



**CITY OF MASSILLON  
STARK COUNTY**

**SINGLE AUDIT**

**FOR THE YEAR ENDED DECEMBER 31, 2001**



**JIM PETRO**  
**AUDITOR OF STATE**  

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**STATE OF OHIO**



**CITY OF MASSILLON  
STARK COUNTY**

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**REPORT OF INDEPENDENT ACCOUNTANTS**

City of Massillon  
Stark County  
One James Duncan Plaza  
Massillon, Ohio 44646

To the Mayor and Members of City Council:

We have audited the accompanying general purpose financial statements of the City of Massillon, Stark County, Ohio, (the City) as of and for the year ended December 31, 2001, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 2001, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

During the year ended December 31, 2001, the City adopted Governmental Accounting Standards Board Statement No. 33.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2002 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Schedule of Receipts and Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

A handwritten signature in black ink, appearing to read "Jim Petro", with a stylized flourish at the end.

**Jim Petro**  
Auditor of State

July 31, 2002

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**CITY OF MASSILLON  
STARK COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 2001**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 750,297	\$ 2,447,513	\$ 741,908	\$ 8,299,202
Cash and cash equivalents:				
In segregated accounts	-	151	-	-
Receivables:				
Taxes	2,318,466	367,717	20,317	193,013
Accounts	17,881	456,235	-	-
Special assessments	-	-	209,618	-
Accrued interest	265,621	5,551	-	-
Due from other funds	83,145	40,973	-	-
Due from other governments	865,913	602,006	-	18,706
Materials and supplies inventory	105,813	7,872	-	-
Notes receivable	-	2,250,000	1,218,647	-
Prepaid items	128,174	8,962	-	-
Loans receivable	-	34,816	-	-
Deferred charges	-	-	-	-
Fixed assets, (net where applicable of accumulated depreciation)	-	-	-	-
<b>Other debits:</b>				
Amount available in debt service fund for retirement of general obligation bonds	-	-	-	-
Amount available in debt service fund for retirement of special assessment bonds	-	-	-	-
Amount to be provided from general government resources	-	-	-	-
Amount to be provided from special assessments	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 4,535,310</b>	<b>\$ 6,221,796</b>	<b>\$ 2,190,490</b>	<b>\$ 8,510,921</b>

See accompanying notes to the general purpose financial statements.



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals Memorandum Only
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Obligations	
\$ 2,367,332	\$ 166,672	\$ 76,956	\$ -	\$ -	\$ 14,849,880
-	-	287,604	-	-	287,755
-	-	314,979	-	-	3,214,492
1,295,176	4,071	-	-	-	1,773,363
-	-	-	-	-	209,618
-	-	26	-	-	271,198
-	-	7,280	-	-	131,398
-	-	12,527	-	-	1,499,152
44,355	-	-	-	-	158,040
-	-	-	-	-	3,468,647
38,798	-	-	-	-	175,934
-	-	-	-	-	34,816
39,511	-	-	-	-	39,511
15,143,423	-	-	26,045,203	-	41,188,626
-	-	-	-	742,129	742,129
-	-	-	-	12,228	12,228
-	-	-	-	23,574,577	23,574,577
-	-	-	-	82,111	82,111
<b>\$ 18,928,595</b>	<b>\$ 170,743</b>	<b>\$ 699,372</b>	<b>\$ 26,045,203</b>	<b>\$ 24,411,045</b>	<b>\$ 91,713,475</b>

**CITY OF MASSILLON  
STARK COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 2001**

**Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 180,036	\$ 158,225	\$ 1,560	\$ 697,095
Accrued wages and benefits	459,240	39,641	-	-
Compensated absences payable	66,766	12,685	-	-
Due to other funds	-	-	-	-
Due to other governments	245,150	465,075	-	-
Deferred revenue	1,839,852	1,077,085	209,618	-
Undistributed monies	-	-	-	-
Accrued interest payable	-	-	-	99,011
Unamortized premiums on bonds	-	-	-	-
Claims payable	-	-	-	-
Claimant liability	-	-	-	-
Police and firemen's pension liability	-	-	-	-
Loans payable	-	-	-	-
Special obligation debt	-	-	-	-
Capital leases payable	-	-	-	-
Bond anticipation notes	-	-	-	2,700,000
General obligation bonds payable	-	-	-	-
Special assessment debt with governmental commitment	-	-	-	-
Total liabilities	<u>2,791,044</u>	<u>1,752,711</u>	<u>211,178</u>	<u>3,496,106</u>
<b>Fund equity and other credits:</b>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balance:				
Reserved for encumbrances	223,240	651,122	6,308	6,221,948
Reserved for inventory	105,813	7,872	-	-
Reserved for prepaid items	128,174	8,962	-	-
Reserved for debt service	-	-	754,357	-
Reserved for loans receivable	-	34,816	-	-
Reserved for notes receivable	-	2,250,000	1,218,647	-
Unreserved:				
Undesignated	1,287,039	1,516,313	-	(1,207,133)
Total fund equity and other credits	<u>1,744,266</u>	<u>4,469,085</u>	<u>1,979,312</u>	<u>5,014,815</u>
<b>Total liabilities, fund equity and other credits</b>	<b><u>\$ 4,535,310</u></b>	<b><u>\$ 6,221,796</u></b>	<b><u>\$ 2,190,490</u></b>	<b><u>\$ 8,510,921</u></b>

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals Memorandum Only
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Obligations	
\$ 103,549	\$ -	\$ -	\$ -	\$ -	\$ 1,140,465
79,360	-	-	-	-	578,241
306,075	-	-	-	1,587,523	1,973,049
-	-	131,398	-	-	131,398
111,317	-	478,283	-	-	1,299,825
-	-	-	-	-	3,126,555
-	-	61,686	-	-	61,686
106,383	-	-	-	-	205,394
53,102	-	-	-	-	53,102
-	107,374	-	-	-	107,374
-	-	21,842	-	-	21,842
-	-	-	-	1,652,220	1,652,220
2,311,374	-	-	-	2,210,000	4,521,374
102,848	-	-	-	126,411	229,259
650,183	-	-	-	393,891	1,044,074
3,610,000	-	-	-	14,280,000	20,590,000
3,675,000	-	-	-	4,020,000	7,695,000
-	-	-	-	141,000	141,000
<u>11,109,191</u>	<u>107,374</u>	<u>693,209</u>	<u>-</u>	<u>24,411,045</u>	<u>44,571,858</u>
-	-	-	26,045,203	-	26,045,203
468,068	-	-	-	-	468,068
7,351,336	63,369	-	-	-	7,414,705
-	-	708	-	-	7,103,326
-	-	-	-	-	113,685
-	-	-	-	-	137,136
-	-	-	-	-	754,357
-	-	-	-	-	34,816
-	-	-	-	-	3,468,647
-	-	5,455	-	-	1,601,674
<u>7,819,404</u>	<u>63,369</u>	<u>6,163</u>	<u>26,045,203</u>	<u>-</u>	<u>47,141,617</u>
<b><u>\$ 18,928,595</u></b>	<b><u>\$ 170,743</u></b>	<b><u>\$ 699,372</u></b>	<b><u>\$ 26,045,203</u></b>	<b><u>\$ 24,411,045</u></b>	<b><u>\$ 91,713,475</u></b>

