



Rea & associates *a brighter way*

# Massillon City School District Stark County, Ohio

*Audited Financial Statements*

For the Fiscal Year Ended  
June 30, 2015





# Dave Yost • Auditor of State

Board of Education  
Massillon City School District  
930 17th Street NE  
Massillon, Ohio 44646

We have reviewed the *Independent Auditor's Report* of the Massillon City School District, Stark County, prepared by Rea & Associates, Inc., for the audit period July 1, 2014 through June 30, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

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

Dave Yost  
Auditor of State

December 29, 2015

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**Massillon City School District**  
**Stark County, Ohio**  
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November 19, 2015

To the Board of Education  
Massillon City School District  
Stark County, Ohio  
930 17<sup>th</sup> Street NE  
Massillon, OH 44646

## **Independent Auditor's Report**

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Massillon City School District, Stark County, Ohio, (the "School District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Massillon City School District, Stark County, Ohio, as of June 30, 2015, and the respective changes in financial position and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of a Matter***

As described in Note 2, the School District restated the net position balance to account for the implementation of GASB Statement No. 68 and GASB Statement No. 71. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* and the *Schedule of the School District's Proportionate Share of the Net Pension Liability*, and *Schedule of School District Contributions* on pages 5–15, 65, and 66–67, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2015 on our consideration of the School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School District's internal control over financial reporting and compliance.

*Rea & Associates, Inc.*

New Philadelphia, Ohio

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**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

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The discussion and analysis of the Massillon City School District's (the "School District") financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance.

***Financial Highlights***

Key financial highlights for fiscal year 2015 are as follows:

- Net position increased \$5,925,339, which represents a 37 percent increase from fiscal year 2014.
- Capital assets decreased \$1,536,130 during fiscal year fiscal year 2015.
- During the year, outstanding debt, excluding unamortized premiums and refunding losses, decreased from \$10,663,811 to \$10,197,462 due to principal payments made by the School District offset by accretion on capital appreciation bonds.

***Using this Annual Report***

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

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

***Reporting the School District as a Whole***

***Statement of Net Position and the Statement of Activities***

While the basic financial statements contain the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The *Statement of Net Position* and the *Statement of Activities* answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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

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

***Reporting the School District's Most Significant Funds***

***Fund Financial Statements***

The major funds financial statements begin on page 18. Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions; however, these fund financial statements focus on the School District's most significant funds. The School District's major governmental fund is the general fund.

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

***Reporting the School District's Fiduciary Responsibilities***

The School District is the trustee, or fiduciary, for some of its scholarship and foundation programs. This activity is presented as a private purpose trust fund. The School District also acts in a trustee capacity as an agent for individuals, private organizations, other governmental units and/or other funds. These activities are reported in the agency fund. The School District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position on pages 23 and 24. These activities are excluded from the School District's other financial statements because the assets cannot be utilized by the School District to finance its operations.

**The School District as a Whole**

Recall that the Statement of Net Position provides the perspective of the School District as a whole. Table 1 provides a summary of the School District's net position for fiscal year 2015 compared to fiscal year 2014:

**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
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**Table 1**  
**Net Position**

	Governmental Activities	
	2015	Restated 2014
<b>Assets</b>		
Current and Other Assets	\$ 46,884,760	\$ 40,421,739
Capital Assets	34,982,188	36,518,318
<i>Total Assets</i>	<u>81,866,948</u>	<u>76,940,057</u>
<b>Deferred Outflows of Resources</b>		
Deferred Charges on Refunding	589,871	645,173
Pension	3,336,474	3,172,198
<i>Total Deferred Outflows of Resources</i>	<u>3,926,345</u>	<u>3,817,371</u>
<b>Liabilities</b>		
Current and Other Liabilities	5,139,933	4,750,536
Long-Term Liabilities:		
Due Within One Year	1,169,886	1,088,249
Due In More Than One Year:		
Net Pension Liability	50,864,551	60,453,816
Other Amounts Due in More Than One Year	13,083,597	14,031,243
<i>Total Liabilities</i>	<u>70,257,967</u>	<u>80,323,844</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes Levied for the Next Year	16,388,958	16,432,287
Pension	9,219,732	0
<i>Total Deferred Inflows of Resources</i>	<u>25,608,690</u>	<u>16,432,287</u>
<b>Net Position</b>		
Net Investment in Capital Assets	24,813,237	25,440,235
Restricted	8,051,616	9,995,360
Unrestricted	(42,938,217)	(51,434,298)
<i>Total Net Position</i>	<u>\$ (10,073,364)</u>	<u>\$ (15,998,703)</u>

During fiscal year 2015, the School District adopted GASB Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*, which significantly revises accounting for pension costs and liabilities. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the School District's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. When accounting for pension costs, GASB 27 focused on a funding approach. This approach limited pension costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability*. GASB 68 takes an earnings approach to pension accounting; however, the nature of Ohio's statewide pension systems and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

Under the new standards required by GASB 68, the net pension liability equals the School District's proportionate share of each plan's collective:

1. Present value of estimated future pension benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the School District is not responsible for certain key factors affecting the balance of this liability. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the pension system. In Ohio, there is no legal means to enforce the unfunded liability of the pension system *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The pension system is responsible for the administration of the plan.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required pension payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68, the School District's statements prepared on an accrual basis of accounting include an annual pension expense for their proportionate share of each plan's *change* in net pension liability not accounted for as deferred inflows/outflows of resources.

As a result of implementing GASB 68, the School District is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation also had the effect of restating net position at June 30, 2014, from \$41,282,915 to a deficit balance of \$15,998,703.

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At year end, capital assets represented 43 percent of total assets. Capital assets include land, construction in progress, land improvements, buildings and improvements, furniture and fixtures and vehicles. Net investments in capital assets were \$24,813,237 at June 30, 2015. These capital assets are used to provide services to students and are not available for future spending. Although the School District's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

A portion of the School District's net position, \$8,051,616 or 80 percent represents resources that are subject to external restrictions on how they may be used. The balance of government-wide unrestricted net position is \$(42,938,217).

Total assets increased \$4,926,891. The largest increase was cash due to an emergency operating levy being passed in fiscal year 2013 and the collection of tax revenues in fiscal year 2015 and an increase in foundation revenues. Capital assets decreased \$1,536,130 as depreciation expense outpaced current year additions.

The \$10,455,274 decrease in long term liabilities was primarily caused by the decrease in net pension liability during 2015.

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**Massillon City School District**  
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Table 2 shows the changes in net position for fiscal year 2015 and 2014.

**Table 2**  
**Changes in Net Position**

	Governmental Activities	
	2015	2014
<b>Revenues</b>		
<i>Program Revenues:</i>		
Charges for Services	\$ 2,595,891	\$ 2,598,847
Operating Grants	8,759,209	8,916,800
<i>Total Program Revenues</i>	<u>11,355,100</u>	<u>11,515,647</u>
<i>General Revenues:</i>		
Property Taxes	17,837,936	17,572,101
Income Taxes	11,766	23,680
Grants and Entitlements Not Restricted	25,183,997	22,377,683
Other	263,973	290,438
<i>Total General Revenues</i>	<u>43,297,672</u>	<u>40,263,902</u>
<i>Total Revenues</i>	<u>54,652,772</u>	<u>51,779,549</u>
<b>Program Expenses</b>		
Instruction:		
Regular	20,791,692	19,753,743
Special	5,601,553	5,078,413
Vocational	1,975,270	2,000,682
Adult/Continuing	4,847	46,642
Student Intervention Services	100,619	101,674
Other	417,582	545,999
Support Services:		
Pupils	2,975,935	2,771,484
Instructional Staff	1,156,475	1,240,738
Board of Education	331,793	116,871
Administration	2,446,703	2,588,351
Fiscal	1,190,660	1,011,705
Business	7,188	9,788
Operation and Maintenance of Plant	5,051,485	4,976,927
Pupil Transportation	1,830,088	1,645,807
Central	396,131	313,631
Operation of Non-Instructional Services:		
Food Service Operations	1,678,557	1,613,878
Community Services	186,130	269,087
Extracurricular Activities	2,000,638	2,001,642
Debt Service:		
Interest and Fiscal Charges	584,087	526,602
<i>Total Expenses</i>	<u>48,727,433</u>	<u>46,613,664</u>
<i>Increase (Decrease) in Net Position</i>	<u>\$ 5,925,339</u>	<u>\$ 5,165,885</u>

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The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$3,172,198 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,322,345. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

Total 2015 program expenses under GASB 68	\$ 48,727,433
Pension expense under GASB 68	(2,322,345)
2015 contractually required contribution	<u>2,856,154</u>
Adjusted 2015 program expenses	49,261,242
Total 2014 program expenses under GASB 27	<u>46,613,664</u>
Increase in program expenses not related to pension	<u>\$ 2,647,578</u>

Certain foundation payments for special education and transportation were reclassified to program revenue from general revenue for fiscal year 2015. For comparability purposes, fiscal year 2014 was also updated in Tables 2 and 3 to reflect this change.

Revenues increased in fiscal year 2015 by \$2,873,223. Grants and entitlements increased by \$2,806,314 primarily due to increased state foundation revenues.

The major factor for the increase in regular instruction expense of \$1,037,949 is due to the fact the School District received a Straight A grant award and the related expenses occurred during fiscal year 2015. The increase in special instruction expense of \$523,140 was primarily due to increased expenses for computer equipment that did not meet the capitalization threshold and payroll expenses related to federal programs.

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

**Table 3**  
**Governmental Activities**

	Total Cost of Service		Net Cost of Service	
	2015	2014	2015	2014
<b>Instruction:</b>				
Regular	\$ 20,791,692	\$ 19,753,743	\$ 17,969,863	\$ 18,220,012
Special	5,601,553	5,078,413	1,472,425	511,234
Vocational	1,975,270	2,000,682	1,342,735	1,337,558
Adult/Continuing	4,847	46,642	4,847	(8,381)
Student Intervention Services	100,619	101,674	95,583	79,781
Other	417,582	545,999	238,980	193,522
<b>Support Services:</b>				
Pupils	2,975,935	2,771,484	2,693,409	2,283,499
Instructional Staff	1,156,475	1,240,738	834,349	743,976
Board of Education	331,793	116,871	331,793	116,871
Administration	2,446,703	2,588,351	2,255,757	2,296,376
Fiscal	1,190,660	1,011,705	1,190,660	1,011,705
Business	7,188	9,788	7,188	9,788
Operation and Maintenance of Plant	5,051,485	4,976,927	4,858,516	4,791,242
Pupil Transportation	1,830,088	1,645,807	1,789,964	1,512,802
Central	396,131	313,631	385,331	302,831
<b>Operation of Non-Instructional Services:</b>				
Food Service Operations	1,678,557	1,613,878	(41,877)	(132,607)
Community Services	186,130	269,087	(31,878)	17,113
Other	0	0	0	0
Extracurricular Activities	2,000,638	2,001,642	1,390,601	1,284,093
<b>Debt Service:</b>				
Interest and Fiscal Charges	584,087	526,602	584,087	526,602
Issuance Costs	0	0	0	0
<b>Total Expenses</b>	<b>\$ 48,727,433</b>	<b>\$ 46,613,664</b>	<b>\$ 37,372,333</b>	<b>\$ 35,098,017</b>

The dependence upon general revenues for governmental activities is apparent. Nearly 77 percent of governmental activities are supported through taxes and other general revenues; such revenues are 79 percent of total governmental revenues. The community, as a whole, is by far the primary support for the School District students.

