fiduciary Funds are presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the Budgetary basis and GAAP basis are that:

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

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

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

	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust
Budget Basis	\$ 338,922	\$ 567,874	\$ (336,116)	\$ (208,817)	\$ (222)
Adjustments for Revenue Accruals	3,003,956	(158,327)	(387,142)	(438,809)	-
Adjustments for Expenditure Accruals	(862,281)	(204,024)	602,962	360,703	-
Adjustments for Encumbrances	<u>221,244</u>	<u>222,754</u>	-	<u>47,847</u>	<u>45</u>
GAAP Basis	<u>\$2,699,841</u>	<u>\$ 428,277</u>	<u>\$ (120,296)</u>	<u>\$ (239,076)</u>	<u>\$ (177)</u>

4. Deposits and Investments

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

MASSILLON CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

4. Deposits and Investments (Continued)

Inactive deposits are public deposits that the Board of Education has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing no later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

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

Effective September 27, 1996, interim monies may be invested in the following obligations. In general, investments must be mature or redeemable within five years from the date of purchase:

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 other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (STAR Ohio).

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

4. Deposits and Investments (Continued)

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred and eighty days in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests rated in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

The following information classifies deposits and investments by categories of risk as defined in GASB Statement 3, Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements.

Deposits: At year end, the carrying amount of the District's deposits was \$(4,266,131) and the bank balance was \$864,152. Of the bank balance, \$300,000 was covered by federal depository insurance and \$564,152 was covered by collateral held by the depository, or by their trust department agent, but not in the District's name.

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

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

4. Deposits and Investments (Continued)

Investments at June 30, 1999 consisted of:

	<u>1</u>	Category <u>2</u>	<u>3</u>	Carrying Value	Market Value
Sweep Account	\$ -	\$ -	\$6,700,000	\$6,700,000	\$6,700,000
STAR Ohio	-	-	-	9,741	9,741
Total Investments	<u>\$ -</u>	<u>\$ -</u>	<u>\$6,700,000</u>	<u>\$6,709,741</u>	<u>\$6,709,741</u>

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

5. Property Taxes

Property taxes are levied and assessed on a calendar year basis. Second half distributions occur in a new fiscal year. Property taxes include amounts levied against all real, public utility, and tangible personal (used in business) property located in the District. Real property taxes are levied after April 1 on the assessed value listed as of the prior January 1, the lien date. Public utility property taxes attached as a lien on December 31 of the prior year, were levied after April 1 and are collected with real property taxes. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes are assessed on tangible personal property at 88 percent of true value. Tangible personal property taxes are levied after April 1 on the value listed as of December 31 of the current year. Tangible personal property assessments are 25 percent of true value.

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

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

The District receives property taxes from Stark County. The County Auditor periodically advances to the District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 1999, are available to finance fiscal year 1999 operations. The amount available to be advanced can vary based on the date the tax bills are sent.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

5. Property Taxes (Continued)

Accrued property taxes receivable represents delinquent taxes outstanding and real property, tangible personal property, and public utility taxes which became measurable as of June 30, 1999. Although total property tax collections for the next fiscal year are measurable, only the amount available as an advance at June 30 is intended to finance current fiscal year operations. The receivable is therefore offset by a credit to a deferred revenue for that portion not intended to finance current year operations. The amount available to the District as an advance at June 30, 1999, was \$527,010 and \$105,520 in the General and Debt Service Funds, respectively.

6. Interfund Activity

At June 30, 1999, outstanding Interfund balances consisted of the following.

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General Fund	\$165,040	\$202,000
Special Revenue Fund	602,962	160,082
Debt Service Fund	-	400,962
Capital Projects Fund	-	4,958
Total	<u>\$768,002</u>	<u>\$768,002</u>

7. Fixed Assets

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

	Balance 7/1/98	Additions	Disposals	Balance 6/30/99
Land and Buildings	\$30,732,636	\$ 242,950	\$ -	\$30,975,586
Furniture, Fixtures, and Equipment	4,849,712	991,915	537,243	5,304,384
Textbooks and Library Books	<u>2,161,773</u>	-	-	<u>2,161,773</u>
Totals	<u>\$37,744,121</u>	<u>\$1,234,865</u>	<u>\$ 537,243</u>	<u>\$38,441,743</u>

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

7. Fixed Assets (Continued)

A summary of the Enterprise Funds' fixed assets at June 30, 1999 is as follows:

	Balance 7/1/98	Additions	Disposals	Balance 6/30/99
Buildings	\$1,045,650	\$ -	\$ -	\$1,045,650
Furniture, Fixtures, and Equipment	300,495	2,268	-	302,763
Less: Accumulated Depreciation	<u>(554,915)</u>	<u>(20,960)</u>	<u>-</u>	<u>(575,875)</u>
Net Fixed Assets	<u>\$ 791,230</u>	<u>\$ (18,692)</u>	<u>\$ -</u>	<u>\$ 772,538</u>

8. Long-Term Debt and Other Obligations

During the year ended June 30, 1999, the following changes occurred in liabilities reported in the General Long-Term Obligations Account Groups.

	<u>General Long-Term Obligations Account Group</u>			
	Balance 7/1/98	Additions	Reductions	Balance 6/30/99
General Obligation Bonds	\$ 13,789,678	\$ -	\$1,205,000	\$12,584,678
Notes Payable	250,000	-	250,000	-
Loans Payable	8,097,677	-	1,338,305	6,759,372
Capital Leases Payable	124,225	-	60,265	63,960
Compensated Absences	596,968	-	104,735	492,233
Early Retirement Incentive Payable	-	1,739,687	-	1,739,687
Due to Other Governments	<u>272,292</u>	<u>-</u>	<u>12,153</u>	<u>260,139</u>
Total Obligations	<u>\$ 23,130,840</u>	<u>\$ 1,739,687</u>	<u>\$ 2,970,458</u>	<u>\$ 21,900,069</u>

Additions and deletions of compensated absences payable are shown net since it is impractical for the District to determine these amounts separately.

New Issues

During the fiscal year ended June 30, 1999, a \$1,600,000 note was issued on January 1, 1999 in anticipation of the collection of current property tax revenues. The note, at an interest rate of 3.91%, matured on June 30, 1999.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

8. Long-Term Debt and Other Obligations (Continued)

Future Long-Term Debt - A summary of the District's future long-term debt funding requirements as of June 30, 1999 follows:

For the Years Ending June 30,	BONDS	
	Principal	Interest
2000	\$ 1,255,000	\$ 542,886
2001	1,305,000	493,674
2002	1,360,000	441,508
2003	1,415,000	325,825
2004	1,480,000	261,395
Thereafter	5,769,678	8,217,515
Total	<u>\$12,584,678</u>	<u>\$ 10,282,803</u>

Total expenditures incurred by the District for interest on the above bonds was \$542,886 for the period ended June 30, 1999.

For the Years Ending June 30,	NOTES	
	Principal	Interest
2000	\$ 637,500	\$ 86,426
2001	637,500	57,618
2002	637,500	28,809
Total	<u>\$1,912,500</u>	<u>\$ 172,853</u>

Total expenditures incurred by the District for interest on the above notes was \$114,765 for the period ended June 30, 1999.

For the Years Ending June 30,	LOANS	
	Principal	Interest
2000	\$ 1,387,396	\$ 222,475
2001	1,438,710	171,161
2002	1,492,350	117,521
2003	1,548,420	61,247
2004	254,998	-
Thereafter	637,498	-
Total	<u>\$ 6,759,372</u>	<u>\$ 572,404</u>

Total expenditures for interest for the above loans for the period ended June 30, 1999 was \$271,565.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

8. Long-Term Debt and Other Obligations (Continued)

Future Long-Term Debt (Continued)

All bonds outstanding are general obligations of the District for which the full faith and credit of the District is pledged for repayment. Accordingly, such unmatured obligations of the District are accounted for in the General Long-Term Obligations Account Group. Payments of principal and interest relating to these liabilities are recorded as expenditures in the Debt Service Fund when due and payable.

9. Compensated Absences

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

Teachers, administrators, and classified employees earn sick leave at a rate of one and one-fourth days per month. Sick leave may be accumulated up to a maximum of 240 days for all personnel. Upon completion of ten or more years of service to the District, State, or other political subdivision, and retirement from the profession, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 55 days for certified employees and 50 days for classified employees.

10. Risk Management

Comprehensive - The District is exposed to various risks of loss related to torts, theft or damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 1999, the District contracted with private carriers for property and fleet insurance, liability insurance, and inland marine coverage. Coverage provided by these carriers is as follows:

Building and Contents-replacement cost (\$1,000 deductible) \$63,625,548

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

Automobile Liability - \$1,000,000

Uninsured Motorists - \$1,000,000

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

MASSILLON CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

10. Risk Management (Continued)

Settled claims have not exceeded this commercial coverage in any of the past three years.