**CITY OF MASSILLON  
STARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Governmental Fund Types</u>			
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>Revenues:</b>				
Municipal income tax	\$ 9,308,383	\$ 904,512	\$ 524,086	\$ 1,340,500
Property and other taxes	1,476,112	248,536	-	-
Charges for services	274,554	134,063	-	2,800
Licenses and permits	323,859	89,455	-	-
Fines and forfeitures	1,121,787	590,931	-	-
Intergovernmental	2,672,246	2,508,617	-	704,018
Special assessments	-	-	25,802	-
Investment income	731,567	13,923	-	-
Donations and contributions	-	-	-	-
Other	496,004	462,535	89,047	93,713
Total revenues	<u>16,404,512</u>	<u>4,952,572</u>	<u>638,935</u>	<u>2,141,031</u>
<b>Expenditures:</b>				
Current:				
General government	4,828,006	183,266	-	-
Security of persons and property	6,549,588	1,171,378	-	-
Public health and welfare	422,852	148,121	-	-
Transportation	898,026	1,056,004	-	60,000
Basic utility services	-	16,458	-	-
Leisure time activities	-	1,188,983	-	85,602
Economic development and assistance	-	1,181,575	-	-
Urban redevelopment and housing	-	187,941	-	-
Other	2,102,030	2,288	20,339	14,580
Capital outlay	13,869	61,350	-	6,714,957
Debt service:				
Principal retirement	46,591	40,000	227,487	222,744
Interest and fiscal charges	13,678	173,697	651,681	120,900
Total expenditures	<u>14,874,640</u>	<u>5,411,061</u>	<u>899,507</u>	<u>7,218,783</u>
Excess of revenues over (under) expenditures	<u>1,529,872</u>	<u>(458,489)</u>	<u>(260,572)</u>	<u>(5,077,752)</u>
<b>Other financing sources (uses):</b>				
Sale of fixed assets	-	-	-	12,671
Inception of capital lease	28,885	-	-	113,285
Proceeds from sales of notes	-	-	4,173,457	8,462,300
Operating transfers - in	-	875,079	489,002	190,000
Operating transfers - out	(1,400,927)	(10,652)	-	(142,502)
Total other financing sources (uses)	<u>(1,372,042)</u>	<u>864,427</u>	<u>4,662,459</u>	<u>8,635,754</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	157,830	405,938	4,401,887	3,558,002
Fund balances at beginning of year, as restated	1,837,469	4,064,010	(2,422,575)	1,456,813
Increase in reserve for inventory	35,615	-	-	-
Decrease in reserve for inventory	-	(863)	-	-
<b>Fund balances at end of year</b>	<u><b>\$ 2,030,914</b></u>	<u><b>\$ 4,469,085</b></u>	<u><b>\$ 1,979,312</b></u>	<u><b>\$ 5,014,815</b></u>

See accompanying notes to the general purpose financial statements.

<b>Fiduciary Fund Type</b>	<b>Totals Memorandum Only</b>
<b>Expendable Trust</b>	
\$ -	\$ 12,077,481
-	1,724,648
-	411,417
-	413,314
-	1,712,718
-	5,884,881
-	25,802
268	745,758
13,200	13,200
-	1,141,299
13,468	24,150,518
-	5,011,272
-	7,720,966
-	570,973
-	2,014,030
-	16,458
-	1,274,585
-	1,181,575
-	187,941
-	2,139,237
12,592	6,802,768
-	536,822
-	959,956
12,592	28,416,583
876	(4,266,065)
-	12,671
-	142,170
-	12,635,757
-	1,554,081
-	(1,554,081)
-	12,790,598
876	8,524,533
5,287	4,941,004
-	35,615
-	(863)
<b>\$ 6,163</b>	<b>\$ 13,500,289</b>

**CITY OF MASSILLON  
STARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Governmental Fund Types</b>		
	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Municipal income tax	\$ 9,306,000	\$ 9,394,651	\$ 88,651
Property and other taxes	1,532,283	1,515,072	(17,211)
Charges for services	265,691	257,538	(8,153)
Licenses and permits	339,500	339,941	441
Fines and forfeitures	1,151,100	1,123,279	(27,821)
Intergovernmental	2,511,547	2,481,599	(29,948)
Special assessments	-	-	-
Investment income	727,000	757,738	30,738
Donations and contributions	-	-	-
Other	461,000	491,222	30,222
Total revenues	<u>16,294,121</u>	<u>16,361,040</u>	<u>66,919</u>
<b>Expenditures:</b>			
Current:			
General government	5,159,010	4,996,645	162,365
Security of persons and property	6,813,317	6,741,212	72,105
Public health and welfare	408,863	390,512	18,351
Transportation	972,926	922,764	50,162
Basic utility services	-	-	-
Leisure time activities	-	-	-
Economic development and assistance	-	-	-
Urban redevelopment and housing	-	-	-
Other	2,222,545	2,212,529	10,016
Capital outlay	62,514	57,591	4,923
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>15,639,175</u>	<u>15,321,253</u>	<u>317,922</u>
Excess of revenues over (under) expenditures	<u>654,946</u>	<u>1,039,787</u>	<u>384,841</u>
<b>Other financing sources (uses):</b>			
Proceeds from the sale of fixed assets	-	-	-
Proceeds from the sale of notes	-	-	-
Operating transfers - in	-	4,782	4,782
Operating transfers - out	(1,400,927)	(1,400,927)	-
Total other financing sources (uses)	<u>(1,400,927)</u>	<u>(1,396,145)</u>	<u>4,782</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(745,981)	(356,358)	389,623
Fund balances at beginning of year	511,669	511,669	-
Prior year encumbrances appropriated	244,716	244,716	-
<b>Fund balances at end of year</b>	<u><b>\$ 10,404</b></u>	<u><b>\$ 400,027</b></u>	<u><b>\$ 389,623</b></u>

See accompanying notes to the general purpose financial statements.