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

Information about the School District's major funds starts on page 18. These funds are accounted for using the modified accrual basis of accounting. All governmental funds had total revenues of \$54,584,001 and expenditures of \$48,555,066 for fiscal year. The net change in fund balances for the fiscal year was an increase of \$6,071,609 for all governmental funds with the most significant increase in the general fund.

The general fund's net change in fund balance for fiscal year 2015 was an increase of \$5,824,914. Revenues increased by \$3,168,716, mainly in tax revenue and intergovernmental revenue. This increase is due the passing of an emergency operating levy in fiscal year 2013 and collection of taxes in fiscal year 2015. Intergovernmental revenue increased due to additional State foundation revenue in fiscal year 2015.

***General Fund Budgeting Highlights***

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

During the course of fiscal year 2015, the School District did amend its general fund budget. The School District uses site-based budgeting and budgeting systems are designed to tightly control total site budgets but provide flexibility for site management

The final budget revenues of \$41,050,361 were \$466,261 higher compared to the original budget revenues of \$40,584,100. This increase is due to an underestimation of intergovernmental revenue.

For the general fund, actual budget basis revenue was \$44,941,002, which was higher than the final budget basis revenue by \$3,890,641. Most of this difference is due to an underestimation of intergovernmental revenue.

Final expenditure appropriations of \$41,706,958 were \$2,627,640 higher than the actual expenditures of \$39,079,318 as cost savings were recognized mostly in support services operation and maintenance. Final expenditure appropriations were \$716,264 higher than original appropriations of \$40,990,694, as expenses were conservatively budgeted for in anticipation of an increase in property taxes.

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***Capital Assets and Debt Administration***

**Capital Assets**

At the end of fiscal year 2015, the School District had \$34,982,188 invested in capital assets. Table 4 shows fiscal year 2015 balances compared with 2014.

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

	Governmental Activities	
	2015	2014
Land	\$ 3,544,936	\$ 3,544,936
Construction in Progress	501,007	68,360
Land Improvements	1,059,769	1,318,525
Buildings and Improvements	26,817,699	28,197,878
Furniture and Fixtures	1,973,398	2,081,028
Vehicles	1,085,379	1,307,591
<i>Totals</i>	\$ 34,982,188	\$ 36,518,318

The \$1,536,130 decrease in capital assets was attributable to depreciation and disposals exceeding additional purchases in the current year. See Note 6 for more information about the capital assets of the School District.

**Debt**

At June 30, 2015, the School District had \$10,197,462 in debt outstanding. See Note 14 for additional details. Table 5 summarizes bonds outstanding.

**Table 5**  
**Outstanding Debt at June 30**

	Governmental Activities	
	2015	2014
General Obligation Bonds:		
Various Series/Term Bonds	\$ 9,260,000	\$ 9,975,000
Various Capital Appreciation Bonds	209,995	209,995
Accretion on Capital Appreciation Bonds	727,467	478,816
<i>Totals</i>	\$ 10,197,462	\$ 10,663,811

**Massillon City School District**  
**Stark County, Ohio**  
*Management's Discussion and Analysis*  
*For the Fiscal Year Ended June 30, 2015*

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***Current Issues***

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

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

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

***Contacting the School District's Financial Management***

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

**Massillon City School District**  
**Stark County, Ohio**  
*Statement of Net Position*  
June 30, 2015

	Primary Government	Component Unit
	Governmental Activities	Massillon Digital Academy
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 24,749,647	\$ 790,413
Cash and Cash Equivalents in Segregated Accounts	92,025	0
Receivables:		
Accrued Interest	19,317	0
Accounts	27,380	0
Intergovernmental	1,446,876	60,148
Income Taxes	15,549	0
Property Taxes	20,533,966	0
Nondepreciable Capital Assets	4,045,943	0
Depreciable Capital Assets (Net)	30,936,245	51,700
<i>Total Assets</i>	<u>81,866,948</u>	<u>902,261</u>
<b>Deferred Outflows of Resources</b>		
Deferred Charges on Refunding	589,871	0
Pension	3,336,474	0
<i>Total Deferred Outflows of Resources</i>	<u>3,926,345</u>	<u>0</u>
<b>Liabilities</b>		
Accounts Payable	121,931	2,317
Accrued Wages and Benefits	3,555,911	0
Contracts Payable	343,828	0
Intergovernmental Payable	784,859	0
Retainage Payable	33,926	0
Accrued Vacation Leave Payable	103,772	0
Matured Compensated Absences Payable	160,882	0
Accrued Interest Payable	34,824	0
Long Term Liabilities:		
Due Within One Year	1,169,886	0
Due In More Than One Year:		
Net Pension Liability	50,864,551	0
Other Amounts Due in More Than One Year	13,083,597	0
<i>Total Liabilities</i>	<u>70,257,967</u>	<u>2,317</u>
<b>Deferred Inflows of Resources</b>		
Property Taxes Levied for the Next Year	16,388,958	0
Pension	9,219,732	0
<i>Total Deferred Inflows of Resources</i>	<u>25,608,690</u>	<u>0</u>
<b>Net Position</b>		
Net Investment in Capital Assets	24,813,237	51,700
Restricted For:		
Capital Outlay	2,553,584	0
Debt Service	780,662	0
Other Purposes	4,717,370	22,515
Unrestricted	(42,938,217)	825,729
<i>Total Net Position</i>	<u>\$ (10,073,364)</u>	<u>\$ 899,944</u>

See accompanying notes to the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Statement of Activities*  
For the Fiscal Year Ended June 30, 2015

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Component Unit
	Expenses	Charges for Services and Sales	Operating Grants, Contributions and Interest	Primary Government	
				Governmental Activities	
<b>Governmental Activities</b>					
Instruction:					
Regular	\$ 20,791,692	\$ 1,574,928	\$ 1,246,901	\$ (17,969,863)	\$ 0
Special	5,601,553	38,817	4,090,311	(1,472,425)	0
Vocational	1,975,270	9,639	622,896	(1,342,735)	0
Adult/Continuing	4,847	0	0	(4,847)	0
Student Intervention Services	100,619	0	5,036	(95,583)	0
Other	417,582	0	178,602	(238,980)	0
Support Services:					
Pupils	2,975,935	0	282,526	(2,693,409)	0
Instructional Staff	1,156,475	0	322,126	(834,349)	0
Board of Education	331,793	0	0	(331,793)	0
Administration	2,446,703	0	190,946	(2,255,757)	0
Fiscal	1,190,660	0	0	(1,190,660)	0
Business	7,188	0	0	(7,188)	0
Operation and Maintenance of Plant	5,051,485	92,286	100,683	(4,858,516)	0
Pupil Transportation	1,830,088	11,364	28,760	(1,789,964)	0
Central	396,131	0	10,800	(385,331)	0
Operation of Non-Instructional Services:					
Food Service Operations	1,678,557	279,717	1,440,717	41,877	0
Community Services	186,130	0	218,008	31,878	0
Extracurricular Activities	2,000,638	589,140	20,897	(1,390,601)	0
Debt Service:					
Interest and Fiscal Charges	584,087	0	0	(584,087)	0
<b>Total</b>	<b>\$ 48,727,433</b>	<b>\$ 2,595,891</b>	<b>\$ 8,759,209</b>	<b>(37,372,333)</b>	<b>0</b>
<b>Component Unit</b>					
Massillon Digital Academy	\$ 532,808	\$ 5,775	\$ 53,393	0	\$ (473,640)

**General Revenues**

Property Taxes Levied for:		
General Purposes	15,529,954	0
Debt Service	768,734	0
Capital Outlay	1,378,455	0
Classroom Maintenance	160,793	0
Income Taxes Levied for:		
General Purposes	11,766	0
Grants and Entitlements Not Restricted to Specific Programs	25,183,997	451,516
Insurance Recoveries	38,323	0
Investment Earnings	72,222	6,381
Miscellaneous	153,428	0
<b>Total General Revenues</b>	<b>43,297,672</b>	<b>457,897</b>
<b>Change in Net Position</b>	<b>5,925,339</b>	<b>(15,743)</b>
<i>Net Position Beginning of Year (Restated-See Note 2Q)</i>	<i>(15,998,703)</i>	<i>915,687</i>
<i>Net Position End of Year</i>	<b>\$ (10,073,364)</b>	<b>\$ 899,944</b>

See accompanying notes to the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Balance Sheet*  
*Governmental Funds*  
*June 30, 2015*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Investments	\$ 15,867,059	\$ 8,882,588	\$ 24,749,647
Cash and Cash Equivalents in Segregated Accounts	0	92,025	92,025
Receivables:			
Accrued Interest	19,317	0	19,317
Accounts	15,967	11,413	27,380
Interfund	119,979	0	119,979
Intergovernmental	405,881	1,040,995	1,446,876
Income Taxes	15,549	0	15,549
Property Taxes	18,059,545	2,474,421	20,533,966
<i>Total Assets</i>	<u>\$ 34,503,297</u>	<u>\$ 12,501,442</u>	<u>\$ 47,004,739</u>
<b>Liabilities</b>			
Accounts Payable	\$ 106,153	\$ 15,778	\$ 121,931
Accrued Wages and Benefits	3,200,582	355,329	3,555,911
Contracts Payable	0	343,828	343,828
Intergovernmental Payable	702,817	82,042	784,859
Retainage Payable	0	33,926	33,926
Matured Compensated Absences Payable	160,882	0	160,882
Interfund Payable	0	119,979	119,979
<i>Total Liabilities</i>	<u>4,170,434</u>	<u>950,882</u>	<u>5,121,316</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes Levied for the Next Year	14,461,361	1,927,597	16,388,958
Unavailable Revenue	3,072,931	1,196,583	4,269,514
<i>Total Deferred Inflows of Resources</i>	<u>17,534,292</u>	<u>3,124,180</u>	<u>20,658,472</u>
<b>Fund Balances</b>			
Nonspendable	14,094	0	14,094
Restricted	0	7,189,834	7,189,834
Committed	91,076	1,354,878	1,445,954
Assigned	2,111,063	0	2,111,063
Unassigned	10,582,338	(118,332)	10,464,006
<i>Total Fund Balances</i>	<u>12,798,571</u>	<u>8,426,380</u>	<u>21,224,951</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$ 34,503,297</u>	<u>\$ 12,501,442</u>	<u>\$ 47,004,739</u>

See accompanying notes to the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Reconciliation of Total Governmental Fund Balances to*  
*Net Position of Governmental Activities*  
*June 30, 2015*

