



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

Massillon City School District
Stark County

Financial Forecast
For The Fiscal Year Ending June 30, 2001

Local Government Services Division

Massillon City School District
Stark County

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STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490
www.auditor.state.oh.us

Ohio Department of Education
School Finance
25 S. Front Street, 7th Floor
Columbus, Ohio 43215

and

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

We have examined the accompanying forecasted schedule of revenues, expenditures and changes in fund balance of the general fund of the Massillon City School District for the fiscal year ending June 30, 2001. Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included such procedures as we considered necessary to evaluate both the assumptions used by the Board of Education and the preparation and presentation of the forecast.

The accompanying forecast was prepared for the purpose of determining whether the Massillon City School District will incur an operating deficit for the current fiscal year under Section 3316.08 of the Ohio Revised Code, and should not be used for any other purpose.

In our opinion, the forecasted schedule referred to above is presented in conformity with the guidelines for presentation of a forecast established by the American Institute of Certified Public Accountants, and the underlying assumptions provide a reasonable basis for the Board's forecast. However, there will usually be differences between the forecasted and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no responsibility to update this report for events and circumstances occurring after its date.

The historical financial statements for the years ended June 30, 1998, and June 30, 1999, (from which the historical data are derived) were audited by other accountants and the Auditor of State's Office, respectively, and included an unqualified opinion and were dated April 27, 1999, and June 26, 2000, respectively.

We have compiled the accompanying schedules of revenues, expenditures and changes in fund balances of the general fund of Massillon City School District for the fiscal year ended June 30, 2000 in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed these financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

JIM PETRO
Auditor of State

March 23, 2001

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEAR ENDING JUNE 30, 2001 FORECASTED
GENERAL FUND

	Fiscal Year 2001 Forecasted
Revenues	
General Property Tax (Real Estate)	\$10,495,000
Tangible Personal Property Tax	2,856,000
Income Tax	2,639,000
Unrestricted Grants-in-Aid	14,255,000
Restricted Grants-in-Aid	1,059,000
Property Tax Allocation	1,424,000
All Other Revenues	1,057,000
<i>Total Revenues</i>	33,785,000
 Other Financing Sources	
Advances In	100,000
<i>Total Revenues and Other Financing Sources</i>	33,885,000
 Expenditures	
Personal Services	16,555,000
Employees' Retirement/Insurance Benefits	6,391,000
Purchased Services	4,338,000
Supplies and Materials	1,128,000
Capital Outlay	527,000
Debt Service:	
Principal - Notes	892,000
Principal - State Loans	1,184,000
Principal - Solvency Assistance Advance	1,658,000
Interest and Fiscal Charges	228,000
Other Objects	420,000
<i>Total Expenditures</i>	33,321,000
 Other Financing Uses	
Advances Out	100,000
<i>Total Expenditures and Other Financing Uses</i>	33,421,000
<i>Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</i>	464,000
<i>Cash Balance July 1, 2000</i>	3,780,000
<i>Cash Balance June 30, 2001</i>	4,244,000
Less Encumbrances and Reserves:	
<i>Estimated Encumbrances June 30, 2001</i>	478,000
Reservations of Fund Balance	
Budget Reserve	260,000
DPIA	112,000
Bus Purchase	83,000
<i>Unencumbered/Unreserved Fund Balance June 30, 2001</i>	\$3,311,000

See accompanying summary of significant forecast assumptions and accounting policies, and accountant's report

MASSILLON CITY SCHOOL DISTRICT
STARK COUNTY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE FISCAL YEARS ENDED JUNE 30, 1998, 1999 AND 2000 ACTUAL;
FOR THE FISCAL YEAR ENDING JUNE 30, 2001 FORECASTED
GENERAL FUND