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 887,000	\$ 913,113	\$ 26,113	\$ 526,549	\$ 525,998	\$ (551)
196,171	249,496	53,325	-	-	-
106,130	138,051	31,921	-	-	-
94,750	89,455	(5,295)	-	-	-
579,623	595,223	15,600	-	-	-
3,005,208	2,451,578	(553,630)	-	-	-
-	-	-	31,500	25,802	(5,698)
7,100	15,835	8,735	-	-	-
-	-	-	-	-	-
278,418	461,224	182,806	134,120	99,375	(34,745)
<u>5,154,400</u>	<u>4,913,975</u>	<u>(240,425)</u>	<u>692,169</u>	<u>651,175</u>	<u>(40,994)</u>
517,024	233,999	283,025	-	-	-
1,223,797	1,185,547	38,250	-	-	-
166,389	126,939	39,450	-	-	-
1,288,039	1,201,771	86,268	-	-	-
38,192	20,966	17,226	-	-	-
1,294,015	1,176,708	117,307	-	-	-
1,565,488	1,412,514	152,974	-	-	-
278,355	245,568	32,787	-	-	-
2,888	2,588	300	36,653	23,927	12,726
359,447	299,868	59,579	-	-	-
40,000	40,000	-	7,532,171	7,525,354	6,817
173,697	173,697	-	651,686	651,681	5
<u>6,947,331</u>	<u>6,120,165</u>	<u>827,166</u>	<u>8,220,510</u>	<u>8,200,962</u>	<u>19,548</u>
<u>(1,792,931)</u>	<u>(1,206,190)</u>	<u>586,741</u>	<u>(7,528,341)</u>	<u>(7,549,787)</u>	<u>(21,446)</u>
-	-	-	-	-	-
-	-	-	7,413,457	7,313,457	(100,000)
872,000	875,079	3,079	407,847	489,002	81,155
<u>(10,652)</u>	<u>(10,652)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>861,348</u>	<u>864,427</u>	<u>3,079</u>	<u>7,821,304</u>	<u>7,802,459</u>	<u>(18,845)</u>
(931,583)	(341,763)	589,820	292,963	252,672	(40,291)
1,305,250	1,305,250	-	465,752	465,752	-
717,497	717,497	-	15,617	15,617	-
<u>\$ 1,091,164</u>	<u>\$ 1,680,984</u>	<u>\$ 589,820</u>	<u>\$ 774,332</u>	<u>\$ 734,041</u>	<u>\$ (40,291)</u>

(continued)

**CITY OF MASSILLON  
STARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<b>Governmental Fund Types</b>		
	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Municipal income tax	\$ 1,365,000	\$ 1,358,686	\$ (6,314)
Property and other taxes	-	-	-
Charges for services	-	2,800	2,800
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental	1,395,115	685,312	(709,803)
Special assessments	200	-	(200)
Investment income	-	-	-
Donations and contributions	-	-	-
Other	50,000	93,713	43,713
Total revenues	<u>2,810,315</u>	<u>2,140,511</u>	<u>(669,804)</u>
<b>Expenditures:</b>			
Current:			
General government	-	-	-
Security of persons and property	-	-	-
Public health and welfare	-	-	-
Transportation	60,000	60,000	-
Basic utility services	-	-	-
Leisure time activities	210,674	122,486	88,188
Economic development and assistance	-	-	-
Urban redevelopment and housing	-	-	-
Other	14,600	14,580	20
Capital outlay	14,779,576	13,143,856	1,635,720
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>15,064,850</u>	<u>13,340,922</u>	<u>1,723,928</u>
Excess of revenues over (under) expenditures	<u>(12,254,535)</u>	<u>(11,200,411)</u>	<u>1,054,124</u>
<b>Other financing sources (uses):</b>			
Proceeds from the sale of fixed assets	-	12,671	12,671
Proceeds from the sale of notes	8,000,000	8,022,300	22,300
Operating transfers - in	190,000	190,000	-
Operating transfers - out	(144,902)	(142,502)	2,400
Total other financing sources (uses)	<u>8,045,098</u>	<u>8,082,469</u>	<u>37,371</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(4,209,437)	(3,117,942)	1,091,495
Fund balances at beginning of year	2,376,097	2,376,097	-
Prior year encumbrances appropriated	<u>2,129,418</u>	<u>2,129,418</u>	<u>-</u>
<b>Fund balances at end of year</b>	<b><u>\$ 296,078</u></b>	<b><u>\$ 1,387,573</u></b>	<b><u>\$ 1,091,495</u></b>

See accompanying notes to the general purpose financial statements.



Fiduciary Fund Type			Totals		
Expendable Trust Funds			(Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 12,084,549	\$ 12,192,448	\$ 107,899
-	-	-	1,728,454	1,764,568	36,114
-	-	-	371,821	398,389	26,568
-	-	-	434,250	429,396	(4,854)
-	-	-	1,730,723	1,718,502	(12,221)
-	-	-	6,911,870	5,618,489	(1,293,381)
-	-	-	31,700	25,802	(5,898)
243	317	74	734,343	773,890	39,547
15,000	13,200	(1,800)	15,000	13,200	(1,800)
13,500	11,697	(1,803)	937,038	1,157,231	220,193
<u>28,743</u>	<u>25,214</u>	<u>(3,529)</u>	<u>24,979,748</u>	<u>24,091,915</u>	<u>(887,833)</u>
-	-	-	5,676,034	5,230,644	445,390
-	-	-	8,037,114	7,926,759	110,355
-	-	-	575,252	517,451	57,801
-	-	-	2,320,965	2,184,535	136,430
-	-	-	38,192	20,966	17,226
-	-	-	1,504,689	1,299,194	205,495
-	-	-	1,565,488	1,412,514	152,974
-	-	-	278,355	245,568	32,787
20,000	15,393	4,607	2,296,686	2,269,017	27,669
13,300	13,300	-	15,214,837	13,514,615	1,700,222
-	-	-	7,572,171	7,565,354	6,817
-	-	-	825,383	825,378	5
<u>33,300</u>	<u>28,693</u>	<u>4,607</u>	<u>45,905,166</u>	<u>43,011,995</u>	<u>2,893,171</u>
<u>(4,557)</u>	<u>(3,479)</u>	<u>1,078</u>	<u>(20,925,418)</u>	<u>(18,920,080)</u>	<u>2,005,338</u>
-	-	-	-	12,671	12,671
-	-	-	15,413,457	15,335,757	(77,700)
-	-	-	1,469,847	1,558,863	89,016
<u>(4,782)</u>	<u>(4,782)</u>	<u>-</u>	<u>(1,561,263)</u>	<u>(1,558,863)</u>	<u>2,400</u>
<u>(4,782)</u>	<u>(4,782)</u>	<u>-</u>	<u>15,322,041</u>	<u>15,348,428</u>	<u>26,387</u>
(9,339)	(8,261)	1,078	(5,603,377)	(3,571,652)	2,031,725
35,532	35,532	-	4,694,300	4,694,300	-
-	-	-	3,107,248	3,107,248	-
<u>\$ 26,193</u>	<u>\$ 27,271</u>	<u>\$ 1,078</u>	<u>\$ 2,198,171</u>	<u>\$ 4,229,896</u>	<u>\$ 2,031,725</u>