<b>Total Governmental Fund Balances</b>		\$ 21,224,951
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		34,982,188
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Intergovernmental	\$ 730,413	
Income Taxes	1,980	
Property Taxes	<u>3,537,121</u>	4,269,514
In the statement of activities, interest is accrued on outstanding bonds, whereas in the governmental funds, an interest expenditure is not reported.		(34,824)
In the statement of activities, a gain/loss on refunding is amortized over the term of the bonds, whereas in governmental funds a refunding gain/loss is reported when bonds are issued.		589,871
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in governmental funds:		
Deferred Outflows - Pension	3,336,474	
Deferred Inflows - Pension	(9,219,732)	
Net Pension Liability	<u>(50,864,551)</u>	(56,747,809)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
General Obligation Bonds	(9,260,000)	
Capital Appreciation Bonds	(209,995)	
Bond Premium	(713,238)	
Accretion of Interest - Capital Appreciation Bonds	(727,467)	
Capital Lease Obligation	(529,066)	
Vacations Payable	(103,772)	
Compensated Absences	<u>(2,813,717)</u>	<u>(14,357,255)</u>
 <i>Net Position of Governmental Activities</i>		 <u><u>\$ (10,073,364)</u></u>

See accompanying notes to the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property and Other Local Taxes	\$ 15,326,657	\$ 2,276,674	\$ 17,603,331
Income Taxes	13,204	0	13,204
Intergovernmental	27,966,313	6,157,827	34,124,140
Investment Income	67,072	5,679	72,751
Tuition and Fees	1,328,792	0	1,328,792
Extracurricular Activities	62,658	483,835	546,493
Rentals	83,145	0	83,145
Charges for Services	342,820	279,717	622,537
Contributions and Donations	4,323	25,301	29,624
Miscellaneous	121,396	38,588	159,984
<i>Total Revenues</i>	<u>45,316,380</u>	<u>9,267,621</u>	<u>54,584,001</u>
<b>Expenditures</b>			
Current:			
Instruction:			
Regular	18,554,026	1,182,291	19,736,317
Special	4,004,197	1,572,432	5,576,629
Vocational	1,974,648	31,485	2,006,133
Adult Education	0	4,692	4,692
Student Intervention Services	100,219	6,252	106,471
Other	183,232	216,872	400,104
Support Services:			
Pupils	2,677,302	343,166	3,020,468
Instructional Staff	900,004	287,850	1,187,854
Board of Education	332,216	0	332,216
Administration	2,369,084	212,816	2,581,900
Fiscal	1,156,126	49,760	1,205,886
Business	7,188	0	7,188
Operation and Maintenance of Plant	3,908,566	1,656,138	5,564,704
Pupil Transportation	1,684,632	0	1,684,632
Central	388,014	10,800	398,814
Extracurricular Activities	1,061,394	570,852	1,632,246
Operation of Non-Instructional Services:			
Food Service Operations	18,856	1,659,866	1,678,722
Community Services	990	183,489	184,479
Debt Service:			
Principal Retirement	159,787	735,217	895,004
Interest and Fiscal Charges	15,763	334,844	350,607
<i>Total Expenditures</i>	<u>39,496,244</u>	<u>9,058,822</u>	<u>48,555,066</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>5,820,136</u>	<u>208,799</u>	<u>6,028,935</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from Sale of Capital Assets	4,351	0	4,351
Insurance Recoveries	427	37,896	38,323
<i>Total Other Financing Sources (Uses)</i>	<u>4,778</u>	<u>37,896</u>	<u>42,674</u>
<i>Net Change in Fund Balance</i>	5,824,914	246,695	6,071,609
<i>Fund Balances Beginning of Year</i>	<u>6,973,657</u>	<u>8,179,685</u>	<u>15,153,342</u>
<i>Fund Balances End of Year</i>	<u>\$ 12,798,571</u>	<u>\$ 8,426,380</u>	<u>\$ 21,224,951</u>

See accompanying notes to the basic financial statements.

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

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Fiscal Year Ended June 30, 2015*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	6,071,609
 <i>Amounts reported for governmental activities in the statement of activities are different because:</i>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.		
Capital Asset Additions	\$ 973,757	
Current Year Depreciation	<u>(2,501,329)</u>	(1,527,572)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		
		(8,558)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Property Taxes	234,605	
Income Taxes	(1,438)	
Intergovernmental	<u>(217,643)</u>	15,524
Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
General Obligation Bonds	715,000	
Capital Leases	<u>180,004</u>	895,004
In the statement of activities, interest is accrued on outstanding bonds, and bond premium and gain/loss on refunding are amortized over the term of the bonds, whereas in governmental funds, an interest expenditure is reported when bonds are issued.		
Accrued Interest Payable	3,607	
Amortization of Premium on Bonds	66,866	
Amortization of Refunding Loss	<u>(55,302)</u>	15,171
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of activities reports these amounts as deferred outflows.		
		2,856,154
Except for amount reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities		
		(2,322,345)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated Absences	152,790	
Vacations Payable	<u>26,213</u>	179,003
Accretion on capital appreciation bonds is an expenditure in the governmental funds, but is allocated as an expense over the life of the bonds.		
		<u>(248,651)</u>
<i>Change in Net Position of Governmental Activities</i>	\$	<u><u>5,925,339</u></u>

See accompanying notes to the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance -*  
*Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Budgeted Amounts			Variance with Final Budget Over (Under)
	Original	Final	Actual	
<b>Revenues</b>				
Property and Other Local Taxes	\$ 14,715,000	\$ 14,694,284	\$ 15,137,965	\$ 443,681
Income Taxes	25,000	25,000	24,043	(957)
Intergovernmental	24,370,000	24,859,475	27,954,408	3,094,933
Investment Income	35,000	34,915	61,765	26,850
Tuition and Fees	1,045,600	1,043,833	1,290,939	247,106
Rentals	80,000	79,884	84,906	5,022
Charges for Services	275,000	274,516	353,419	78,903
Contributions and Donations	3,500	3,498	1,234	(2,264)
Miscellaneous	35,000	34,956	32,323	(2,633)
<i>Total Revenues</i>	<u>40,584,100</u>	<u>41,050,361</u>	<u>44,941,002</u>	<u>3,890,641</u>
<b>Expenditures</b>				
Current:				
Instruction:				
Regular	19,066,335	18,456,053	18,106,297	349,756
Special	4,028,031	4,246,029	4,052,227	193,802
Vocational	1,984,475	1,957,265	1,936,216	21,049
Student Intervention Services	92,765	100,428	100,219	209
Other	326,579	307,788	219,041	88,747
Support Services:				
Pupils	2,791,535	3,193,411	2,699,901	493,510
Instructional Staff	1,120,223	1,031,532	925,208	106,324
Board of Education	166,840	364,133	345,022	19,111
Administration	2,539,458	2,599,224	2,328,284	270,940
Fiscal	1,161,622	1,342,517	1,227,124	115,393
Business	10,064	11,982	7,188	4,794
Operation and Maintenance of Plant	4,440,550	4,642,865	3,885,087	757,778
Pupil Transportation	1,884,774	1,895,657	1,800,758	94,899
Central	381,323	560,755	486,589	74,166
Extracurricular Activities	995,461	991,771	959,167	32,604
Operation of Non-Instructional Services:				
Community Services	659	5,548	990	4,558
<i>Total Expenditures</i>	<u>40,990,694</u>	<u>41,706,958</u>	<u>39,079,318</u>	<u>2,627,640</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(406,594)</u>	<u>(656,597)</u>	<u>5,861,684</u>	<u>6,518,281</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from Sale of Capital Assets	0	0	4,351	4,351
Refund of Prior Year Expenditures	0	0	61,866	61,866
Insurance Recoveries	0	37,896	427	(37,469)
Advances In	0	0	3,014	3,014
Transfers In	10,000	10,000	0	(10,000)
Transfers Out	(260,000)	(377,780)	(375,000)	2,780
<i>Total Other Financing Sources (Uses)</i>	<u>(250,000)</u>	<u>(329,884)</u>	<u>(305,342)</u>	<u>24,542</u>
<i>Net Change in Fund Balance</i>	(656,594)	(986,481)	5,556,342	6,542,823
<i>Fund Balance Beginning of Year</i>	8,883,421	8,883,421	8,883,421	0
Prior Year Encumbrances Appropriated	658,828	658,828	658,828	0
<i>Fund Balance End of Year</i>	<u>\$ 8,885,655</u>	<u>\$ 8,555,768</u>	<u>\$ 15,098,591</u>	<u>\$ 6,542,823</u>

See accompanying notes to the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Statement of Fiduciary Net Position*  
*Fiduciary Funds*  
*June 30, 2015*

	Private Purpose Trust	Agency
<b>Assets</b>		
Equity in Pooled Cash and Investments	\$ 21,750	\$ 126,241
Investments	86,358	0
<i>Total Assets</i>	108,108	\$ 126,241
<b>Liabilities</b>		
Intergovernmental Payable	0	\$ 251
Due to Students	0	125,990
<i>Total Liabilities</i>	0	\$ 126,241
<b>Net Position</b>		
Held in Trust for Scholarships	\$ 108,108	

See accompanying notes to the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Statement of Changes in Fiduciary Net Position*  
*Private Purpose Trust Fund*  
*For the Fiscal Year Ended June 30, 2015*

	Private Purpose Trust
<b>Additions</b>	
Gifts and Contributions	\$ 24,000
Investment Earnings	89
<i>Total Additions</i>	24,089
 <b>Deductions</b>	
Payments in Accordance with Trust Agreements	24,300
<i>Change in Net Position</i>	(211)
<i>Net Position Beginning of Year</i>	108,319
<i>Net Position End of Year</i>	\$ 108,108

See accompanying notes to the basic financial statements.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

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

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

***Reporting Entity***

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

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

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

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

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

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

***A. Basis of Presentation***

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

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

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

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

***B. Fund Accounting***

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

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

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

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

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

***C. Measurement Focus***

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

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

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

***D. Basis of Accounting***

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

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

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

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

***Deferred Outflows/Inflows of Resources*** – In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the School District, deferred outflows of resources are reported on the government-wide statement of net position for deferred charges on refunding and for pension. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pension are explained in Note 10.

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In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the School District, deferred inflows of resources include property taxes, pension, and unavailable revenue. Property taxes represent amounts for which there is an enforceable legal claim as of June 30, 2015, but which were levied to finance fiscal year 2016 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the School District, unavailable revenue may include delinquent property taxes, intergovernmental grants, and miscellaneous revenues. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. Deferred inflows of resources related to pension are reported on the government-wide statement of net position. (See Note 10).

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

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

***E. Budgetary Process***

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

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

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

***F. Cash and Investments***

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

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During fiscal year 2015, investments were limited to Federal National Mortgage Association notes, Federal Home Loan Bank notes, Federal Home Loan Mortgage notes, Federal Farm Credit Bank notes, Federal Home Loan Mortgage Discount notes, First American Treasury Market, U.S. Treasury Notes, a repurchase agreement, certificates of deposit, STAR Plus and STAR Ohio.

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

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

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, 2015.