	Fiscal Year 1998 Actual	Fiscal Year 1999 Actual	Fiscal Year 2000 Actual	Fiscal Year 2001 Forecasted
Revenues				
General Property Tax (Real Estate)	\$8,157,000	\$7,849,000	\$9,536,000	\$10,495,000
Tangible Personal Property Tax	3,504,000	3,443,000	2,745,000	2,856,000
Income Tax	210,000	1,938,000	2,659,000	2,639,000
Unrestricted Grants-in-Aid	13,234,000	14,030,000	13,804,000	14,255,000
Restricted Grants-in-Aid	146,000	897,000	957,000	1,059,000
Property Tax Allocation	1,035,000	997,000	1,019,000	1,424,000
All Other Revenues	479,000	861,000	1,194,000	1,057,000
<i>Total Revenues</i>	<u>26,765,000</u>	<u>30,015,000</u>	<u>31,914,000</u>	<u>33,785,000</u>
Other Financing Sources				
Proceeds from Sale of Notes	6,880,000	1,600,000	4,877,000	0
Solvency Assistance Advance	0	0	3,316,000	0
Advances In	0	602,000	243,000	100,000
<i>Total Other Financing Sources</i>	<u>6,880,000</u>	<u>2,202,000</u>	<u>8,436,000</u>	<u>100,000</u>
<i>Total Revenues and Other Financing Sources</i>	<u>33,645,000</u>	<u>32,217,000</u>	<u>40,350,000</u>	<u>33,885,000</u>
Expenditures				
Personal Services	15,879,000	16,801,000	16,947,000	16,555,000
Employees' Retirement/Insurance Benefits	5,979,000	6,562,000	8,683,000	6,391,000
Purchased Services	1,949,000	2,104,000	2,262,000	4,338,000
Supplies and Materials	939,000	1,157,000	541,000	1,128,000
Capital Outlay	89,000	122,000	66,000	527,000
Debt Service:				
Principal-Notes	2,238,000	2,742,000	5,934,000	892,000
Principal-State Loans	5,999,000	1,083,000	1,387,000	1,184,000
Principal-Solvency Assistance Advance	0	0	0	1,658,000
Interest and Fiscal Charges	294,000	415,000	629,000	228,000
Other Objects	255,000	241,000	397,000	420,000
<i>Total Expenditures</i>	<u>33,621,000</u>	<u>31,227,000</u>	<u>36,846,000</u>	<u>33,321,000</u>
Other Financing Uses				
Operating Transfers Out	0	75,000	39,000	0
Advances Out	0	163,000	271,000	100,000
<i>Total Other Financing Uses</i>	<u>0</u>	<u>238,000</u>	<u>310,000</u>	<u>100,000</u>
<i>Total Expenditures and Other Financing Uses</i>	<u>33,621,000</u>	<u>31,465,000</u>	<u>37,156,000</u>	<u>33,421,000</u>
<i>Excess of Revenues and Other Financing Sources over Expenditures and Other Financing Uses</i>	24,000	752,000	3,194,000	464,000
<i>Cash Balance July 1</i>	97,000	121,000	873,000	3,780,000
<i>Adjustment to Cash</i>	<u>0</u>	<u>0</u>	<u>(287,000)</u>	<u>0</u>
<i>Cash Balance June 30</i>	<u>121,000</u>	<u>873,000</u>	<u>3,780,000</u>	<u>4,244,000</u>
Less Encumbrances and Reserves:				
<i>Actual/Estimated Encumbrances June 30</i>	117,000	234,000	696,000	478,000
Reservations of Fund Balance				
Textbooks and Instructional Materials	0	40,000	83,000	0
Capital Improvement and Maintenance	0	158,000	83,000	0
Budget Reserve	181,000	260,000	260,000	260,000
DPIA	0	193,000	112,000	112,000
Bus Purchases	21,000	87,000	149,000	83,000
<i>Unencumbered/Unreserved Fund Balance (Deficit) June 30</i>	<u>(\$198,000)</u>	<u>(\$99,000)</u>	<u>\$2,397,000</u>	<u>\$3,311,000</u>

See accompanying summary of significant forecast assumptions and accounting policies, and accountant's report

Massillon City School District

Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

Note 1 - Nature and Limitations of the Forecast

The financial forecast presents, to the best of the Massillon City School District Board of Education's knowledge and belief, the expected revenues, expenditures and operating balance of the general fund. Accordingly, the forecast reflects the Board of Education's judgment of the expected conditions and its expected course of action as of March 23, 2001, the date of this forecast. The assumptions disclosed herein are those that management believes are significant to the forecast. Differences between the forecasted and actual results will usually arise because events and circumstances frequently do not occur as expected, and those differences may be material.