**CITY OF MASSILLON  
STARK COUNTY**

**COMBINED STATEMENT OF REVENUES,  
EXPENSES AND CHANGES IN RETAINED EARNINGS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Operating revenues:</b>			
Charges for services	\$ 6,592,945	\$ 1,716,019	\$ 8,308,964
Other	218,728	15,350	234,078
Total operating revenues	<u>6,811,673</u>	<u>1,731,369</u>	<u>8,543,042</u>
<b>Operating expenses:</b>			
Personal services	1,961,333	-	1,961,333
Fringe benefits	638,007	-	638,007
Contractual services	1,585,040	496,713	2,081,753
Claims	-	1,175,086	1,175,086
Materials and supplies	552,083	-	552,083
Depreciation	768,912	-	768,912
Other	1,150	-	1,150
Total operating expenses	<u>5,506,525</u>	<u>1,671,799</u>	<u>7,178,324</u>
Operating income	<u>1,305,148</u>	<u>59,570</u>	<u>1,364,718</u>
<b>Non-operating revenues (expenses):</b>			
Grants	3,061	-	3,061
Interest and fiscal charges	(420,613)	-	(420,613)
Total non-operating revenues (expenses)	<u>(417,552)</u>	<u>-</u>	<u>(417,552)</u>
Net income	887,596	59,570	947,166
Retained earnings at beginning of year	<u>6,463,740</u>	<u>3,799</u>	<u>6,467,539</u>
<b>Retained earnings at end of year</b>	<u><b>\$ 7,351,336</b></u>	<u><b>\$ 63,369</b></u>	<u><b>\$ 7,414,705</b></u>

See accompanying notes to the general purpose financial statements.

CITY OF MASSILLON  
STARK COUNTY

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b><u>Cash flows from operating activities:</u></b>			
Operating income	\$ 1,305,148	\$ 59,570	\$ 1,364,718
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	768,912	-	768,912
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	38,286	(30)	38,256
Inventory of supplies	(31,434)	-	(31,434)
Prepaid items	(52)	-	(52)
Increase (decrease) in liabilities:			
Accounts payable	(27,576)	-	(27,576)
Claims payable	-	(71,613)	(71,613)
Accrued wages	15,858	-	15,858
Compensated absences	(4,700)	-	(4,700)
Due to other governments	(37,154)	-	(37,154)
Net cash provided by (used for) operating activities	<u>2,027,288</u>	<u>(12,073)</u>	<u>2,015,215</u>
<b><u>Cash flows from noncapital financing activities:</u></b>			
Grants	3,061	-	3,061
Net cash provided by noncapital financing activities	<u>3,061</u>	<u>-</u>	<u>3,061</u>
<b><u>Cash flows from capital and related financing activities:</u></b>			
Proceeds of note	3,639,363	-	3,639,363
Principal payment on notes and bonds	(3,445,000)	-	(3,445,000)
Interest payments on notes and bonds	(343,327)	-	(343,327)
Principal payments on capital lease	(239,686)	-	(239,686)
Interest payments on capital lease	(36,246)	-	(36,246)
Principal payment on loans	(302,993)	-	(302,993)
Interest paid on loans	(76,448)	-	(76,448)
Acquisition of capital assets	(943,655)	-	(943,655)
Net cash used for capital and related financing activities	<u>(1,747,992)</u>	<u>-</u>	<u>(1,747,992)</u>
Net increase (decrease) in cash and cash equivalents	282,357	(12,073)	270,284
Cash and cash equivalents at beginning of year	<u>2,084,975</u>	<u>178,745</u>	<u>2,263,720</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 2,367,332</u></b>	<b><u>\$ 166,672</u></b>	<b><u>\$ 2,534,004</u></b>

See accompanying notes to the general purpose financial statements.

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**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of the City of Massillon (the City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City also applies Financial Accounting Standards Board Statements and Interpretations issued on or before November 30, 1989, to its proprietary activities provided they do not conflict with or contradict GASB pronouncements. For this year, the City has implemented GASB Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues". This change required a restatement of beginning fund balance as shown in Note 17. The more significant of the City's accounting policies are described below.

**A. City Government and Reporting Entity**

The City was first incorporated by Act of the State Legislature as a town in 1838 under the Constitution of 1802. The Act establishing its incorporation was repealed in 1845 and Massillon was without municipal incorporation until March 10, 1853, when, under the provisions of the general act, it was incorporated as a village. Massillon has grown to a city of approximately 31,700 inhabitants, covering approximately 18.545 square miles. The City has a Mayor-Council form of government with three members of council elected at large and six others elected from separate wards for two-year terms. The Mayor is Chief Executive and Administrative Officer of the City and has a term of four years.

The reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements of the City are fairly presented and complete. The primary government consists of all funds, departments, boards and commissions that are not legally separate from the City. The City provides municipal services such as police and fire protection, administration of justice, recreational activities, community planning and development, health and welfare programs, street maintenance, environmental services and other functions necessary for general government. The City also operates certain enterprise operations such as sewer, refuse collection, and a golf course. The operations of all of these services are included in the reporting entity.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; or (3) the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or (4) the City is obligated for the debt of the organization. Component units may also include organizations for which the City approves the budget, the issuance of debt or the levying of taxes. The City has no component units.

The City is associated with the Stark Council of Governments, the Stark Area Regional Transit Authority, Stark County Tax Incentive Review Council, and Stark County Regional Planning Commission which are defined as Jointly Governed Organizations and the Local Organized Governments in Cooperation, which is defined as a Joint Venture. These organizations are presented in Note 15 to the General Purpose Financial Statements.

CITY OF MASSILLON  
STARK COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**B. Basis of Presentation – Fund Accounting**

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

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate fund types. The City uses the following categories and fund types:

**Governmental Fund Types**

Governmental funds are those through which most governmental functions typically are financed. The acquisition, use, and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is based upon determination of financial position and changes in financial position. The following are the City's governmental fund types:

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

**Special Revenue Funds**: The special revenue funds are used to account for revenues derived from specific taxes, grants, or other sources (other than amounts relating to major capital projects) whose use is restricted. City ordinances or federal and state statutes specify the uses and limitations of each special revenue fund.

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

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

**Proprietary Fund Types**

The proprietary funds are used to account for the City's ongoing organizations and activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position, and cash flows. The following are the City's proprietary fund types:

CITY OF MASSILLON  
STARK COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

**Enterprise Funds:** The enterprise funds are used to account for the City's sewer, refuse and golf course operations. These activities are financed and operated in a manner similar to private sector business enterprises where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Internal Service Fund:** The internal service fund is used to account for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis.

**Fiduciary Fund Types**

The fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds. The following are the City's fiduciary funds:

**Expendable Trust Funds:** The expendable trust funds are designed to provide stewardship over expendable assets held in trust by the City, and are accounted for in essentially the same manner as governmental funds.

**Agency Funds:** Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

**Account Groups**

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

**General Fixed Assets Account Group:** The general fixed assets account group is used to account for fixed assets other than those accounted for in the proprietary funds. These assets do not represent financial resources available for expenditure, but are items for which financial resources have been used and for which the City maintains accountability. They are not assets of any fund, but of the City as a whole.

**General Long-Term Obligations Account Group:** The general long-term obligations account group is used to account for all unmatured long-term obligations of the City that are not a specific liability of the proprietary funds.

**C. Basis of Accounting**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types and the expendable trust funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

The modified accrual basis of accounting is used by all governmental fund types, expendable trust funds, and agency funds. The full accrual basis of accounting is used in the proprietary funds.