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

Following Ohio statutes, the Board of Education has, by resolution, specified the funds to receive an allocation of interest earnings. Interest revenue credited to the general fund during fiscal year 2015 amounted to \$67,072, which includes \$22,633 assigned from other School District funds.

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

***G. Capital Assets***

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

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

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

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

***H. Interfund Balances***

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

***I. Compensated Absences***

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

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

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

***J. Pensions***

For purposes of measuring the net pension liability, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems report investments at fair value.

***K. Accrued Liabilities and Long-Term Obligations***

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

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

***L. Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the School District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. At June 30, 2015, none of the School District's net position was restricted by enabling legislation. Net position restricted for other purposes include instructional activities, grants and extracurricular activities.

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

***M. Fund Balance Reserves***

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

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

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

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

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

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

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

***N. Interfund Activity***

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

***O. Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during fiscal year 2015.

***P. Estimates***

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

***Q. Implementation of New Accounting Policies***

For the fiscal year ended June 30, 2015, the School District has implemented Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*.

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GASB Statement No. 68 requires recognition of the entire net pension liability and a more comprehensive measure of pension expense for defined benefit pensions and defined contribution pensions provided to the employees of state and local governmental employers through pension plans that are administered through trusts or equivalent arrangements. The implementation of GASB Statement No. 68 resulted in the inclusion of net pension liability and pension expense components on the full-accrual financial statements. See below for the effect on net position as previously reported.

GASB Statement No. 69 addresses accounting and financial reporting for government combinations (including mergers, acquisitions and transfers of operations) and disposals of government operations. The implementation of GASB Statement No. 69 did not have an effect on the financial statements of the School District.

GASB Statement No. 71 amends paragraph 137 of GASB Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. See below for the effect on net position as previously reported.

Previously Reported Net Position	\$ 41,282,915
Deferred Outflows of Resources	
SERS	674,206
STRS	2,497,992
Net Pension Liability	
SERS	(9,855,372)
STRS	(50,598,444)
Restated Net Position, July 1, 2014	\$ (15,998,703)

Other than employer contributions subsequent to the measurement date, the School District made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

**NOTE 3: ACCOUNTABILITY**

Fund balances at June 30, 2015, included the following individual fund deficits:

	Deficit
Nonmajor Funds:	
Straight A Grant	\$ 1,536
Title VI-B	83,966
Title I	31,646
Early Childhood Special Education	1,184

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

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**NOTE 4: BUDGETARY BASIS OF ACCOUNTING**

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

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

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

<b><u>Net Change in Fund Balance</u></b>	
GAAP Basis	\$ 5,824,914
Net Adjustment for Revenue Accruals	(184,726)
Net Adjustment for Expenditure Accruals	263,889
Funds Budgeted Elsewhere	351,963
Adjustment for Encumbrances	<u>(699,698)</u>
Budget Basis	<u><u>\$ 5,556,342</u></u>

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

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**NOTE 5: DEPOSITS AND INVESTMENTS**

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

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

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

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

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

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above, provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and any other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;
6. The State Treasurer's investment pool (STAR Ohio and STAR Plus).
7. Certain bankers acceptances and commercial paper notes for a period not to exceed one hundred and eighty days from the purchase date in any amount not to exceed twenty-five percent of the interim monies available for investment at any one time; and
8. Under limited circumstances, corporate debt interests noted in either of the two highest rating classifications by at least two nationally recognized rating agencies.

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

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

According to State law the School District has no deposit policy for custodial risk beyond the requirements of State Statute, public depositories must give security for all uninsured public funds on deposit. These institutions may either specifically collateralize individual accounts in lieu of amounts insured by FDIC, or may pledge a pool of government securities valued at least 105 percent of the total value of uninsured public monies on deposit at the institution. Repurchase agreements must be secured by the specific government securities upon which the repurchase agreements are based. These securities must be obligations of or guaranteed by the United States and mature or be redeemable within five years of the date of the related repurchase agreement. State law does not require security for public deposits and investments to be maintained in the School District's name. During fiscal year 2015, the School District and public depositories complied with the provisions of these statutes.

**Deposits with Financial Institutions**

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

At fiscal year-end, the carrying amount of the School District's deposits was \$3,972,273. Based on the criteria described in GASB Statement No. 40, *Deposits and Investment Risk Disclosures*, as of June 30, 2015, \$1,755,082 the School District's bank balance of \$5,009,978 was exposed to custodial risk as discussed above, while \$3,254,896 was covered by Federal Deposit Insurance Corporation (FDIC), which includes \$2,580,133 held in a STAR Plus account. Deposits that are not covered by depository insurance are collateralized with securities held by the pledging financial institution's trust department or agent but not in the School District's name.

**Investments**

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

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

As of June 30, 2015, the School District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities				
		6 Months or Less	7 to 12 Months	13 to 18 Months	19 to 24 Months	More Than 24 Months
Federal Farm Credit						
Bank (FFCB) Notes	\$ 439,076	\$ 0	\$ 0	\$ 0	\$ 439,076	\$ 0
Federal National Mortgage Association (FNMA) Notes	2,069,281	0	310,430	300,723	0	1,458,128
Federal Home Loan Bank (FHLB) Notes	2,733,171	0	0	0	310,991	2,422,180
Federal Home Loan Mortgage (FHLM) Discount Notes	644,728	644,728	0	0	0	0
Federal Home Loan Mortgage (FHLM) Notes	6,123,207	0	625,851	0	2,022,454	3,474,902
First American Treasury Market	4,142	4,142	0	0	0	0
U.S Treasury Notes	325,152	325,152	0	0	0	0
Repurchase Agreement	8,640,000	8,640,000	0	0	0	0
STAR Ohio	124,991	124,991	0	0	0	0
<b>Total Investments</b>	<b>\$ 21,103,748</b>	<b>\$ 9,739,013</b>	<b>\$ 936,281</b>	<b>\$ 300,723</b>	<b>\$ 2,772,521</b>	<b>\$ 7,355,210</b>

**Credit Risk** First American Treasury Market, U.S. Treasury notes, FHLM notes, FNMA notes, FHLB notes, FHLM discounts and FFCB notes were rated AAA and AA+ by Standard & Poor's and Moody's Investor Services. The School District's investments in the federal agency securities that underlie the School District's repurchase agreement were rated AA+ by Moody's Investor Services. STAR Ohio is an investment pool operated by the Ohio State Treasurer. It is unclassified since it is not evidenced by securities that exist in physical or book entry form. Ohio law requires STAR Ohio maintain the highest rating provided by at least one nationally recognized standard rating service. The weighted average of maturity of the portfolio held by STAR Ohio as of June 30, 2015, is 53 days and carries a rating of AAAM by Standard and Poor's. The School District has no investment policy dealing with investment credit risk beyond the requirements in state statutes.

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**Concentration of Credit Risk** The School District places no limit on the amount the School District may invest in any one issuer. The following table includes the percentage to total of each investment type held by the School District at June 30, 2015:

Investment Type	Fair Value	Percent of Total
Federal Farm Credit		
Bank (FFCB) Notes	\$ 439,076	2.08%
Federal National Mortgage		
Association (FNMA) Notes	2,069,281	9.81%
Federal Home Loan Bank (FHLB) Notes	2,733,171	12.95%
Federal Home Loan Bank (FHLB) Discount	644,728	3.06%
Federal Home Loan Mortgage		
(FHLM) Notes	6,123,207	29.01%
U. S. Treasury Notes	325,152	1.54%
First American Treasury Market	4,142	0.02%
Repurchase Agreement	8,640,000	40.94%
STAR Ohio	124,991	0.59%
<b>Total</b>	<b>\$ 21,103,748</b>	<b>100.00%</b>

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**NOTE 6: CAPITAL ASSETS**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 06/30/2014	Additions	Deletions	Balance 06/30/2015
<b>Governmental Activities</b>				
<b><i>Capital Assets, Not Being Depreciated:</i></b>				
Land	\$ 3,544,936	\$ 0	\$ 0	\$ 3,544,936
Construction in Progress	68,360	549,558	(116,911)	501,007
<i>Total Capital Assets Not Being Depreciated</i>	<u>3,613,296</u>	<u>549,558</u>	<u>(116,911)</u>	<u>4,045,943</u>
<b><i>Capital Assets, Being Depreciated:</i></b>				
Land Improvements	6,278,413	0	0	6,278,413
Buildings and Improvements	54,978,723	172,273	0	55,150,996
Furniture and Fixtures	9,944,656	368,837	(39,159)	10,274,334
Vehicles	3,198,330	0	(73,872)	3,124,458
<i>Total Capital Assets, Being Depreciated</i>	<u>74,400,122</u>	<u>541,110</u>	<u>(113,031)</u>	<u>74,828,201</u>
<b><i>Less Accumulated Depreciation:</i></b>				
Land Improvements	(4,959,888)	(258,756)	0	(5,218,644)
Buildings and Improvements	(26,780,845)	(1,552,452)	0	(28,333,297)
Furniture and Fixtures	(7,863,628)	(467,909)	30,601	(8,300,936)
Vehicles	(1,890,739)	(222,212)	73,872	(2,039,079)
<i>Total Accumulated Depreciation</i>	<u>(41,495,100)</u>	<u>(2,501,329) *</u>	<u>104,473</u>	<u>(43,891,956)</u>
<i>Total Capital Assets, Being Depreciated, Net</i>	<u>32,905,022</u>	<u>(1,960,219)</u>	<u>(8,558)</u>	<u>30,936,245</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$ 36,518,318</u>	<u>\$ (1,410,661)</u>	<u>\$ (125,469)</u>	<u>\$ 34,982,188</u>

**Massillon City School District**  
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\* Depreciation expense was charged to governmental functions as follows:

Instruction:	
Regular	\$ 1,330,728
Special	51,450
Vocational	96,095
Adult/Continuing	216
Other	17,619
Support Services:	
Pupil	6,220
Instructional Staff	3,337
Administration	4,945
Fiscal	176
Operation and Maintenance of Plant	336,658
Pupil Transportation	211,201
Central	559
Operation of Non-Instructional Services:	
Food Services Operations	9,563
Community Services	12,947
Extracurricular Activities	419,615
Total Depreciation Expense	\$ 2,501,329

**NOTE 7: PROPERTY TAXES**

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

Property taxes include amounts levied against all real and public utility property located in the School District. Real property tax revenue received in calendar year 2015 represents collections of calendar year 2014 taxes. Real property taxes received in calendar year 2015 were levied after April 1, 2014, on the assessed value listed as of January 1, 2014, the lien date. Assessed values for real property taxes are established by State law at 35 percent of appraised market value. Real property taxes are payable annually or semi-annually. If paid annually, payment is due December 31; if paid semiannually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, State statute permits alternate payment dates to be established.

Public utility property tax revenue received in calendar 2015 represents collections of calendar year 2014 taxes. Public utility real and tangible personal property taxes received in calendar year 2015 became a lien December 31, 2013, were levied after April 1, 2014 and are collected in 2015 with real property taxes. Public utility real property is assessed at thirty-five percent of true value; public utility tangible personal property currently is assessed at varying percentages of true value.