This forecast was prepared for the purpose of determining whether the Massillon City School District (the School District) will incur an operating deficit for the current fiscal year under Section 3316.08 of the Ohio Revised Code, and should not be used for any other purpose.

Note 2 - Nature of the Presentation

The forecast presents the revenues, expenditures, and changes in fund balance of the general fund. Under State law, certain general fund resources received from the State must be spent on specific programs. These resources and the related expenditures have been segregated in the accounting records of the School District to demonstrate compliance. State laws also requires general fund resources pledged for the repayment of debt to be recorded directly in the debt service fund.

For presentation in the forecast, the general fund has been adjusted to include the financial activity and balances of the disadvantaged pupil impact aid (DPIA), the textbook subsidy and the activity of the debt service fund related to the general fund supported debt. The inclusion of this activity has generated differences with the audited financial statements for the fiscal years ended June 30, 1998 and 1999, and the compiled financial statements for the fiscal year ended June 30, 2000. These differences are as follows:

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
<u>Revenues and Other Sources</u>			
General Fund as Previously Reported	\$25,340,000	\$27,327,000	\$31,394,000
DPIA	0	764,000	957,000
Textbook Subsidy	67,000	67,000	0
Debt Service Activity Related to General Fund Supported Debt	8,238,000	4,059,000	7,999,000
Total Revenues and Other Sources per Forecast	33,645,000	32,217,000	40,350,000
<u>Expenditures and Other Uses</u>			
General Fund as Previously Reported	25,434,000	26,990,000	28,967,000
DPIA	0	583,000	886,000
Textbook Subsidy	66,000	67,000	0
Debt Service Activity Related to General Fund Supported Debt	8,238,000	4,059,000	7,999,000
Less Encumbrances	(117,000)	(234,000)	(696,000)
Total Expenditures and Other Uses per Forecast	\$33,621,000	\$31,465,000	\$37,156,000

continued

Massillon City School District

Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

	Fiscal Year 1998	Fiscal Year 1999	Fiscal Year 2000
Excess of Revenues and Other Source Over Expenditures and Other Uses	\$24,000	\$752,000	\$3,194,000
Cash Fund Balance at Beginning of Fiscal Year	97,000	121,000	873,000
Adjustment to Beginning Cash	0	0	(287,000)
Cash Fund Balance at End of Fiscal Year	121,000	873,000	3,780,000
Encumbrances at Fiscal Year End	(117,000)	(234,000)	(696,000)
Unencumbered Fund Balance at Fiscal Year End	<u>\$4,000</u>	<u>\$639,000</u>	<u>\$3,084,000</u>

Note 3 - Summary of Significant Accounting Policies

A. - Basis of Accounting

This financial forecast has been prepared on a basis of cash receipts and disbursements which is consistent with the required budget basis (non-GAAP) of accounting used to prepare the historical financial statements. Under this basis of accounting, certain revenue and related assets are recognized when received rather than when measurable and available, and certain expenditures are recognized when paid rather than when the obligation is incurred. However, by virtue of Ohio law, the School District is required to maintain the encumbrance method of accounting. This method requires purchase orders, contracts, and other commitments for the expenditure of monies to be recorded as the equivalent of an expenditure in order to reserve that portion of the applicable appropriation and to determine and maintain legal compliance.

B. - Fund Accounting

The School District maintains its accounting in accordance with the principles of "fund" accounting. Fund accounting is a concept developed to meet the needs of governmental entities in which legal or other restraints require the segregation of specific receipts and disbursements. The transactions of each fund are reflected in a self-balancing group of accounts, an accounting entity which stands separate from the activities reported in other funds. The restrictions associated with each class of funds are as follows:

Governmental Funds

General Fund - The general fund is the operating fund of the School District and is used to account for all financial resources except those required to be accounted for in another fund. The general fund balance is available to the School District for any purpose provided it is disbursed or transferred in accordance with Ohio law.

Special Revenue Funds - Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or those for major capital projects) that are legally restricted to disbursements for specified purposes.

Massillon City School District

Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

Debt Service Funds - Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term and short-term debt principal and interest.