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. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers governmental fund revenues as available if they are collected within 60 days after year-end. In applying the "susceptible to accrual" concept under the modified accrual basis, earnings on investments and municipal income taxes are deemed both measurable and available. Expenditures are recorded when the related fund liability is incurred. Principal and interest on general long-term debt are recorded as fund liabilities when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized during the year for which the taxes are levied. (See Note 4) Revenue from grants, entitlements and donations is 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 City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Unbilled service charges are recognized as revenue at year-end.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Special assessment installments are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 2001, and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have also been recorded as deferred revenue.



CITY OF MASSILLON  
STARK COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Budgets and Budgetary Accounting**

The City follows these procedures in establishing the budgetary data reported in the combined financial statements:

**Tax Budget:** A tax budget of estimated revenue and expenditures for all funds is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20th of each year, for the period January 1 to December 31 of the following year. All funds, except agency funds, are legally required to be budgeted. The expressed purpose of the tax budget is to reflect the need for existing (or increased) tax rates.

**Estimated Resources:** The County Budget Commission (the "Commission") determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives an official certificate of estimated resources, which states the projected revenue of each fund.

On or about January 1 the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the City Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the budget commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended certificate issued for 2001.

**Appropriations:** An appropriation ordinance (the appropriated budget) to control the level of expenditures for all funds must be legally enacted on or about January 1. Appropriations may not exceed estimated resources as established in the Official Amended Certificate of Estimated Resources. Supplemental appropriations may be adopted by Council action. Amounts shown in the financial statements represent the appropriated budgeted amounts and all supplemental appropriations. The legal level of budgetary control is at the fund, function, and object level.

**Encumbrances:** As part of formal budgetary control, purchase orders, contracts, and other commitments for the expenditure of monies are encumbered and recorded as the equivalent of expenditures on the non-GAAP budgetary basis in order to reserve that portion of the applicable appropriation and determine and maintain legal compliance. On a GAAP basis, encumbrances outstanding at year-end are reported as a reservation of fund balance for subsequent year expenditures for governmental funds.

**Lapsing of Appropriations:** At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried over for the subsequent year's expenditures and is not reappropriated.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**E. Cash and Cash Equivalents**

Cash received by the City is deposited in a central bank account. Monies for all funds, except cash held by a trustee or fiscal agent, are maintained in the account or temporarily used to purchase investments. Individual fund integrity is maintained through City records. Each fund's interest in the pool of cash and investments is presented as "Equity in pooled cash and cash equivalents" on the Combined Balance Sheet. The Community Development special revenue fund, Massillon Bicentennial expendable trust fund and Massillon Municipal Court agency fund maintain separate accounts and are reported as "Cash in segregated accounts" on the Combined Balance Sheet. For purposes of the Combined Statement of Cash Flows and for presentation on the Combined Balance Sheet, investments with original maturities of three months or less and investments of the cash management pool are considered cash equivalents.

During the year 2001, investments were limited to repurchase agreements. At year-end the City's only investments were repurchase agreements. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**F. Inventory of Materials and Supplies**

Inventories of governmental funds are stated at cost, while inventories of proprietary funds are stated at the lower of cost or market. For all funds, cost is determined on a first-in, first-out basis. The costs of inventory items are recorded as expenditures in the governmental fund types when purchased and expenses in the proprietary funds when used. Reported materials and supplies inventory are equally offset by a fund balance reserve in the governmental funds which indicates that it does not constitute available expendable resources even though it is a component of net current assets.

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2001 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure or expense is reported in the year in which services are consumed.

**H. Deferred Charges and Bond Premiums**

In governmental fund types, bond premiums and issuance costs are recognized in the current period. Bond premiums and issuance costs for proprietary fund types are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. Bond premiums are presented as an addition to the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

**I. Fixed Assets and Depreciation**

General fixed assets (fixed assets used in governmental fund type operations) are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. Fund fixed assets are capitalized in the proprietary fund that reports the activity in which the asset is used. The City maintains a capitalization threshold of \$2,500.

CITY OF MASSILLON  
STARK COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

All purchased fixed assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized. Improvements to fund fixed assets are depreciated over the useful lives of the related fixed assets.

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the City.

Assets in the general fixed assets account group are not depreciated. Proprietary fund fixed assets are depreciated using the straight-line method over the following useful lives:

<u>Asset class</u>	<u>Estimated useful life</u>
Buildings	20 to 40 years
Equipment	1 to 15 years
Vehicles	5 to 7 years
Infrastructure	20 to 50 years
Land improvements	7 to 40 years

**Capitalization of Interest:** Interest is capitalized on proprietary fund assets acquired with tax exempt debt. The City's policy is to capitalize net interest on construction projects until substantial completion of the project. The amount of capitalized interest equals the difference between the interest cost associated with the tax exempt borrowing used to finance the project from the date of borrowing until completion of the project and the interest earned from temporary investment of the debt proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset.

**J. Contributed Capital**

Contributed capital represents resources from other funds, other governments, and private sources provided to the enterprise funds and is not subject to repayment. These assets are recorded at their fair market value on the date contributed. Depreciation on those assets acquired or constructed with contributed resources is expensed and closed to unreserved retained earnings at year-end.

**K. Compensated Absences**

The City accrues a liability for compensated absences in accordance with the provisions of GASB Statement No. 16, "Accounting for Compensated Absences." Sick leave benefits are accrued as a liability using the termination method. The liability is based on the sick leave accumulated at December 31, by those employees whom it is estimated will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end, taking into consideration any limits specified in the City's termination policy.

For governmental funds, the City's liability for unpaid accumulated sick leave is the amount to be paid using expendable available financial resources and is reported as an accrued liability in the fund from which the individuals who have accumulated the unpaid compensated absences are paid. The balance of the liability is reported in the general long-term obligations account group.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In proprietary funds, the entire amount of unpaid compensated absences is reported as a fund liability.

The City does not accrue a liability for vacation benefits as of December 31. The City's policy and various employment contracts allow employees to earn vacation leave based on the completion of a certain number of years of employment. The employees become eligible for the vacation benefits on or after January 1, with an exception made for first year employees. Vacation is not allowed to be carried forward to the following calendar year. After an employee completes one year of service, January 1 is considered their anniversary date for vacation purposes. Based on the City's policy and contracts, a liability for earned vacation leave exists on January 1. The January 1 liability is determined by the number of days posted to each employee's account and is based on the pay rate for the year taken. As of January 1, 2002 the amount to be paid out for vacation leave is \$722,717 with \$123,757 of this amount to be paid by enterprise funds. The remaining amount will be paid in the governmental funds. This calculated amount does not include any employer taxes or retirement contributions.

**L. Long-Term Obligations**

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term obligations account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

**M. Reserves of Fund Balance**

Reserves of fund balance indicate that a portion of the fund balance is not available for expenditure or is legally segregated for a specific future use. Governmental fund type fund balances are reserved for encumbrances, inventory (materials and supplies), loans receivable, prepaid items, debt service, and notes receivable. Enterprise fund reservation of retained earnings indicates that portion of retained earnings which is legally segregated for a specific future use. There is no reservation of retained earnings at December 31, 2001.