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The School District receives property taxes from Stark County. The County Auditor periodically advances to the School District its portion of the taxes collected. Second-half real property tax payments collected by the County by June 30, 2015, are available to finance fiscal year 2015 operations. The amount available as an advance at June 30, 2015 was \$527,233 in the general fund, \$26,977 in the bond retirement fund, \$5,586 in the classroom facilities maintenance fund and \$48,091 in the permanent improvement fund. The amount available as an advance at June 30, 2014, was \$338,541 in the general fund, \$17,283 in the bond retirement fund, \$3,579 in the classroom facilities maintenance fund and \$30,809 in the permanent improvement fund. The amount of second-half real property taxes available for advance at fiscal year-end can vary based on the date the tax bills are sent.

Accrued property taxes receivable includes real property, public utility property and delinquent tangible personal property taxes which are measurable as of June 30, 2015 and for which there is an enforceable legal claim. Although total property tax collections for the next fiscal year are measurable, only the amount of real property taxes available as an advance at June 30 was levied to finance current fiscal year operations and is reported as revenue at fiscal year-end. The portion of the receivable not levied to finance current fiscal year operations is offset by a credit to deferred inflow of resources.

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

The assessed values upon which the fiscal year 2015 taxes were collected are:

	2014 Second Half Collections		2015 First Half Collections	
	Amount	Percent	Amount	Percent
Real Estate	\$ 351,242,250	93.71%	\$ 352,788,680	92.96%
Public Utility Personal Property	23,573,390	6.29%	26,735,070	7.04%
	<u>\$ 374,815,640</u>	<u>100.00%</u>	<u>\$ 379,523,750</u>	<u>100.00%</u>
Tax rate per \$1,000 assessed valuation	<u>\$ 57.10</u>		<u>\$ 57.00</u>	

**NOTE 8: RECEIVABLES**

Receivables at June 30, 2015 consisted of taxes, accounts ( miscellaneous, charges for services, tuition and fees), interfund, accrued interest, and intergovernmental. All receivables are considered collectible in full due to the ability to foreclose for the nonpayment of taxes, the stable condition of State programs, and the current year guarantee of federal funds. All are expected to be received within one year.

**Massillon City School District**  
**Stark County, Ohio**  
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**NOTE 9: RISK MANAGEMENT**

***A. Property and Liability***

The School District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2015, the School District contracted with Leonard Insurance/Ohio Casualty for various types of insurance as follows:

<u>Coverage</u>	<u>Amount</u>
General Liability:	
Occurrence	\$ 1,000,000
Aggregate	2,000,000
Umbrella	5,000,000
Buildings and Contents	138,547,090
Automobile Liability	1,000,000

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

***B. Employee Health Benefits***

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

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

Rates are set through an annual calculation process. The School District pays a monthly contribution which is placed in a common fund from which claim payments are made for all participating districts. For fiscal year 2015 the School District's premiums were \$1,509.63 for family coverage and \$621.44 for single coverage per employee per month. Dental and vision insurance is also provided by the School District to qualified employees through the Stark County Schools Council of Governments. For fiscal year 2015, the School District's cost was \$194.66 and \$41.34 for family coverage and \$78.91 and \$16.65 for single coverage per employee per month, respectively.

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

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***C. Workers' Compensation***

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

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

**NOTE 10: DEFINED BENEFIT PENSION PLANS**

***Net Pension Liability***

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the School District's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the School District's obligation for this liability to annually required payments. The School District cannot control benefit terms or the manner in which pensions are financed; however, the School District does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

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**Stark County, Ohio**  
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***Plan Description - School Employees Retirement System (SERS)***

Plan Description – School District non-teaching employees participate in SERS, a cost-sharing multiple-employer defined benefit pension plan administered by SERS. SERS provides retirement, disability and survivor benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits is provided by Ohio Revised Code Chapter 3309. SERS issues a publicly available, stand-alone financial report that includes financial statements, required supplementary information and detailed information about SERS’ fiduciary net position. That report can be obtained by visiting the SERS website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Age and service requirements for retirement are as follows:

	Eligible to Retire on or before August 1, 2017*	Eligible to Retire on or after August 1, 2017
Full Benefits	Any age with 30 years of service credit	Age 67 with 10 years of service credit; or Age 57 with 30 years of service credit
Actuarially Reduced Benefits	Age 60 with 5 years of service credit Age 55 with 25 years of service credit	Age 62 with 10 years of service credit; or Age 60 with 25 years of service credit

\*Members with 25 years of service credit as of August 1, 2017, will be included in this plan.

Annual retirement benefits are calculated based on final average salary multiplied by a percentage that varies based on year of service; 2.2 percent for the first thirty years of service and 2.5 percent for years of service credit over 30. Final average salary is the average of the highest three years of salary.

One year after an effective benefit date, a benefit recipient is entitled to a three percent cost-of-living adjustment (COLA). This same COLA is added each year to the base benefit amount on the anniversary date of the benefit.

Funding Policy – Plan members are required to contribute 10 percent of their annual covered salary and the School District is required to contribute 14 percent of annual covered payroll. The contribution requirements of plan members and employers are established and may be amended by the SERS’ Retirement Board up to statutory maximum amounts of 10 percent for plan members and 14 percent for employers. The Retirement Board, acting with the advice of the actuary, allocates the employer contribution rate among four of the System’s funds (Pension Trust Fund, Death Benefit Fund, Medicare B Fund, and Health Care Fund). For the fiscal year ended June 30, 2015, the allocation to pension, death benefits, and Medicare B was 13.18 percent. The remaining 0.82 percent of the 14 percent employer contribution rate was allocated to the Health Care Fund.

The School District’s contractually required contribution to SERS was \$672,202 for fiscal year 2015. Of this amount \$322,917 is reported as an intergovernmental receivable.

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***Plan Description - State Teachers Retirement System (STRS)***

Plan Description – School District licensed teachers and other faculty members participate in STRS Ohio, a cost-sharing multiple-employer public employee retirement system administered by STRS. STRS provides retirement and disability benefits to members and death and survivor benefits to beneficiaries. STRS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about STRS’ fiduciary net position. That report can be obtained by writing to STRS, 275 E. Broad St., Columbus, OH 43215-3771, by calling (888) 227-7877, or by visiting the STRS Web site at [www.strsoh.org](http://www.strsoh.org).

New members have a choice of three retirement plans; a Defined Benefit (DB) Plan, a Defined Contribution (DC) Plan and a Combined Plan. Benefits are established by Ohio Revised Code Chapter 3307. The DB plan offers an annual retirement allowance based on final average salary multiplied by a percentage that varies based on years of service. Effective August 1, 2015, the calculation will be 2.2 percent of final average salary for the five highest years of earnings multiplied by all years of service. With certain exceptions, the basic benefit is increased each year by two percent of the original base benefit. For members retiring August 1, 2013, or later, the first two percent is paid on the fifth anniversary of the retirement benefit. Members are eligible to retire at age 60 with five years of qualifying service credit, or age 55 with 25 years of service, or 30 years of service regardless of age. Age and service requirements for retirement will increase effective August 1, 2015, and will continue to increase periodically until they reach age 60 with 35 years of service or age 65 with five years of service on August 1, 2026.

The DC Plan allows members to place all their member contributions and 9.5 percent of the 14 percent employer contributions into an investment account. Investment allocation decisions are determined by the member. The remaining 4.5 percent of the 14 percent employer rate is allocated to the defined benefit unfunded liability. A member is eligible to receive a retirement benefit at age 50 and termination of employment. The member may elect to receive a lifetime monthly annuity or a lump sum withdrawal.

The Combined Plan offers features of both the DB Plan and the DC Plan. In the Combined Plan, member contributions are allocated among investment choices by the member, and employer contributions are used to fund the defined benefit payment at a reduced level from the regular DB Plan. The defined benefit portion of the Combined Plan payment is payable to a member on or after age 60 with five years of services. The defined contribution portion of the account may be taken as a lump sum payment or converted to a lifetime monthly annuity at age 50.

New members who choose the DC plan or Combined Plan will have another opportunity to reselect a permanent plan during their fifth year of membership. Members may remain in the same plan or transfer to another STRS plan. The optional annuitization of a member’s defined contribution account or the defined contribution portion of a member’s Combined Plan account to a lifetime benefit results in STRS bearing the risk of investment gain or loss on the account. STRS has therefore included all three plan options as one defined benefit plan for GASB 68 reporting purposes.

A DB or Combined Plan member with five or more years of credited service who is determined to be disabled may qualify for a disability benefit. Eligible survivors of members who die before service retirement may qualify for monthly benefits. New members on or after July 1, 2013, must have at least ten years of qualifying service credit that apply for disability benefits. Members in the DC Plan who become disabled are entitled only to their account balance. If a member of the DC Plan dies before retirement benefits begin, the member’s designated beneficiary is entitled to receive the member’s account balance.

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Funding Policy – Employer and member contribution rates are established by the State Teachers Retirement Board and limited by Chapter 3307 of the Ohio Revised Code. The statutory maximum employee contribution rate was increased one percent July 1, 2014, and will be increased one percent each year until it reaches 14 percent on July 1, 2016. For the fiscal year ended June 30, 2015, plan members were required to contribute 12 percent of their annual covered salary. The School District was required to contribute 14 percent; the entire 14 percent was the portion used to fund pension obligations. The fiscal year 2015 contribution rates were equal to the statutory maximum rates.

The School District’s contractually required contribution to STRS was \$2,183,952 for fiscal year 2015. Of this amount \$422,716 is reported as an intergovernmental payable.

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The School District's proportion of the net pension liability was based on the School District's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$ 42,477,101	\$ 8,387,450	\$ 50,864,551
Proportion of the Net Pension Liability	0.17463428%	0.16572900%	
Pension Expense	\$ 1,826,140	\$ 496,205	\$ 2,322,345

At June 30, 2015, the School District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>STRS</u>	<u>SERS</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience	\$ 408,934	\$ 71,386	\$ 480,320
School District contributions subsequent to the measurement date	<u>2,183,952</u>	<u>672,202</u>	<u>2,856,154</u>
Total Deferred Outflows of Resources	<u>\$ 2,592,886</u>	<u>\$ 743,588</u>	<u>\$ 3,336,474</u>

<b>Deferred Inflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	<u>\$ 7,858,425</u>	<u>\$ 1,361,307</u>	<u>\$ 9,219,732</u>

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\$2,856,154 reported as deferred outflows of resources related to pension resulting from School District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	STRS	SERS	Total
Fiscal Year Ending June 30:			
2016	\$ (1,862,373)	\$ (322,480)	\$ (2,184,853)
2017	(1,862,373)	(322,480)	(2,184,853)
2018	(1,862,373)	(322,480)	(2,184,853)
2019	(1,862,372)	(322,481)	(2,184,853)
	\$ (7,449,491)	\$ (1,289,921)	\$ (8,739,412)

***Actuarial Assumptions - SERS***

SERS' total pension liability was determined by their actuaries in accordance with GASB Statement No. 67, as part of their annual actuarial valuation for each defined benefit retirement plan. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts (e.g., salaries, credited service) and assumptions about the probability of occurrence of events far into the future (e.g., mortality, disabilities, retirements, employment termination). Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of June 30, 2014, are presented below:

Wage Inflation	3.25 percent
Future Salary Increases, including inflation	4.00 percent to 22 percent
COLA or Ad Hoc COLA	3 percent
Investment Rate of Return	7.75 percent net of investments expense, including inflation
Actuarial Cost Method	Entry Age Normal

For post-retirement mortality, the table used in evaluating allowances to be paid is the 1994 Group Annuity Mortality Table set back one year for both men and women. Special mortality tables are used for the period after disability retirement.