Capital Projects Funds - Capital projects funds are used to account for financial resources used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

Proprietary Funds

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

Fiduciary Funds

Trust and Agency Funds - Trust and agency funds account for assets held by the School District in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include (a) expendable trust funds, (b) non-expendable trust funds, and (c) agency funds.

C. - Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriation resolution, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriations cannot exceed estimated resources, as certified. 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.

Budget - A budget of estimated cash receipts and disbursements is submitted to the Stark County Auditor, as secretary of the County Budget Commission, by January 20 of each year, for the succeeding fiscal year.

Estimated Resources - The County Budget Commission certifies its actions to the School District by March 1. As part of this certification, the School District receives the official certificate of estimated resources which states the projected receipts of each fund. On or about July 1, this certificate is amended to include any unencumbered balances from the preceding year. Prior to June 30, the School District must revise its budget so that total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriation measure.

Appropriations - A temporary appropriation measure to control cash disbursements may be passed on or about July 1 of each year. The temporary appropriation measure remains in place until the annual appropriation measure is adopted for the entire year. The appropriation measure may be amended or supplemented during the year as new information becomes available.

Massillon City School District

Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

Encumbrances - The School District uses the encumbrance method of accounting. Under this system, purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve a portion of the applicable appropriation.

Note 4 - General Operating Assumptions

The Massillon City School District will continue to operate its instructional program in accordance with its adopted school calendar and pay all obligations. The forecast contains those expenditures the Board of Education has determined to be necessary to provide for an adequate educational program.

Note 5 - Significant Assumptions for Revenues and Other Financing Sources

A. - General and Tangible Personal Property Taxes

Property taxes consist of real estate, public utility real and personal property, and tangible personal property taxes. Advances may be requested from the Stark County Auditor as the tax is collected. When settlements are made, any amounts remaining to be distributed to the School District are paid. Deductions for auditor and treasurer fees, advertising delinquent taxes, election expenses, and other fees are made at these settlement times.

State law allows for certain reductions in the form of rollbacks and homestead exemption for real estate taxes and exempts from taxation the first \$10,000 of tangible personal property. The State reimburses the School District for all revenues lost due to these exemptions. The amount of the reimbursement is included in the forecasted amount for property tax allocation.

Property taxes are levied and collected on a calendar year basis. Settlements that occur in the second half of the year are recorded as revenue in next fiscal year. New and/or expiring levies result in one-half of the annual revenue being recorded in the first and/or last year of collection.

The property tax revenues for the School District are generated from several levies. The type of levies, the year approved, last year of collection, and the full tax rate are as follows:

<u>Tax Levies</u>	<u>Year Approved</u>	<u>Last year of Collection</u>	<u>Full Tax Rate (Mills)</u>
Inside Ten Mill Limitation	n/a	n/a	\$4.10
Operating	1969	continuing	27.80
Emergency	1996	2001	5.10
Emergency	1999	2004	9.70
Total Tax Rate			<u><u>\$46.70</u></u>

Massillon City School District

Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

General Property Tax (Real Estate) - General property tax revenue includes real estate taxes, public utility property taxes, and manufactured home taxes. The amount shown in the revenue section of the forecast schedules represent gross property tax revenue. The general property tax revenue estimate is based upon actual receipts and information provided by the Stark County Auditor. Amounts forecasted for the rollback and homestead exemption are included under the property tax allocation account. Based upon these estimates, the School District anticipates receiving \$10,495,000 in real estate tax revenue, which is a \$959,000 increase from the prior fiscal year. The increase is due to new property tax values and the passage of an emergency levy in November, 1999 for 9.7 mills for the next five years. Collections of the new levy began in the second half of 2000 with a full year's revenue being recorded in 2001.

Tangible Personal Property Tax - Tangible personal property tax revenues are generated from the property used in business (except for public utilities). As with general property taxes, tangible personal property tax revenues are based upon information provided by the Stark County Auditor. Based upon these estimates, the School District anticipates receiving \$2,856,000 in tangible personal property tax revenue, which is \$111,000 more than the amount received in fiscal year 2000. The tangible personal property tax revenues are affected by businesses starting and closing, as well as increases in personal property values and the emergency levy mentioned above.