Workers Compensation - For fiscal year 1999, the District participated in a program with the Stark County Board of Education to obtain workers' compensation coverage. This program is administered by CompManagement, Inc. The experience of each of the participating school districts is calculated as one experience rate and applied to all participants in the program. Each participant pays its workers' compensation premium to the State's Bureau of Workers' Compensation based on this calculation. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage of the program. A participant will then either receive money from or be required to contribute to the program. This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the program. Participation in the program is limited to school districts that can meet its selection criteria.

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

11. Defined Benefit Pension Plans

A. School Employees Retirement System

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

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

11. Defined Benefit Pension Plans (Continued)

A. School Employees Retirement System (Continued)

Plan members are required to contribute 9 percent of their annual covered salary and the District is required to contribute 14 percent. The contribution rates are not determined actuarially, but are established by SERS Retirement Board within the rates allowed by the State Statute. The adequacy of the contribution rates is determined annually. The District's required contributions for pension obligations to SERS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$546,871, \$801,357, and \$686,028, respectively. 63% has been contributed for the fiscal year 1999 and 100% for fiscal years 1998 and 1997. \$203,776 representing the unpaid contribution for the fiscal year 1999, is recorded as a liability within the respective funds and the General Long-Term Obligations Account Group.

B. State Teachers Retirement System

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

Plan members are required to contribute 9.3 percent of their annual covered salary and the District is required to contribute 14 percent. Contribution rates are established by STRS, upon recommendation of its consulting actuary, not to exceed statutory maximum rates of 10 percent for members and 14 percent for employers. The District's required contributions for pension obligations to STRS for the fiscal years ended June 30, 1999, 1998, and 1997 were \$2,061,471, \$2,764,325 and \$2,070,744, respectively. 84% has been contributed for the fiscal year 1999 and 100% for the fiscal years 1998 and 1997. \$336,832 representing the unpaid contribution for the fiscal year 1999, is recorded as a liability within the respective funds.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

12. Post Employment Benefits

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

For STRS, all benefit recipients are required to pay a portion of health care cost in the form of a monthly premium. By Ohio law, the cost of coverage paid from the STRS funds shall be included in the employer contributions rate, currently 14 percent of covered payroll. The board currently allocates employer contributions equal to two percent of covered payroll to the Health Care Reserve Fund for which payments for health care benefits are paid. The balance in the Health Care Reserve Fund at year-end was \$2,156 million. For the fiscal year ended June 30, 1998, eligible benefit recipients totaled 91,999 and net health care costs paid by STRS were \$219,224,000.

For SERS, coverage is made available to service retirees with ten or more fiscal years of *qualifying service credit, disability, and survivor benefit recipients. Members retiring on or after August 1, 1989, with less than twenty-five years of service credit must pay a portion of their premium for health care. The portion is based on years of service up to a maximum of 75 percent of the premium. For this fiscal year, employer contributions to fund health care benefits were 3.5 percent of covered payroll. In addition, SERS levies a surcharge to fund health care benefits equal to 14 percent of the difference between a minimum pay and the member's pay, pro-rated for partial service credit. For fiscal year 1998, the minimum pay has been established at \$12,400. The surcharge rate added to the unallocated portion of the 14 percent employer contribution provides for maintenance of the asset target level for the health care fund. For the fiscal year ended June 30, 1998, net health care costs paid by SERS were \$111,900,575 and the target level was \$139.9 million. Net assets available for payment as of June 30, 1998 by the Retirement System were \$160.3 million, at cost. The number of participants currently receiving health care benefits is 50,000. The portion of the District's contributions that were used to fund postemployment benefits was \$309,335.*

13. Segment Information For Enterprise Funds

The District maintains three Enterprise Funds to account for the operations of food service, uniform school supplies, and rotary. The table following reflects the more significant financial data relating to the enterprise funds of the District as of and for the fiscal year ended June 30, 1999:

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

13. Segment Information For Enterprise Funds (Continued)

	Food Service	School Supplies	Rotary	Total
Operating Revenues	\$ 531,716	\$ 110,984	\$22,489	\$ 665,189
Operating Expenses	1,097,920	125,173	23,872	1,246,965
Operating Income(Loss)	(566,204)	(14,189)	(1,383)	(581,776)
Nonoperating Revenues	651,244	-	-	651,244
Net Income (Loss)	91,008	(14,189)	(1,383)	75,436
Net Working Capital	144,302	(970)	(305)	143,027
Total Assets	991,056	3,422	785	995,263
Total Equity	863,135	(970)	(305)	861,860
Encumbrances @ 6/30/99	-	3,422	725	4,147

14. Jointly Governed Organization

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

15. Lease Obligations

The District is involved in several leases for equipment on which payments are made monthly. The leases are for Chevy Lumina Vans, copiers, and modular trailers leased from BankOne, Xerox, and the Scottsman Group respectively. The agreements were entered into at various points in time and have terms ranging from 36 to 60 months. A summary of the obligations under these leases over the next five years, including interest, is presented as follows:

<u>June 30</u>	<u>Vans</u>	<u>Copiers</u>	<u>Scottsman Group</u>	<u>Total</u>
2000	\$ 4,452	\$ 12,276	\$ 2,700	\$ 19,428
2001	4,452	2,046	2,700	9,198
2002	4,452	-	-	4,452
2003	2,597	-	-	2,597
Total	<u>\$ 15,953</u>	<u>\$ 14,322</u>	<u>\$ 5,400</u>	<u>\$ 35,675</u>

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

16. Capital Leases

In August of 1995, the District entered into a capital lease agreement with KeyCorp Leasing Ltd. for computer equipment. The lease, which meets the criteria for capitalization under the Statement of Financial Accounting Standards No. 13, "Accounting for Leases", was recorded as an acquisition in the General Fixed Asset Account Group and as a liability in the General Long-Term Obligations Account group. Principal payments during the fiscal period totaled \$53,505 in the governmental funds.

The lease is for a term of 60 months and has an interest rate of 6.04%. Obligations under this lease and the net present value of the minimum lease payments at June 30, 1999 are as follows:

	<u>Amount</u>
<u>June 30</u>	
2000	\$ <u>66,871</u>
Total	66,871
Less: Amounts Representing Interest	<u>(2,911)</u>
Present Value of Net Minimum Lease Payments	<u>\$ 63,960</u>

17. Contingencies and Commitments

Grants

During the fiscal year, the District received financial assistance from federal and state agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 1999.

School Funding Decision

On March 24, 1997, the Ohio Supreme Court rendered a decision declaring certain portions of the Ohio school funding plan unconstitutional. The Court stayed the effect of its ruling for one year to allow the State's legislature to design a plan to remedy the perceived defects in that system. Declared unconstitutional was the State's "school foundation program," which provides significant amounts of monetary support to this District. During the fiscal year ended June 30, 1999, the District received \$13,082,668 of school foundation support.

MASSILLON CITY SCHOOL DISTRICT
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NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

17. Contingencies and Commitments (Continued)

School Funding Decision (Continued)

In addition, the court declared the "spending reserve" borrowing authority program and the emergency school loan assistance program unconstitutional. The "spending reserve" borrowing authority program allowed the district to borrow against anticipated to be collected from tangible personal property taxes after the district's June 30 fiscal year end. During the year ended June 30, 1999, the district borrowed \$1,600,000 under this program.

The emergency school loan assistance program allowed the District to borrow money from a commercial financial institution, with repayment coming directly to the lender from the state, through withholding a portion of the District's future foundation payments. As of June 30, 1999, the District has borrowed \$6,759,372 under this program. The amount of this debt and its anticipated dates of payment are further described in Note 8 to these financial statements.

Since the Court's ruling, numerous pieces of legislation have been passed by the State Legislature in an attempt to address the issues identified by the Court. The Court of Common Pleas in Perry County has reviewed the new laws and, in a decision issued on February 26, 1999, determined they are not sufficiently responsive to the constitutional issues raised under the "thorough and efficient" clause of the Ohio Constitution. The state has appealed the decision made by the Court of Common Pleas to the Ohio Supreme Court. At this time, the Ohio Supreme Court has not rendered an opinion on this issue. The decision of the Court of Common Pleas in Perry County has been stayed by the Ohio Supreme Court, and, as such, school district's are still operating under the laws that the Common Pleas Court declared unconstitutional.