The most recent experience study was completed June 30, 2010.

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The long-term return expectation for the Pension Plan Investments has been determined using a building-block approach and assumes a time horizon, as defined in SERS' *Statement of Investment Policy*. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate, and adding the expected return from rebalancing uncorrelated asset classes. The target allocation and best estimates of arithmetic real rates of return for each major assets class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash	1.00 %	0.00 %
US Stocks	22.50	5.00
Non-US Stocks	22.50	5.50
Fixed Income	19.00	1.50
Private Equity	10.00	10.00
Real Assets	10.00	5.00
Multi-Asset Strategies	15.00	7.50
	100.00 %	

**Discount Rate** The total pension liability was calculated using the discount rate of 7.75 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the long-term assumed investment rate of return (7.75 percent). Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 7.75 percent, as well as what each plan's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.75 percent), or one percentage point higher (8.75 percent) than the current rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 11,966,399	\$ 8,387,450	\$ 5,377,245

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**Actuarial Assumptions - STRS**

The total pension liability in the June 30, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Projected salary increases	2.75 percent at age 70 to 12.25 percent at age 20
Investment Rate of Return	7.75 percent, net of investment expenses
Cost-of-Living Adjustments (COLA)	2 percent simple applied as follows: for members retiring before August 1, 2013, 2 percent per year; for members retiring August 1, 2013, or later, 2 percent COLA paid on fifth anniversary of retirement date.

Mortality rates were based on the RP-2000 Combined Mortality Table (Projection 2022—Scale AA) for Males and Females. Males' ages are set-back two years through age 89 and no set-back for age 90 and above. Females younger than age 80 are set back four years, one year set back from age 80 through 89 and not set back from age 90 and above.

Actuarial assumptions used in the June 30, 2014, valuation are based on the results of an actuarial experience study, effective July 1, 2012.

The 10 year expected real rate of return on pension plan investments was determined by STRS' investment consultant by developing best estimates of expected future real rates of return for each major asset class. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Domestic Equity	31.00 %	8.00 %
International Equity	26.00	7.85
Alternatives	14.00	8.00
Fixed Income	18.00	3.75
Real Estate	10.00	6.75
Liquidity Reserves	1.00	3.00
Total	<u>100.00 %</u>	

**Discount Rate** The discount rate used to measure the total pension liability was 7.75 percent as of June 30, 2014. The projection of cash flows used to determine the discount rate assumes member and employer contributions will be made at the statutory contribution rates in accordance with rate increases described above. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, STRS' fiduciary net position was projected to be available to make all projected future benefit payments to current plan members as of June 30, 2014. Therefore, the long-term expected rate of return on pension plan investments of 7.75 percent was applied to all periods of projected benefit payment to determine the total pension liability as of June 30, 2014.

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**Sensitivity of the School District's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** The following table presents the School District's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.75 percent, as well as what the School District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.75 percent) or one-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
School District's proportionate share of the net pension liability	\$ 60,810,601	\$ 42,477,101	\$ 26,973,129

**NOTE 11: POSTEMPLOYMENT BENEFITS**

**A. School Employees Retirement System**

Health Care Plan Description - The School District contributes to the SERS Health Care Fund, administered by SERS for non-certificated retirees and their beneficiaries. For GASB 45 purposes, this plan is considered a cost-sharing, multiple-employer, defined benefit other postemployment benefit (OPEB) plan. The Health Care Plan includes hospitalization and physicians' fees through several types of plans including HMO's, PPO's, Medicare Advantage, and traditional indemnity plans as well as a prescription drug program. The financial report of the Plan is included in the SERS Comprehensive Annual Financial Report which can be obtained on SERS' website at [www.ohsers.org](http://www.ohsers.org) under Employers/Audit Resources.

Access to health care for retirees and beneficiaries is permitted in accordance with Section 3309 of the Ohio Revised Code. The Health Care Fund was established and is administered in accordance with Internal Revenue Code Section 105(e). SERS' Retirement Board reserves the right to change or discontinue any health plan or program. Health care is financed through a combination of employer contributions and retiree premiums, copays and deductibles on covered health care expenses, investment returns, and any funds received as a result of SERS' participation in Medicare programs. Active employee members do not contribute to the Health Care Plan. Retirees and their beneficiaries are required to pay a health care premium that varies depending on the plan selected, the number of qualified years of service, Medicare eligibility and retirement status.

Funding Policy - State statute permits SERS to fund the health care benefits through employer contributions. Each year, after the allocation for statutorily required basic benefits, the Retirement Board allocates the remainder of the employer contribution of 14 percent of covered payroll to the Health Care Fund. For fiscal year 2015, 0.82 percent of covered payroll was allocated to health care. In addition, employers pay a surcharge for employees earning less than an actuarially determined minimum compensation amount, pro-rated according to service credit earned. For fiscal year 2015, this amount was \$20,450. Statutes provide that no employer shall pay a health care surcharge greater than 2 percent of that employer's SERS-covered payroll; nor may SERS collect in aggregate more than 1.5 percent of the total statewide SERS-covered payroll for the health care surcharge.

The School District's contributions for health care (including surcharge) for the fiscal years ended June 30, 2015, 2014, and 2013 were \$152,170, \$116,937 and \$112,643, respectively. For fiscal year 2015, 100 percent has been contributed. The full amount has been contributed for fiscal years 2014 and 2013.

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***B. State Teachers Retirement System***

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

Funding Policy – Ohio Revised Code Chapter 3307 authorizes STRS Ohio to offer the Plan and gives the Retirement Board authority over how much, if any, of the health care costs will be absorbed by STRS. Active employee members do not contribute to the Health Care Plan. All benefit recipients, for the most recent year, pay a monthly premium. Under Ohio law, funding for post-employment health care may be deducted from employer contributions. For fiscal year 2015, STRS did not allocate any employer contributions to post-employment health care. The School District's contributions for health care for the fiscal years ended June 30, 2015, 2014, and 2013 were \$0, \$157,325, and \$208,868, respectively. The full amount has been contributed for fiscal years 2015, 2014 and 2013.

**NOTE 12: OTHER EMPLOYEE BENEFITS**

***A. Compensated Absences***

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

All employees earn sick leave at the rate of one and one-fourth days per month. Sick leave may be accumulated to a maximum of 313 days for union personnel. Members of the Massillon Education Association accrue sick leave to a maximum of 314 days. Administrators and executive staff may accumulate up to a maximum of 314 days. Upon completion of ten or more years of service to the School District, state, or other political subdivision, and retirement from the profession, payment is made for one-fourth of accrued, but unused sick leave credit up to a maximum of 78 days for certified employees and classified employees; the bargaining unit for the secretarial staff (OAPSE 148) has no maximum days for severance payout.

***B. Life Insurance***

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

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**NOTE 13: INTERFUND BALANCES**

Interfund balances at June 30, 2015 consist of the following individual fund receivables and payables:

Interfund Payable	Interfund Receivable General
<i>Nonmajor Special Revenue Funds:</i>	
Title VI-B	\$ 4,336
Title I	83,050
Vocational Education Enhancement Fund	458
Public Preschool	26,832
Straight A Grant	1,536
Adult Communication Education Fund	3,767
Total	\$ 119,979

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

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**NOTE 14: LONG-TERM OBLIGATIONS**

Changes in the School District's long-term obligations during fiscal year 2015 were as follows:

	Restated Outstanding 6/30/2014	Additions	Deductions	Outstanding 6/30/2015	Due Within One Year
<b>Governmental Activities</b>					
<i>General Obligation Bonds:</i>					
2011 Limited Tax General					
Obligation Various Purpose Bonds:					
\$1,355,000-1.00-3.00% Serial Bonds	\$ 900,000	\$ 0	\$ (140,000)	\$ 760,000	\$ 150,000
\$1,090,000-3.25-3.75% Term Bonds	1,070,000	0	0	1,070,000	0
2011 Classroom Facilities Refunding Bonds:					
\$8,810,000-2.00-4.00% Serial Bonds	8,005,000	0	(575,000)	7,430,000	0
\$209,995-2.55-2.8% Capital Appreciation Bonds	209,995	0	0	209,995	119,476
Accretion on Capital Appreciation Bonds	478,816	248,651	0	727,467	403,775
Unamortized Premium	780,104	0	(66,866)	713,238	0
<b>Total General Obligation Bonds</b>	<b>11,443,915</b>	<b>248,651</b>	<b>(781,866)</b>	<b>10,910,700</b>	<b>673,251</b>
<i>Net Pension Liability:</i>					
STRS	50,598,444	0	(8,121,343)	42,477,101	0
SERS	9,855,372	0	(1,467,922)	8,387,450	0
<b>Total Net Pension Liability</b>	<b>60,453,816</b>	<b>0</b>	<b>(9,589,265)</b>	<b>50,864,551</b>	<b>0</b>
Other Long-Term Obligations:					
Capital Leases	709,070	0	(180,004)	529,066	188,207
Compensated Absences	2,966,507	318,751	(471,541)	2,813,717	308,428
<b>Total General Long-Term Obligations</b>	<b>\$ 75,573,308</b>	<b>\$ 567,402</b>	<b>\$ (11,022,676)</b>	<b>\$ 65,118,034</b>	<b>\$ 1,169,886</b>

**2011 Limited Tax General Obligation Various Purpose Bonds**

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

**2011 Classroom Facilities Refunding General Obligation Bonds**

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

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At the date of refunding, \$9,844,506 (including premium and after underwriting fees and other issuance costs) was received to pay off old debt. As a result, \$9,015,000 of the 2003 Series Bonds are considered to be defeased. The liability of the bonds was removed from the financial statements at the time of the refunding. The advance refunding reduced cash flows required for debt service by \$424,543 over the next thirteen years and resulted in an economic gain of \$345,154. As of June 30, 2015 the \$8,235,000 of the defeased bonds were outstanding.

The bonds were issued with a premium of \$1,002,991, which is reported as an increase to bonds payable. The amounts are being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of the premium for fiscal year 2015 was \$66,866. The refunding resulted in a difference between the net carrying amount of the debt and the acquisition price of \$829,506. This difference, reported in the accompanying financial statements as a deferred outflow of resources - deferred charges on refunding, is being amortized to interest expense over the life of the bonds using the straight-line method. The amortization of this difference for fiscal year 2015 was \$55,302.