The School District has assumed in the forecast that it will be held harmless with respect to the changes implemented in the taxing structure of public utilities (namely electric companies). Additionally, the Ohio legislature passed and the governor approved legislation during 1999 calling for the reduction in the assessed valuation of the inventory component of personal property tax by one percent each year over the next 25 years.

B. - Income Tax

The School District obtained voter approval for a .75 percent income tax levy in May 1997, to be collected through 2001. Income tax revenues are projected at \$2,639,000, a decrease of \$20,000 over fiscal year 2000 based on collection information provided by the State Department of Taxation.

C. - Unrestricted Grants-in-Aid

State foundation payments established by Chapter 3317 of the Ohio Revised Code are calculated by the State Department of Education, Division of School Finance, on the basis of pupil enrollment (ADM) and classroom teacher ratios plus other factors. The funds are distributed on a semi-monthly basis. Deductions from the monthly payments for contributions to the two school retirement systems are included in the expenditure section. Unrestricted grants-in-aid includes formula aid, special education aid, training and experience of classroom teachers funding, unrestricted disadvantaged pupil impact aid, extended service, gifted aid, transportation, and vocational education.

In 1998, State law set the base cost per pupil at \$3,851 for fiscal year 1999, to \$4,052 for fiscal year 2000, and \$4,294 for fiscal year 2001.

The anticipated revenue of \$14,255,000 for fiscal year 2001 is based on current estimates provided by the Ohio Department of Education. The anticipated increase of \$647,000 is caused by an increase in per pupil funding and ADM changes from the prior fiscal year.

Massillon City School District

Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

D. - Restricted Grants-in-Aid

Restricted grants-in-aid consists of disadvantaged pupil impact aid (DPIA) and a bus purchase allowance in the amount of \$1,018,000, and \$41,000, respectively, which is an increase of \$102,000 over fiscal year 2000. For fiscal year 2001, the restricted amount of DPIA revenue increased from 80 percent in fiscal year 2000 to 90 percent of the total DPIA revenue.

E. - Property Tax Allocation

State law grants tax relief in the form of a ten percent reduction in real property tax bills. In addition, a two and one-half percent rollback is granted on residential property taxes. Tax relief is also granted to qualified elderly and disabled homeowners based on their income. The State reimburses the School District for the loss of real property taxes as a result of the above (rollback and homestead).

Property tax allocation revenue, based on information provided by the Stark County Auditor, is anticipated to increase \$405,000 from the prior fiscal year due to the new levy as mentioned above.

F. - All Other Revenues

All other revenues consist of the following:

<u>Revenue Sources</u>	<u>Actual Fiscal Year 2000</u>	<u>Forecast Fiscal Year 2001</u>	<u>Variance Increase (Decrease)</u>
Interest on Investments	\$535,000	\$500,000	(\$35,000)
Tuition	129,000	200,000	71,000
Classroom Materials and Fees	13,000	10,000	(3,000)
Refund of Prior Year Expenditures	301,000	183,000	(118,000)
Miscellaneous	171,000	98,000	(73,000)
Medicaid	45,000	66,000	21,000
Totals	<u>\$1,194,000</u>	<u>\$1,057,000</u>	<u>(\$137,000)</u>

The School District pools cash from all funds for investment purposes. Investments are restricted by provisions of the Ohio Revised Code and are valued at cost. Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings with the balance recorded to the general fund.

Tuition revenues are based on actual receipts.

The School District does not anticipate many refunds of prior year expenditures due to large refunds received in fiscal year 2000. Also, they expect a significant reduction in miscellaneous receipts comprised of donations, rental of school property, sale of assets, miscellaneous grants, insurance claims and various other reimbursements during fiscal year 2001.

Massillon City School District

Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

G. - Advances In

Advances in represents amounts loaned to other funds in the current or prior fiscal year which are being repaid to the general fund in the forecast year. The general fund will receive \$100,000 which represents the repayment of advances from various special revenue grant funds.