As of the date of these financial statements, the District is unable to determine what effect, if any, this decision will have on its future state funding under this program.

18. Fund Balance Deficits

Fund equity balances at June 30, 1999, included the following individual fund deficits:

General Fund	\$(2,559,888)
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The deficit in this fund was caused by the application of generally accepted accounting principles. It will be funded by anticipated future intergovernmental revenues or other subsidies which were not recognized or recorded at year end. This fund did however, comply with Ohio state law, which does not permit a cash basis deficit at year end.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

19. Set-aside Requirements

	Textbooks	Capital Acquisition	Budget Stabilization	Total
Set-aside Cash Balance as of June 30, 1999	\$ -	\$ -	\$ 180,613	\$ 180,613
Current Year Set-aside Requirements	371,404	371,404	185,702	928,510
Qualifying Disbursements	<u>371,404</u>	<u>165,695</u>	<u>-</u>	<u>537,099</u>
Total	<u>\$ -</u>	<u>\$ 205,709</u>	<u>\$ 366,315</u>	<u>\$ 572,024</u>
Cash Balance Carried Forward to FY2000				<u>\$ 572,024</u>

20. Subsequent Events

The board of Education approved the issuance of Tax Revenue Notes in the principle amount of \$4,877,000 on July 1, 1999.

On August 13, 1999 the Board of Education approved of the placement of a 9.7 mill levy on the November ballot. The levy was approved by the voters of the District. The levy will raise an estimated \$3.4 million annually.

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

<u>Federal Grantor/ Sub-Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Ohio Department of Education			
Title 1	84.010	044354-C1-S1-97 044354-C1-S1-98 044354-C1-S1-99	\$ 991,282 979,341 991,282
Total Title 1			
Title VI-B Education of the Handicapped Act	84.027	044354-6B-SF-98 044354-6B-SF-99	\$ 268,950 302,596
Total Title VI-B			
Handicapped Preschool Incentive Grant	84.173	044354-PG-S1-99	\$ 10,647
Total Preschool Incentive Grant			
Adult Basic Education	84.002	044354-AB-S1-98 044354-AB-S1-99	\$ 58,606 66,306
Total Adult Basic Education			
Title VI	84.298	044354-C2-S1-97 044354-C2-S1-98 044354-C2-S1-99	\$ 24,830 27,613 32,087
Total Title VI			
Carl D. Perkins	84.048	044354-2C-01-98 044354-2C-01-99	\$ 86,493 87,881
Total Carl D. Perkins			
Comprehensive School Reform	84.332	044354-RF-S1-99	\$ 75,000

<u>Balance</u> <u>7/1/98</u>	<u>Federal</u> <u>Receipts</u>	<u>Federal</u> <u>Disbursements</u>	<u>Transfers/</u> <u>Advances</u>	<u>Balance</u> <u>6/30/99</u>
\$ 46,328	\$ -	\$ (46,328)	\$ -	\$ -
88,195	114,823	(203,018)	-	-
-	985,147	(694,044)	-	291,103
<u>134,523</u>	<u>1,099,970</u>	<u>(943,390)</u>	<u>-</u>	<u>291,103</u>
51,847	-	(51,847)	-	-
-	302,596	(226,963)	-	75,633
<u>51,847</u>	<u>302,596</u>	<u>(278,810)</u>	<u>-</u>	<u>75,633</u>
-	10,647	(15,728)	5,081	-
-	10,647	(15,728)	5,081	-
6,361	-	(3,415)	-	2,946
-	66,306	(44,713)	-	21,593
<u>6,361</u>	<u>66,306</u>	<u>(48,128)</u>	<u>-</u>	<u>24,539</u>
2,339	-	(2,079)	-	260
6,906	-	(2,335)	-	4,571
-	27,277	(9,673)	-	17,604
<u>9,245</u>	<u>27,277</u>	<u>(14,087)</u>	<u>-</u>	<u>22,435</u>
(10,190)	12,974	(41,804)	39,020	-
-	74,699	(49,046)	-	25,653
<u>(10,190)</u>	<u>87,673</u>	<u>(90,850)</u>	<u>39,020</u>	<u>25,653</u>
-	75,000	(58,912)	-	16,088
<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ (58,912)</u>	<u>\$ -</u>	<u>\$ 16,088</u>

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 1999

(Continued)