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

The capital appreciation bonds will mature on December 1, 2015 and December 1, 2016. These bonds were purchased at a discount at the time of issuance and at maturity all compounded interest is paid and the bond holder collects the face value. However, since interest is technically earned and compounded semi-annually, the value of the bond increases. Therefore, as the value increases, the accretion is booked as principal. The maturity amount of the bonds is \$1,230,000. The fiscal year 2015 accretion amount is \$248,651.

The general obligation bonds will be paid from the bond retirement debt service fund. Capital leases will be paid from the general and permanent improvement funds. Compensated absences will be paid from the general fund and the food service fund. The School District pays obligations related to employee compensation from the fund benefitting from their service.

The following is a summary of the School District's annual debt service principal and interest payments on debt outstanding at June 30, 2015:

Fiscal Year Ending June 30,	General Obligation Bonds		Capital Appreciation Bonds		Total	
	Principal	Interest	Principal	Accretion	Principal	Interest
2016	\$ 150,000	\$ 325,162	\$ 119,476	\$ 475,524	\$ 269,476	\$ 800,686
2017	150,000	322,162	90,519	544,481	240,519	866,643
2018	790,000	310,137	0	0	790,000	310,137
2019	815,000	287,612	0	0	815,000	287,612
2020	890,000	258,612	0	0	890,000	258,612
2021-2025	5,215,000	765,068	0	0	5,215,000	765,068
2026	1,250,000	24,756	0	0	1,250,000	24,756
<b>Total</b>	<b>\$ 9,260,000</b>	<b>\$ 2,293,509</b>	<b>\$ 209,995</b>	<b>\$ 1,020,005</b>	<b>\$ 9,469,995</b>	<b>\$ 3,313,514</b>

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**NOTE 15: CAPITAL LEASES**

Capital assets acquired by the leases have been capitalized in the amount of \$902,600. This amount represents the present value of the minimum lease payments at the time of acquisition. Capital lease payments will be reclassified and reflected as debt service expenditures on the fund financial statements for the governmental funds. These expenditures are reflected as support service expenditures on the budgetary basis in the general fund.

The following is a schedule of the future long-term minimum lease payments required under the capital leases and the present value of the minimum lease payments as of June 30, 2015.

	Amount
Fiscal Year Ending June 30, 2016	\$ 200,661
2017	177,481
2018	175,550
	553,692
Less: amount representing interest	24,626
Present value of net minimum lease payments	\$ 529,066

**NOTE 16: JOINTLY GOVERNED ORGANIZATION**

The Stark Portage Area Computer Consortium (SPARCC) is a jointly governed organization among 31 school districts, the Stark County Educational Service Center and the Portage County Educational Service Center and the Portage County Education Service Center. The purpose of the organization is to apply modern technology with the aid of computers and other electronic equipment to administrative and instructional functions among member districts. The legislative and advisory body is the assembly which is comprised of the superintendents of the participating schools. The degree of control exercised by any participating district is limited to its representation on the assembly, which appoints the five-member executive board. The executive board exercises total control over the operation of SPARCC including budgeting, appropriating, contracting and designating management. The executive board consists of five superintendents. All revenues are generated from State funding and an annual fee charged to participating districts. The School District paid \$107,732 to SPARCC during the fiscal year 2015. The Stark County Educational Service Center is the fiscal agent of SPARCC. Financial information can be obtained by writing to the Stark County Educational Service Center, 2100 38<sup>th</sup> Street NW, Canton, OH 44709-2300.

**NOTE 17: PUBLIC ENTITY RISK POOL**

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

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**NOTE 18: CONTINGENCIES**

**A. Grants**

The School District received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, the effect of any such disallowed claims on the overall financial position of the School District at June 30, 2015, if applicable, cannot be determined at this time.

**B. Litigation**

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

**C. School District Funding**

School District Foundation funding is based on the annualized full-time equivalent (FTE) enrollment of each student. Effective for the 2014-2015 school year, traditional school districts must comply with minimum hours of instruction, instead of a minimum number of school days each year. The funding formula the Ohio Department of Education (ODE) is legislatively required to follow will continue to adjust as enrollment information is updated by the school districts, which can extend past the fiscal year end. As of the date of this report, ODE has not finalized the impact of enrollment adjustments to the June 30, 2015 Foundation funding for the School District; therefore, the financial statement impact is not determinable at this time. ODE and management believe this will result in either a receivable to or liability of the School District.

**NOTE 19: COMMITMENTS**

**A. Contractual Commitments**

At June 30, 2015, the School District had the following contractual commitments:

	Amount of Contracts	Expenditures as of 6/30/15	Amount Remaining on Contracts
Bowers Demolition	\$ 211,886	\$ 150,300	\$ 61,586
Roof Repair	499,705	155,038	344,667
Boiler Replacement	444,742	140,000	304,742
Stadium Improvements	390,897	361,007	29,890
	<u>\$ 711,591</u>	<u>\$ 305,338</u>	<u>\$ 406,253</u>

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***B. Encumbrance Commitments***

Outstanding encumbrances for governmental funds include \$578,929 in the general fund and \$1,026,871 in nonmajor governmental funds.

**NOTE 20: SET-ASIDE CALCULATIONS**

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

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

	<u>Capital Improvements</u>
Set-Aside Restricted Balance as of June 30, 2014	\$ 0
Current Year Set-Aside Requirement	659,829
Current Year Qualifying Disbursements	(541,372)
Current Year Offsets	<u>(357,646)</u>
Totals	<u>\$ (239,189)</u>
Balance Carried Forward to Fiscal Year 2016	<u>\$ 0</u>
Set-Aside Restricted Balance as of June 30, 2015	<u>\$ 0</u>

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

**NOTE 21: RELATED PARTY TRANSACTIONS**

During fiscal year 2015, the School District provided accounting and fiscal services to the Massillon Digital Academy (the “Digital Academy”), a discretely presented component unit of the School District. The School District acts as the Sponsor for the Academy. The School District and the Academy entered into a 5-year sponsorship agreement commencing on the first day of the 2013 academic year whereby terms of the sponsorship were established. Pursuant to this agreement, the District’s treasurer/CFO serves as the Academy’s fiscal officer. The Academy is required to pay \$150 per student per year to the District, from funding provided to the Academy by the Ohio Department of Education pursuant to Section 3314.08 of the Ohio Revised Code. The Sponsor has waived the \$150 per student since the Academy’s inception.

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**NOTE 22: FUND BALANCE**

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

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

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Nonspendable for:			
Unclaimed Monies	\$ 14,094	\$ 0	\$ 14,094
Restricted for:			
Debt Service	0	647,305	647,305
Capital Outlay	0	2,507,061	2,507,061
Other Purposes	0	8,179	8,179
Food Services	0	926,092	926,092
Classroom Facilities Maintenance	0	2,417,311	2,417,311
Student Activities Programs	0	639,213	639,213
Federally Funded Programs	0	428	428
State Funded Programs	0	44,245	44,245
Total Restricted	<u>0</u>	<u>7,189,834</u>	<u>7,189,834</u>
Committed for:			
Termination of Benefits	91,076	0	91,076
Capital Outlay	0	1,354,878	1,354,878
Total Committed	<u>91,076</u>	<u>1,354,878</u>	<u>1,445,954</u>
Assigned for:			
Subsequent Years Appropriations	1,530,019	0	1,530,019
Encumbrances:			
Instruction	110,634	0	110,634
Support Services	468,355	0	468,355
Extracurricular Activities	2,055	0	2,055
Total Assigned	<u>2,111,063</u>	<u>0</u>	<u>2,111,063</u>
Unassigned	10,582,338	(118,332)	10,464,006
<i>Total Fund Balance</i>	<u>\$ 12,798,571</u>	<u>\$ 8,426,380</u>	<u>\$ 21,224,951</u>

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**NOTE 23: MASSILLON DIGITAL ACADEMY**

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

**A. *Significant Accounting Policies***

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

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

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

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

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

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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**Cash and Cash Equivalents** Cash held by the Digital Academy is reflected as “Equity in Pooled Cash and Investments” on its statement of net position. Investments with an original maturity of three months or less at the time they are purchased are presented on the financial statements as cash equivalents. Investments with an initial maturity of more than three months are reported as investments. During fiscal year 2015, the Academy’s investments were limited to Federal Farm Credit System Bank Bonds.

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

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

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

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

Amounts received under the grant programs for the year ended June 30, 2015 was \$53,393.

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

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

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

**Net Position** Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position are reported as restricted when there are limitation imposed on their use either through the enabling legislation adopted by the academy or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Digital Academy had unrestricted net position of \$825,729 and \$22,515 of restricted net position at year end. The Digital Academy applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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

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

**Extraordinary and Special Items** Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the Board of Education and that are either unusual in nature or infrequent in occurrence. Neither type of transaction occurred during the fiscal year ended 2015.

**B. Deposits**

At June 30, 2015 the carrying amount of the Digital Academy's deposits was \$291,213 and the bank balance was \$291,243. At year-end, \$41,243 of the Digital Academy's bank balance was exposed to custodial risk while \$250,000 was covered by Federal Deposit Insurance Corporation. There are no significant statutory restrictions regarding the deposit and investment of funds by the nonprofit corporation.

Investments are reported at fair value. As of June 30, 2015, the Academy had the following investments:

Investment Type	Fair Value	Investment Maturity 30 Months	% of Investments
Federal Farm Credit System Bank Bonds	\$ 499,200	\$499,200	100.00%

**C. Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2015, was as follows:

	Balance 07/01/2014	Additions	Disposals	Balance 06/30/2015
Furniture	\$ 2,646	\$ 0	\$ 0	\$ 2,646
Computer Equipment	233,376	9,057	(191,833)	50,600
Vehicles	0	27,442	0	27,442
Less: Accumulated Depreciation	(205,352)	(14,108)	190,472	(28,988)
Total Capital Assets, Net	\$ 30,670	\$ 22,391	\$ (1,361)	\$ 51,700

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***D. Fiscal Officer***

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

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

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

***E. Related Party Transactions***

The Digital Academy is a component unit of the Massillon City School District (the "School District"). The School District is the Academy's sponsor. The Digital Academy and the School District entered into a 5-year sponsorship agreement commencing on the first day of the 2014 academic year, whereby terms of the sponsorship were established. Pursuant to this agreement, the School District's treasurer serves as the Digital Academy's fiscal officer. The Digital Academy is required to pay \$150 per student per year to the School District, from funding provided to the Academy by the Ohio Department of Education pursuant to Section 3314.08 of the Ohio Revised Code. The Sponsor has not requested payment of the \$150 per student since the Academy's inception. The Sponsor realizes that the survival of the Academy's existence rests on the operational funds provided through the State Foundation program.

***F. Purchased Services***

For the year ended June 30, 2015, purchased service expenses were recognized for professional services rendered by various vendors as follows:

Massillon Board of Education	\$ 407,076
SPARCC	14,211
Verizon	30,974
Other	<u>44,427</u>
Total Purchased Services	<u>\$ 496,688</u>

For the year ended June 30, 2015, the Academy recognized \$407,076 in expenses for educational services and curriculum provided by the Massillon Board of Education.