Note 6 - Significant Assumptions For Expenditures and Other Financing Uses

A. - Personal Services

Personal service expenditures represent the salaries and wages paid to certified and classified staff, supplemental contracts, substitutes, severance pay, and board members' compensation. All employees receive their compensation on a bi-weekly basis. Historically, the certified, classified, and administrative staff levels have remained the same; however, in fiscal year 2000, there were several positions eliminated, and vacated positions were not filled.

Certified (teacher) staff salaries are based on a negotiated contract which includes base and step increases and educational incentives. The contract covers the period of July 1, 2000, to June 30, 2003, and allows increases of approximately three percent each year. Classified staff salaries are also based on a negotiated contract which includes base and step increases. The contract covers the period from July 1, 2000, to June 30, 2003, and allows for increases of three percent in each year of the contract. Administrative salaries are set by the Board of Education.

The School District offers severance pay to its employees of up to one-fourth of the accumulated sick leave to a maximum of 200 days and the unused personal leave upon retirement to be paid at the employee's current per diem rate.

Presented below is a comparison of salaries and wages for the fiscal year 2000 and the forecast period.

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Certified Salaries	\$12,888,000	\$12,587,000	(\$301,000)
Classified Salaries	2,783,000	2,613,000	(170,000)
Substitute Salaries	347,000	169,000	(178,000)
Supplemental Contracts	489,000	607,000	118,000
Severance Pay	284,000	401,000	117,000
Other Salaries and Wages	156,000	178,000	22,000
	<u>\$16,947,000</u>	<u>\$16,555,000</u>	<u>(\$392,000)</u>

The significant decreases in personal services are based on the following:

A decrease in certified and classified salaries due to the elimination of ten positions and the replacement of forty-six staff members at a lower rate of pay; and

A decrease in substitute and other salaries because of a decline in the use of substitutes and other costs reduction efforts.

Massillon City School District

Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

B. - Employees' Retirement/Insurance Benefits

Employees' retirement and insurance benefits include employer contributions to the State pension systems, health care, medicare, workers' compensation, and other benefits arising from the negotiated agreements.

Retirement costs are based on the employers' contribution rate of 14 percent for STRS and SERS. Payments are made based upon estimated salary and wages for each fiscal year. Adjustments resulting from over/under estimates are prorated over the next fiscal year.

Health care costs are based on the coverage terms of the existing health insurance contracts and the anticipated number of employees participating in the program. The premiums for single and family coverage are set by contract and renewed annually. The premiums for the forecast period have not changed significantly from the prior year.

The School District offered an early retirement incentive program to its teachers in which the School District would buy up to two years of service credit. The program was available to those teachers who are at least 50 years of age and have 28 years of service, or age 60 with five years of service. The program expired April 1, 2000. The service credit purchased for those retiring employees is paid over a two year period.

Medicare benefits are based on the employers' rate of 1.45 percent and the payroll costs for contributing staff.

Workers' compensation premiums are based on the School District's rate and the anticipated salaries for the fiscal year.

Presented below is a comparison of fiscal year 2000 and the forecast period:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Employer's Retirement	\$3,623,000	\$2,599,000	(\$1,024,000)
Early Retirement Incentive	1,613,000	1,139,000	(474,000)
Health Care Insurance	3,175,000	2,401,000	(774,000)
Workers' Compensation	88,000	105,000	17,000
Medicare	158,000	124,000	(34,000)
Unemployment	22,000	15,000	(7,000)
Tuition	4,000	8,000	4,000
	<u>\$8,683,000</u>	<u>\$6,391,000</u>	<u>(\$2,292,000)</u>

The significant decreases in employees' retirement and insurance benefits are based on the following:

A decrease in employees retirement due to the elimination of positions and retired employees replaced with lower paid staff;

A decrease in early retirement incentive costs based on actual billings and final payments under the program; and

Massillon City School District

Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

A reduction in the health care premiums because a portion of fiscal year 2001 premiums were paid in fiscal year 2000 and the final payment was made to Stark County Council of Governments for prior years insurance cost of \$600,000.