**N. Interfund Transactions**

During the course of normal operations, the City has numerous transactions between funds, most of which are in the form of transfers of resources to provide services, construct assets and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers.

Transactions that constitute reimbursements for expenditures or expenses initially made from a fund that are properly allocable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditures and expenses in the fund that is reimbursed. Quasi-external transactions are accounted for as revenues and expenditures or expenses.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**O. Intergovernmental Revenues**

In governmental funds, federal and state grants awarded on a non-reimbursement basis and federal entitlements are recorded as intergovernmental receivables and revenues when measurable and available. Federal and state reimbursable type grants are recorded as intergovernmental receivables and revenues when the related liabilities are incurred.

**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. Memorandum Only – Total Columns on Combined Financial Statements**

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

**2. BUDGETARY BASIS OF ACCOUNTING**

While reporting financial position, results of operations, and changes in fund balances is on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances.

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual (Budget Basis) – All Governmental Fund Types and Expendable Trust Funds is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and the GAAP basis are that:

- (a) Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis);
- (b) Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis);
- (c) Encumbrances are recorded as the equivalent of an expenditure (budget basis) in order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation as opposed to a reservation of fund balance for governmental funds and;
- (d) Advances-in and Advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

The adjustments necessary to convert the results of operations for the year on the GAAP basis to the budget basis for the governmental and expendable trust funds are as follows:

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**2. BUDGETARY BASIS OF ACCOUNTING (Continued)**

Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses					
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ 157,830	\$ 405,938	\$ 4,401,887	\$ 3,558,002	\$ 876
Revenue Accruals	(67,575)	(38,597)	3,152,240	(553,805)	11,746
Expenditure Accruals	(96,937)	57,579	(7,293,588)	789,490	(20,175)
Encumbrances (Budget Basis)					
Outstanding at year end	<u>(349,676)</u>	<u>(766,683)</u>	<u>(7,867)</u>	<u>(6,911,629)</u>	<u>(708)</u>
Budget Basis	<u>\$ (356,358)</u>	<u>\$ (341,763)</u>	<u>\$ 252,672</u>	<u>\$ (3,117,942)</u>	<u>\$ (8,261)</u>

**3. DEPOSITS AND INVESTMENTS**

State statutes classify monies held by the City into three categories.

Active deposits are public deposits necessary to meet current demands on the treasury. Such monies must be maintained either as cash in the City 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 Council has identified as not required for use within the current two-year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing 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 monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies may be invested in the following obligations provided they are redeemable within five years of the date of settlement:

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 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;

CITY OF MASSILLON  
STARK COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)

3. **DEPOSITS AND INVESTMENTS (Continued)**

3. Written repurchase agreements in securities listed provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (Star Ohio).

The City may also invest any monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;
2. Bonds of any municipal corporation, village, county, township, or other political subdivision of this State, as to which there is no default of principal, interest or coupons; and
3. Obligations of the City.

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 City, and must be purchased with the expectation that it will be held to maturity.

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

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

**Deposits:** At year-end, the City's carrying amount of deposits was \$13,147,644 and the bank balance was \$13,690,398. Of the bank balance, \$600,000 was covered by Federal Depository Insurance or by collateral held by the City's agent in the City's name. Of the remaining balance, \$13,090,398 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**3. DEPOSITS AND INVESTMENTS (Continued)**

**Investments:** GASB Statement No. 3 “Deposits with Financial Institutions, Investments and Reverse Repurchase Agreements” requires that the City’s investments be classified in categories of custodial credit risk. Category 1 includes investments that are insured or registered or for which the securities are held by the City or its agent in the City’s name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty’s trust department or agent in the City’s name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the City’s name.

The only City investments at year-end were repurchase agreements. These are Category 3 investments, with a carrying value and fair value of \$1,990,000. Interest earned on the deposits in the Massillon Bicentennial expendable trust fund, the Massillon Municipal Court agency fund and certain street maintenance and repair special revenue funds are recorded in those funds as required by trust agreements and state statute. All other interest is legally required to be placed in the general fund. Interest revenue credited to the general fund during the 2001 amounted to \$731,567 which includes \$696,397 assigned from other City funds.

**4. PROPERTY TAX**

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, 2000 on the assessed value as of January 1, 2000, the lien date, and were collected in 2001. Assessed values are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes received in 2001 attached as a lien on December 31, 2000, were levied after October 1, 2001, and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 100% of true value and on real property at 35% of assessed valuation. 2001 tangible personal property taxes are levied after October 1, 2000, on the value listed as of December 31, 2000, and are collected in 2001. Tangible personal property assessments are 25% of true value. The full-tax rate for all City operations applied to taxable property for the year ended December 31, 2001, was \$4.70 per \$1,000 of assessed valuation.

The assessed values upon which the 2001 taxes were collected are as follows:

<u>Property Category</u>	<u>2000 Assessed Value</u>	<u>Percent</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 255,760,440	55.1 %
Commercial, Industrial, Mineral	86,350,710	18.6
Public Utilities	178,080	0.0
<u>Tangible Personal Property</u>		
General	95,812,891	20.6
Public Utilities	<u>26,286,360</u>	<u>5.7</u>
Total	<u>\$ 464,388,481</u>	<u>100.0 %</u>



**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**4. PROPERTY TAX (Continued)**

Real and public utility property taxes are payable annually or semi-annually. If paid annually, payment is due December 31. If paid semi-annually, the first payment is due December 31 with the remainder payable by June 20. Under certain circumstances, state statute permits earlier or later payment dates to be established.

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

The County Treasurer collects property tax on behalf of all taxing districts within the County. The County Auditor periodically remits to the taxing districts their portions of the taxes collected. The City collects property tax on behalf of the Massillon Museum and is then distributed back out.

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility, and tangible personal property taxes, which became measurable as of December 31, 2001. However, since these tax collections will not be received during the available period nor are they intended to finance 2001 operations, the receivable is offset by a credit to deferred revenue.

**5. INCOME TAX**

The City levies and collects an income tax of 1.8% on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and to file a final return annually. Income tax revenues are distributed between the general fund (75%), capital improvements fund (8%) and parks and recreation funds (17%). The parks and recreation fund also allocates income tax revenues to the debt service bond retirement park and recreation fund as needed.