**Massillon City School District**  
**Stark County, Ohio**  
*Notes To The Basic Financial Statements*  
*For the Fiscal Year Ended June 30, 2015*

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***G. Contingencies***

*Grants*

The Academy received financial assistance from federal and State agencies in the form of grants. The expenditure of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the Academy. However, the effect of any such disallowed claims on the overall financial position of the Academy at June 30, 2015, if applicable, cannot be determined at this time.

*Litigation*

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

*Full Time Equivalency*

The Ohio Department of Education conducts reviews of enrollment data and full-time equivalency (FTE) calculations made by the schools. These reviews are conducted to ensure the schools are reporting accurate student enrollment data to the State, upon which state foundation funding is calculated. Adjustments to the state funding received during fiscal year 2015 are immaterial and are not reflected in the 2015 financial statements but will be included in the financial activity for fiscal year 2016.

***H. Risk Management***

The Digital Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the year ended 2015, the Digital Academy contracted with the Ohio Casualty Insurance Company through its agent Leonard Insurance Services of Canton, Ohio. Settlements have not exceeded coverage in any of the last three years. There has not been a significant reduction in coverage from the prior year.

**Massillon City School District**  
**Stark County, Ohio**  
*Required Supplementary Information*  
*Schedule of the School District's Proportionate Share of the Net Pension Liability*  
*Last Two Fiscal Years (1)*

	<u>2014</u>	<u>2013</u>
<b><i>State Teachers Retirement System (STRS)</i></b>		
School District's proportion of the net pension liability (asset)	0.17463428%	0.17463428%
School District's proportionate share of the net pension liability (asset)	\$ 42,477,101	\$ 50,598,444
School District's covered-employee payroll	\$ 15,732,546	\$ 20,886,800
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	270.00%	242.25%
Plan fiduciary net position as a percentage of the total pension liability	74.70%	69.30%
<b><i>School Employees Retirement System (SERS)</i></b>		
School District's proportion of the net pension liability (asset)	0.16572900%	0.16572900%
School District's proportionate share of the net pension liability (asset)	\$ 8,387,450	\$ 9,855,372
School District's covered-employee payroll	\$ 6,999,242	\$ 6,629,335
School District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	119.83%	148.66%
Plan fiduciary net position as a percentage of the total pension liability	71.70%	65.52%

(1) Information prior to 2013 is not available.

**Massillon City School District**  
**Stark County, Ohio**  
*Required Supplementary Information*  
*Schedule of School District Contributions*  
*Last Ten Fiscal Years*

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b><i>State Teachers Retirement System (STRS)</i></b>				
Contractually Required Contribution	\$ 2,183,952	\$ 2,045,231	\$ 2,715,284	\$ 2,607,066
Contributions in Relation to the Contractually Required Contribution	<u>(2,183,952)</u>	<u>(2,045,231)</u>	<u>(2,715,284)</u>	<u>(2,607,066)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 15,599,657	\$ 15,732,546	\$ 20,886,800	\$ 20,054,354
Contributions as a percentage of covered-employee payroll	14.00%	13.00%	13.00%	13.00%
 <b><i>School Employees Retirement System (SERS)</i></b>				
Contractually required contribution	\$ 672,202	\$ 970,095	\$ 917,500	\$ 964,210
Contributions in relation to the contractually required contribution	<u>(672,202)</u>	<u>(970,095)</u>	<u>(917,500)</u>	<u>(964,210)</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
School District's covered-employee payroll	\$ 5,100,167	\$ 6,999,242	\$ 6,629,335	\$ 7,168,848
Contributions as a percentage of covered-employee payroll	13.18%	13.86%	13.84%	13.45%

n/a - Information prior to 2008 is not available.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$ 2,620,077	\$ 2,737,175	\$ 2,773,212	\$ 2,880,408	\$ 2,800,200	\$ 2,728,836
<u>(2,620,077)</u>	<u>(2,737,175)</u>	<u>(2,773,212)</u>	<u>(2,880,408)</u>	<u>(2,800,200)</u>	<u>(2,728,836)</u>
<u>\$ 0</u>					
\$ 20,154,438	\$ 21,055,192	\$ 21,332,400	\$ 22,156,985	\$ 21,540,000	\$ 20,991,046
13.00%	13.00%	13.00%	13.00%	13.00%	13.00%
\$ 509,765	\$ 946,648	\$ 938,937	\$ 1,077,054	n/a	n/a
<u>(509,765)</u>	<u>(946,648)</u>	<u>(938,937)</u>	<u>(1,077,054)</u>	n/a	n/a
<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	n/a	n/a
\$ 4,055,410	\$ 6,991,492	\$ 9,542,043	\$ 10,967,963	n/a	n/a
12.57%	13.54%	9.84%	9.82%	n/a	n/a

November 19, 2015

To the Board of Education  
Massillon City School District  
Stark County, Ohio  
930 17<sup>th</sup> Street NE  
Massillon, OH 44646

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Massillon City School District, Stark County, Ohio (the "School District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the School District's basic financial statements, and have issued our report thereon dated November 19, 2015, in which we noted the School District restated net position to account for the implementation of GASB Statement No. 68 and GASB Statement No. 71.

**Internal Control over Financial Reporting**

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

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

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

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Rea & Associates, Inc.*

New Philadelphia, Ohio

November 19, 2015

To the Board of Education  
Massillon City School District  
Stark County, Ohio  
930 17<sup>th</sup> Street NE  
Massillon, OH 44646

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

**Report on Compliance for Each Major Federal Program**

We have audited the Massillon City School District's, Stark County, Ohio (the "School District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School District's major federal programs for the year ended June 30, 2015. The School District's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

***Opinion on Each Major Federal Program***

In our opinion, the School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

**Report on Internal Control over Compliance**

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

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

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

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

*Hea & Associates, Inc.*

New Philadelphia, Ohio

**Massillon City School District**  
**Stark County, Ohio**  
*Schedule of Expenditures of Federal Awards - Cash Basis*  
*For the Year Ended June 30, 2015*

Federal Grantor/ Pass Through Grantor/ Program Title	CFDA Number	Grant Year	Cash Receipts	Cash Disbursements
<b>U. S. Department of Education</b>				
<i>Passed Through Ohio Department of Education:</i>				
Title I	84.010	2014	\$ 179,245	\$ 150,270
Title I	84.010	2015	1,190,475	1,273,525
Total Title I			<u>1,369,720</u>	<u>1,423,795</u>
21st Century Community Learning Centers	84.287	2014	14,420	0
Title II-A - Improving Teacher Quality	84.367	2014	14,772	6,993
Title II-A - Improving Teacher Quality	84.367	2015	179,019	182,786
Total Title II-A - Improving Teacher Quality			<u>193,791</u>	<u>189,779</u>
<i>Special Education Cluster:</i>				
IDEA Part B	84.027	2014	73,639	63,460
IDEA Part B	84.027	2015	836,112	840,448
Total IDEA Part B			<u>909,751</u>	<u>903,908</u>
Early Childhood Special Education	84.173	2014	131	0
Early Childhood Special Education	84.173	2015	10,140	8,700
Total Early Childhood Special Education			<u>10,271</u>	<u>8,700</u>
Total Special Education Cluster			<u>920,022</u>	<u>912,608</u>
Carl D. Perkins Career and Technical Education Grant	84.048	2014	296	0
Carl D. Perkins Career and Technical Education Grant	84.048	2015	81,978	81,978
Total Carl D. Perkins Career and Technical Education Grant			<u>82,274</u>	<u>81,978</u>
Adult Education and Family Literacy Grant	84.002	2014	8,015	6,864
Resident Educator	84.395	2014	(416)	0
<i>Total U.S. Department of Education</i>			<u>2,587,826</u>	<u>2,615,024</u>
<b>U. S. Department of Agriculture</b>				
<i>Child Nutrition Cluster:</i>				
School Breakfast Program (B)	10.553	2015	247,979	247,979
National School Lunch Program (Food Distribution) (A)	10.555	2015	100,678	100,678
National School Lunch Program (B)	10.555	2015	1,068,833	1,058,256
Total National School Lunch Program			<u>1,169,511</u>	<u>1,158,934</u>
Summer Food Service Program for Children	10.559	2015	3,976	3,976
Total Child Nutrition Cluster			<u>1,421,466</u>	<u>1,410,889</u>
<i>Total U.S. Department of Agriculture</i>			<u>1,421,466</u>	<u>1,410,889</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<u>\$ 4,009,292</u>	<u>\$ 4,025,913</u>

See the accompanying notes to this schedule

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

*Notes to the Schedule of Expenditures of Federal Awards – Cash Basis  
For the Fiscal Year Ended June 30, 2015*

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**Note A – Significant Accounting Policies**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) reports the School District’s federal award programs’ receipts and disbursements. The schedule has been prepared on the cash basis of accounting.

**Note B – Food Donation Program**

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

**Note C – Commingled Funds**

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

**Note D – Ohio Bureau of Workers’ Compensation**

Ohio’s workers’ compensation system serves as an insurance program for both employers and employees alike. For those who contribute premiums, the Ohio Bureau of Workers’ Compensation (BWC) covers the payment of compensation and medical costs related to industrial accidents and diseases. The BWC invested contributions over a three-year period which generated a greater than anticipated return. In September 2014, the Ohio BWC Board of Directors authorized a \$1 billion rebate for more than 210,000 public and private entities paying into Ohio’s workers’ compensation system. Each employer’s rebate reflected 60% of what they were billed during the last policy period (2012 calendar year for public-taxing districts). Using policy year 2012 as the base year for calculation, the School District allocated its BWC rebate back to all funds, including Federal funds, providing the source of initial premium payments to the BWC. The subsequent expenditure of the rebate attributable to Federal programs is reflected on the School District’s Schedule as a negative expenditure.

**Massillon City School District**  
**Stark County, Ohio**  
*Schedule of Findings and Questioned Costs*  
*OMB Circular A-133, Section .505*  
*For the Fiscal Year Ended June 30, 2015*

**1. SUMMARY OF AUDITOR'S RESULTS**

(d) (1) (i)	Type of Financial Statement Opinion	Unmodified
(d) (1) (ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (ii)	Were there any other significant deficiency conditions reported at the financial statement level (GAGAS)?	No
(d) (1) (iii)	Were there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d) (1) (iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d) (1) (iv)	Were there any other significant deficiencies reported for major federal programs?	No
(d) (1) (v)	Type of Major Programs' Compliance Opinion	Unmodified
(d) (1) (vi)	Are there any reportable findings under Section .510?	No
(d) (1) (vii)	Major Programs (list): Special Education Cluster: IDEA Part B Early Childhood Special Education  Title I	CFDA #84.027 CFDA #84.173  CFDA #84.010
(d) (1) (viii)	Dollar Threshold: Type A/B Programs	Type A: > \$300,000 Type B: All others
(d) (1) (ix)	Low Risk Auditee?	Yes

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

None noted

**3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

None noted



# Dave Yost • Auditor of State

**MASSILLON CITY SCHOOL DISTRICT**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JANUARY 12, 2016**