C. - Purchased Services

Purchased service expenditures are comprised of the following:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
Professional and Technical Services	\$399,000	\$450,000	\$51,000
Property Services	521,000	1,908,000	1,387,000
Travel and Meeting Expenses	20,000	30,000	10,000
Communication Costs	83,000	126,000	43,000
Utility Services	981,000	1,587,000	606,000
Tuition Payments	256,000	226,000	(30,000)
Printing	0	8,000	8,000
Pupil Transportation Costs	2,000	3,000	1,000
	<u>\$2,262,000</u>	<u>\$4,338,000</u>	<u>\$2,076,000</u>

Purchased services are anticipated to increase for property services relating to roof and boiler replacements throughout the School District and for utility costs due to the deregulation of those services.

D. - Supplies and Materials

Supplies and materials are comprised of the following:

	Actual Fiscal Year 2000	Forecast Fiscal Year 2001	Variance Increase (Decrease)
General Supplies, Library Books and Periodicals	\$411,000	\$883,000	\$472,000
Operations, Maintenance, and Repair	107,000	201,000	94,000
Textbooks	23,000	44,000	21,000
	<u>\$541,000</u>	<u>\$1,128,000</u>	<u>\$587,000</u>

Supplies and materials are anticipated to increase due to School District's need to update and replace general supplies, library books and periodicals in fiscal year 2001.

Massillon City School District

Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

E. - Capital Outlay

Property, plant and equipment acquired or constructed for general governmental services are recorded as expenditures. Depreciation is not recorded for these general fixed assets as the purpose of the financial statements for the general government services is to report the expenditure of resources, not costs.

Capital outlay expenditures are forecasted in the amount of \$527,000. The majority of the expenditures are for the purchase of computers and other equipment, three trucks and two school buses.

F. - Debt Service

General fund supported debt consists of tax anticipation notes, state loans, a solvency assistance advance and a vocational school building assistance note. The funds necessary for the payment of principal and interest are provided by property taxes and state foundation monies.

The principal and interest on the outstanding general fund supported debt is as follows:

	Principal Amount	Interest Amount	Total
Tax Anticipation Note Series 1997	\$237,000	\$21,000	\$258,000
Tax Anticipation Note Series 1996	400,000	36,000	436,000
Vocational School Building Assistance Note	255,000	0	255,000
State Loan Series 1997	1,184,000	171,000	1,355,000
Solvency Assistance Advance 1999	1,658,000	0	1,658,000
	<u>\$3,734,000</u>	<u>\$228,000</u>	<u>\$3,962,000</u>

G. - Other Objects

Other objects include dues, fees, liability insurance, assessments and county board deductions/costs. The School District is projecting \$420,000 of expenditures in this area in fiscal year 2001. The most significant increase is in the county auditor and treasurer fees.

H. - Operating Transfers and Advances Out

No transfers are forecasted during fiscal year 2001. The School District expects to advance out \$100,000 to the bond retirement fund. During fiscal year 2000, the bond retirement fund advanced \$100,000 to the general fund to pay debt.

I. - Spending Reserve

Section 133.301, Revised Code, allows the School District to issue notes during the current fiscal year in anticipation of fiscal year 2001 property tax revenues provided that such amount, referred to as the spending reserve, is included in the current year tax budget. The School District did not include a spending reserve in their current year tax budget.

Massillon City School District

Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

Note 7 - Encumbrances

Encumbrances represent purchase authorizations and contracts for goods or services that are pending vendor performance and those purchase commitments which have been performed, invoiced, and are awaiting payment. Encumbrances on a budget basis of accounting are treated as the equivalent of an expenditure at the time authorization is made in order to maintain compliance with spending restrictions established by Ohio law. For presentation in the forecast, outstanding encumbrances are presented as a reduction of the general fund balance.

Encumbrances for purchased services, supplies and materials, capital outlay and other expenditures for the fiscal year ended June 30, 2000 were \$696,000 and are forecasted at \$478,000 for fiscal year 2001. Current year encumbrances include the State Teacher's Retirement System advance.

Note 8 - Reservations of Fund Balance

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

A. - Textbooks and Instructional Materials

The School District is required to set aside annually three percent of certain revenues for the purchase of textbooks and instructional materials. The set aside amount for fiscal year 2001 is \$730,000. Qualifying expenditures in excess of \$813,000 are anticipated, therefore, no reserve is anticipated.