<u>Federal Grantor/ Sub-Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Program or Award Amount</u>
<u>U.S. DEPARTMENT OF EDUCATION</u>			
Passed through Ohio Department of Education: (Continued)			
Goals 2000	84.276	044354-G2-A1-97	\$ 3,000
Total Goals 2000			
Eisenhower Grant	84.281	044354-MS-S1-98 044354-MS-S1-99	\$ 21,798 25,977
Total Eisenhower Grant			
Drug Free School Program Grant	84.186	044354-DR-S1-98 044354-DR-S1-99	\$ 28,998 27,179
Total Drug Free School Program Grant			
Total U.S. Department of Education			
<u>U.S. DEPARTMENT OF AGRICULTURE</u>			
Passed through Ohio Department of Education			
National School Breakfast	10.553	-	-
National School Lunch Program (B)	10.555	-	-
Food Distribution Program (C)	10.550	-	-
Total U.S. Department of Agriculture			
Total Federal Financial Assistance (A)			

(A) Schedule is presented on a cash basis. Federal Financial Assistance is determined to be on a first-in, first-out basis.

(B) Amounts are commingled with state and local revenue from the sale of lunches.

(C) Food Distribution Program is for the purpose of reporting on this schedule only. Food Distribution Program is not a part of the accompanying financial statements. Dollar amounts reflected are market values assigned by the District for commodities.

<u>Balance</u> <u>7/1/98</u>	<u>Federal</u> <u>Receipts</u>	<u>Federal</u> <u>Disbursements</u>	<u>Transfers/</u> <u>Advances</u>	<u>Balance</u> <u>6/30/99</u>
\$ -	\$ 3,000	\$ (1,799)	\$ -	\$ 1,201
-	3,000	(1,799)	-	1,201
-	25,485	(4,285)	-	21,200
-	20,115	(14,187)	-	5,928
-	45,600	(18,472)	-	27,128
1,250	-	(1,250)	-	-
-	27,179	(27,139)	-	40
1,250	27,179	(28,389)	-	40
193,036	1,745,248	(1,498,565)	44,101	483,820
-	67,463	(67,463)	-	-
-	585,173	(585,173)	-	-
7,092	69,291	(69,764)	-	6,619
7,092	721,927	(722,400)	-	6,619
<u>\$ 200,128</u>	<u>\$ 2,467,175</u>	<u>\$ (2,220,965)</u>	<u>\$ 44,101</u>	<u>\$ 490,439</u>

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

STATUS OF PRIOR AUDIT CITATIONS AND RECOMMENDATIONS

The prior audit report for the period ending June 30, 1998 included various citations and recommendations. Each of these citations and recommendations have either been satisfied or corrected, or are reflected in the appropriate section of this report. Such citations and recommendations are denoted by an asterisk.

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

Board of Education
Massillon City School District
Massillon, Ohio 44646

We have audited the financial statements of the Massillon City School District as of and for the year ended June 30, 1999, and have issued our report thereon date June 26, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

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

Internal Controls Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operations that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs at item 99-1 and 99-2.

**Massillon City School District
Stark County**

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

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

June 26, 2000

Guillan & Company

Guillan & Company

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

Board of Education
Massillon City School District
Massillon, Ohio 44646

Compliance

We have audited the compliance of the Massillon City School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 1999. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 1999.

**Massillon City School District
Stark County**

Internal Control Over Compliance

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

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

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

June 26, 2000

Guillan + Company

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 1999

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the general purpose financial statements of the Massillon City School District.
2. Two reportable condition was disclosed during the audit of the financial statements of the Massillon City School District. The conditions are not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of the Massillon City School District were disclosed during the audit.
4. No reportable conditions were disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for the Massillon City School District expresses an unqualified opinion.
6. No audit findings relative to the major programs for the Massillon City School District were disclosed during the audit.
7. The programs tested as major included: Title I (84.010).
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Massillon City School District was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENT AUDIT

99-1*

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

**Massillon City School District
Stark County**

99-2

During testing of compensated absences, it was noted that many of the severance pays for employees that had retired during the year were miscalculated according to the negotiated agreements. It is recommended that the District strengthen its controls over the severance calculations to ensure the calculations are reviewed and approved by someone other than the person doing the original calculation.

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT**

None

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

GENERAL COMMENTS

The report, including the citations and recommendations, was reviewed with and acknowledged by the following officials on June 26, 2000:

Teresa Emmerling Treasurer

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

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
OCTOBER 3, 2000**