**6. FIXED ASSETS**

**General Fixed Assets:** Changes in general fixed assets during 2001 were as follows:

	Balance <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>December 31</u>
Land and land improvements	\$ 8,923,403	\$ 717,884	\$ -	\$ 9,641,287
Buildings	6,104,266	6,000	-	6,110,266
Vehicles	4,305,290	306,396	(248,129)	4,363,557
Machinery and equipment	1,327,281	246,233	-	1,573,514
Construction in progress	<u>773,496</u>	<u>3,583,083</u>	<u>-</u>	<u>4,356,579</u>
Total	<u>\$ 21,433,736</u>	<u>\$ 4,859,596</u>	<u>\$ (248,129)</u>	<u>\$ 26,045,203</u>

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**6. FIXED ASSETS (Continued)**

**Enterprise Fund:** A summary of the enterprise funds' fixed assets as of December 31, 2001, follows:

<u>Classification</u>	<u>Balance</u>
Land and land improvements	\$ 4,808,311
Buildings	8,317,364
Equipment	2,522,634
Vehicles	929,675
Infrastructure	9,376,708
Construction in progress	<u>1,404,495</u>
Total	27,359,187
Less: accumulated depreciation	<u>(12,215,764)</u>
Net fixed assets	<u>\$ 15,143,423</u>

**7. CAPITAL LEASES**

The City leases various vehicles and equipment through capital leasing arrangements in the governmental and proprietary fund types. The assets and obligations for agreements of the governmental funds are recorded in the general fixed asset account group and the general long-term obligations account group, respectively, and are recorded in the proprietary funds directly. General fixed assets attributable to capital leases consist of vehicles in the amount of \$577,243 and machinery and equipment in the amount of \$140,894. There are also \$42,300 in vehicles, and \$431,617 in equipment recorded as enterprise fixed assets as the result of capital lease agreements. The payments for these capital leases are shown on a GAAP basis as debt service expenditures in the general, special revenue and capital projects funds. Payments related to lease agreements in the enterprise funds are shown as a reduction of capital leases payable and interest expense.

The following is a schedule of the future minimum lease payments required under the capital leases and the present value of the minimum lease payments as of December 31, 2001.

<u>Year</u>	<u>General Long- Term Obligations</u>	<u>Proprietary Fund Type</u>
2002	\$ 218,197	\$ 164,500
2003	75,580	137,198
2004	46,023	130,371
2005	27,934	83,803
2006	27,934	83,803
Thereafter	<u>48,885</u>	<u>146,656</u>
Total minimum lease payment	444,553	746,331
Less: amount representing interest	<u>50,662</u>	<u>96,148</u>
Present value of minimum lease payments	<u>\$ 393,891</u>	<u>\$ 650,183</u>

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**8. INTERFUND TRANSACTIONS**

As of December 31, 2001, receivables and payables that resulted from various interfund transactions were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Municipal court agency fund	\$ 83,145
Special revenue	Municipal court agency fund	40,973
Agency fund	Municipal court agency fund	<u>7,280</u>
		<u>\$ 131,398</u>

**9. CONDUIT DEBT OBLIGATIONS**

The City has served as the issuer of an industrial development revenue bond totaling \$1,000,000. The proceeds were used to finance the costs of acquiring, constructing and installing robotic and other equipment and facilities improvements for a local manufacturer. The manufacturer will make the principal and interest payments on the bond. The industrial development revenue bond does not constitute a general obligation, debt or bond indebtedness to the City.

**10. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS**

A listing of changes in the bonds and other long-term obligations of the City for the year ended December 31, 2001 follows:

	<u>Balance 1/1/2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/01</u>
<b><u>Enterprise Fund Obligations</u></b>				
<u>General Obligation Bonds</u>				
1988 Sewer System Bonds Series B 6.5 - 7.38%	\$ 1,140,000	\$ -	\$ (110,000)	\$ 1,030,000
1995 Legends of Massillon Golf Course Bonds 3.750 - 6.625%	<u>2,775,000</u>	<u>-</u>	<u>(130,000)</u>	<u>2,645,000</u>
Total General Obligation Bonds	<u>3,915,000</u>	<u>-</u>	<u>(240,000)</u>	<u>3,675,000</u>
<u>Special obligation debt</u>				
2001 State Hospital Endowment, 0%	-	154,272	(51,424)	102,848
<u>Other Long-term Obligations</u>				
Bond anticipation note, 4.33%	-	3,610,000	-	3,610,000
Bond anticipation note, 5.10%	3,205,000	-	(3,205,000)	-
Sanitary Sewer WPC Loan, 3.81%	1,373,155	-	(49,366)	1,323,789
Wastewater Plant WPC Loan, 3.2%	1,215,500	-	(227,915)	987,585
Capital leases	612,999	276,870	(239,686)	650,183
Compensated absences	<u>310,775</u>	<u>-</u>	<u>(4,700)</u>	<u>306,075</u>
Total Other Long-term Obligations	<u>6,717,429</u>	<u>3,886,870</u>	<u>(3,726,667)</u>	<u>6,877,632</u>
Total Enterprise Obligations	<u>\$ 10,632,429</u>	<u>\$ 4,041,142</u>	<u>\$ (4,018,091)</u>	<u>\$ 10,655,480</u>

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**10. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)**

	<u>Balance 1/1/2001</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/01</u>
<b><u>General Long Term Obligations</u></b>				
General Obligation Bonds and Bond				
<u>Anticipation Notes</u>				
1994 Lincoln Center Bond 4.00 - 6.00%	\$ 2,945,000	\$ -	\$ (140,000)	\$ 2,805,000
1994 Senior Center Bond 8.00 - 8.50%	1,230,000	-	(15,000)	1,215,000
2000 Marketplace Infrastructure TIF BAN, 4.24%	1,690,000	-	-	1,690,000
2001 Park Land and Recreation BAN, 4.33%	-	4,590,000	-	4,590,000
2001 Recreation Center BAN, 3.74%	-	8,000,000	-	8,000,000
Total General Obligation Bonds and Bond Anticipation Notes	<u>5,865,000</u>	<u>12,590,000</u>	<u>(155,000)</u>	<u>18,300,000</u>
<u>Long-term Loans</u>				
1999 HUD Section 108 Loan	<u>2,250,000</u>	-	<u>(40,000)</u>	<u>2,210,000</u>
<u>Special Obligation</u>				
1993 State Hospital Endowment 0.0%	<u>164,898</u>	-	<u>(38,487)</u>	<u>126,411</u>
<u>Special Assessment Debt</u>				
1985 Street Improvements 9.125%	45,000	-	(9,000)	36,000
1995 Castle West Circle & Shaw Ave 5.50%	<u>130,000</u>	-	<u>(25,000)</u>	<u>105,000</u>
Total Special Assessment Debt	<u>175,000</u>	-	<u>(34,000)</u>	<u>141,000</u>
<u>Other Obligations</u>				
Police and firemen's pension liability	1,674,288	-	(22,068)	1,652,220
Long-term compensated absences	1,667,960	-	(80,437)	1,587,523
Capital lease payable	<u>521,056</u>	<u>142,170</u>	<u>(269,335)</u>	<u>393,891</u>
Total Other Obligations	<u>3,863,304</u>	<u>142,170</u>	<u>(371,840)</u>	<u>3,633,634</u>
Total General Long-term Obligations	<u>\$ 12,318,202</u>	<u>\$ 12,732,170</u>	<u>\$ (639,327)</u>	<u>\$ 24,411,045</u>

**General Obligation Bonds:** General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from voted and unvoted general property taxes. Property tax monies will be received in and the debt will be repaid from the general obligation bond retirement fund. The general obligation bonds reported as enterprise fund obligations are payable from unvoted property tax revenues to the extent operating resources of the sewer enterprise fund are not available to meet the annual debt service requirements.