B. - Capital Acquisition and Improvements

The School District is also required to set aside annually three percent of certain revenues for capital acquisition and improvements. The set aside amount for fiscal year 2001 is \$730,000. Qualifying expenditures in excess of \$813,000 are anticipated, therefore, no reserve is anticipated.

C. - Budget Reserve

The School District is required to establish a budget reserve and set aside one percent of certain revenues each year there is a growth of three percent or more in these revenues. Each year the School District meets the criteria the required balance in the budget reserve increases by one percent until the five percent limit is reached. Under Section 39 of House Bill 770 and 5705.29(I), Revised Code, school districts are required to credit any refund from the Bureau of Workers' Compensation to the budget reserve. Workers' compensation refunds may reduce the contribution required in the current and/or future periods.

School districts in fiscal emergency are not required to set aside annually revenues in the budget reserve; however, the School District has recorded refunds in the amount of \$260,000 from the Bureau of Workers' Compensation to the budget reserve.

Massillon City School District

Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

Senate Bill 345, effective April 10, 2001 eliminated the requirement for school districts to maintain a budget reserve. Any monies on hand in the budget reserve at that time may, at the discretion of the Board, be returned to the School District's general fund or may be left in the account to offset any future deficits. Additionally, any portion of the budget reserve consisting of rebates or refunds from the Bureau of Workers' Compensation may only be used for purposes specified in SB 345, including the offset a budget deficit. The School District does not anticipate expending the existing balance in the budget reserve during the forecast period.

D. Disadvantaged Pupil Impact Aid (DPIA)

The School District had a carryover balance of \$112,000 at the end of fiscal year 2000. The School District anticipates fiscal year 2001 revenues and expenditures to remain consistent with the prior year. The restricted balance at the close of fiscal year 2001 is anticipated to be \$112,000.

E. Bus Purchases

The School District had a carryover bus purchase allowance of \$149,000 at the end of fiscal year 2000 and received \$41,000 in bus purchase allowance during fiscal year 2001. The School District plans to make bus purchase expenditures of \$107,000 during fiscal year 2001. The restricted balance at the close of fiscal year 2001 is anticipated to be \$83,000.

Note 9 - Levies

The School District plans to renew the March 1996, five-year emergency operating levy by placing it on the ballot on May 2001. In the past ten years the School District has placed several levies on the ballot. The type of levy, rate, term, and election results are as follows:

<u>Date</u>	<u>Type</u>	<u>Amount</u>	<u>Term</u>	<u>Election Results</u>
November 1992	Emergency - Additional	5.9 Mills	4 Years	Failed
February 1993	Emergency - Additional	7.9 Mills	5 Years	Failed
May 1993	Emergency - Additional	7.9 Mills	5 Years	Passed
March 1996	Emergency - Renewal	5.1 Mills	5 Years	Passed
November 1996	Income Tax	.075 Percent	4 Years	Failed
May 1997	Income Tax	.075 Percent	4 Years	Passed
May 1998	Emergency - Renewal	7.9 Mills	5 Years	Failed
November 1998	Capital Improvement	14.9 Mills	5 Years	Passed
August 1999	Emergency - Additional	9.7 Mills	5 Years	Failed
November 1999	Emergency - Additional	9.7 Mills	5 Years	Passed

Massillon City School District

Summary of Significant Forecast Assumptions and Accounting Policies For the Fiscal Year Ending June 30, 2001

Note 10 - Pending Litigation

Management is of the opinion that there are no issues that would have a material effect on the financial forecast.

Note 11 - State 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 the system. Declared unconstitutional was the State's "school foundation program", which provides significant amounts of monetary support to the School District. During the fiscal year ended June 30, 2000, the School District received \$14,255,000 of school foundation support for its general fund.

In addition, the Court declared the classroom facilities program unconstitutional, because, in the Court's opinion, the program had not been sufficiently funded by the State. The classroom facilities program provided money to build schools and furnish classrooms. As of June 30, 2000, the School District had been awarded a total of \$32.6 million under this program.

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

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

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



STATE OF OHIO
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

88 East Broad Street
P.O. Box 1140
Columbus, Ohio 43216-1140
Telephone 614-466-4514
800-282-0370
Facsimile 614-466-4490

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
JUNE 11, 2001**