**Special Assessment Bonds:** Special assessment bonds are payable from the proceeds of assessments levied against the specific property owners who primarily benefited from the project. Special assessment monies will be received in and the debt will be retired through the special assessment bond retirement debt service fund. In the event that property owners fail to make their special assessment payments, the City is responsible for providing the resources to meet the annual principal and interest payments.

The annual requirements to amortize all bonded debt outstanding as of December 31, 2001, including interest payments of \$4,235,319 are as follows:

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**10. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)**

<u>Year</u>	<u>Enterprise Bonds</u>	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Total</u>
2002	\$ 489,790	\$ 445,167	\$ 43,060	\$ 978,017
2003	484,798	445,883	40,864	971,545
2004	489,069	440,912	38,667	968,648
2005	486,988	445,513	41,471	973,972
2006	488,776	446,573	-	935,349
Thereafter	2,949,987	4,293,801	-	7,243,788
Total	<u>\$ 5,389,408</u>	<u>\$ 6,517,849</u>	<u>\$ 164,062</u>	<u>\$ 12,071,319</u>

**Police and Firemen's Pension Liability:** The City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire personnel in 1967. The liability is payable semiannually from the police pension and fire pension special revenue funds.

**Compensated Absences:** Sick leave benefits will be paid from the fund from which the person is paid. Additions and deletions of accrued vacation and sick leave are shown net since it is impractical for the City to determine these amounts separately.

**Special Obligation:** During 1993, the City acquired eighty-eight acres of land from the Massillon Psychiatric Center in exchange for City services equal to the fair market value of the land, which was \$450,900. The City will provide the services over the next several years. During 2001, the City acquired another piece of land from Massillon Psychiatric Center in exchange for services and a yearly payment of \$25,712. The sum of the mowing services and the yearly payment equal the fair market value of the land, which was \$154,272 will be provided over the next three years.

**Bond Anticipation Notes:** During 2000, a note for \$1,690,000 was issued to finance construction of the Marketplace infrastructure. During 2001, the Legends Golf Course issued a bond anticipation note for \$3,610,000 to finance golf course expansion and the Park Land and Recreation issued a bond anticipation note for \$4,590,000 to finance the acquisition of land, the preliminary expenses for the recreation center and for dredging of the City Reservoir. Also, during 2001 the Recreation Center issued a bond anticipation note for \$8,000,000 to finance construction of the recreation center.

**Loans Payable:** The City has received a Section 108 loan from the U.S. Department of Housing and Urban Development (HUD) with the principal amount being \$2,250,000, which the City has in turn loaned the proceeds to the Downtown Massillon Hotel, Ltd. The City required that the Developer's loan be structured in such a manner that the Developer's repayment obligations will not be less than the City's annual Section 108 debt obligation to HUD. HUD arrangements require the City to pledge to HUD its present and future Community Development Block Grants (CDBG), whereas HUD may withhold CDBG Grants from the City and apply funds to the repayment of the City's obligations, if not met.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**10. BONDED DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)**

The City also entered into an agreement with the Ohio Water Development Authority (OWDA) to upgrade and expand the City's wastewater treatment facility. The agreement provides loan proceeds totaling \$42.5 million which will be received by the City and used to fund the projects. The debt proceeds will be repaid by wastewater service charges semi-annually over 20 years at 1.26% per annum. Under the terms of the agreement, the OWDA will reimburse or directly pay the construction costs of the approved projects. The OWDA will capitalize administrative costs and construction interest and add them to the total of each loan. As of July 31, 2002, the City has received \$9,661,321 of the proceeds.

**11. SHORT TERM OBLIGATIONS**

Bond anticipation notes reported as fund liabilities on the balance sheet consist of the following:

	<u>Balance 1/1/2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2001</u>
Debt Service Fund				
Bond Retirement Park and Recreation	\$ 4,150,000	\$ -	\$ (4,150,000)	\$ -
Capital Projects Funds				
Lincoln Center III	2,700,000	2,700,000	(2,700,000)	2,700,000
Park and Recreation Reservoir Project	240,000	-	(240,000)	-
Park and Recreation Recreation Center Project	200,000	-	(200,000)	-
	<u>\$ 7,290,000</u>	<u>\$ 2,700,000</u>	<u>\$ (7,290,000)</u>	<u>\$ 2,700,000</u>

During 2001, a bond anticipation note was issued for \$2,700,000 to finance the construction of the Lincoln Center complex. The bond anticipation note was issued to encourage development in a redevelopment area. Revenues for payment of interest and principal on the bond result from service payments being made in lieu of taxes.

**12. DEFINED BENEFIT PENSION PLANS**

**A. PUBLIC EMPLOYEES RETIREMENT SYSTEM**

All full-time employees of the City, with the exclusion of City police officers and firefighters, participate in the Public Employees Retirement System of Ohio (PERS), a cost-sharing, multiple-employer public employee retirement system administered by the Public Employees Retirement Board. PERS provides basic retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 145 of the Ohio Revised Code. PERS issues a stand-alone financial report which may be obtained by writing to the Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642.

**CITY OF MASSILLON  
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**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**12. DEFINED BENEFIT PENSION PLANS (Continued)**

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations. In January 2001, House Bill 416 divided the PERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the PERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. For 2001 employer pension contribution rate for the City was 13.55% of covered payroll. The 2001 employer contribution rate for both the law enforcement and public safety divisions was 16.70% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's required contributions to the PERS for the years ending December 31, 2001, 2000 and 1999 were \$1,007,736, \$771,068 and \$926,800 respectively. The full amount has been contributed for 2000 and 1999. 72% has been contributed for 2001 with the remainder being reported as a liability within the respective funds.

**B. OHIO POLICE AND FIRE PENSION FUND**

The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer public employee retirement system administered by the OP&F's Board of Trustees. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and by Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information. The report may be obtained by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Plan members are required to contribute 10% of their covered salary to fund pension obligations, while employers are required to contribute 19.5% and 24.0% respectively for police officers and firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$1,146,604 for the year ended December 31, 2001, \$1,085,103 for the year ended December 31, 2000, \$972,222 for the year ended December 31, 1999. The full amount has been contributed for 2000 and 1999. 74% has been contributed for 2001 with the remainder being reported as a liability within the respective funds.

**13. POSTEMPLOYMENT BENEFITS**

**A. Public Employees Retirement System**

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2001 employer contribution rate was 13.55% for covered payroll; 4.30% was the portion that was used to fund health care for 2001. For 2000, the contribution rate was 10.84% of covered payroll; 4.30% was the portion that was used to fund health care.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**13. POSTEMPLOYMENT BENEFITS (Continued)**

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 2000, include a rate of return on investments of 7.75%, an annual increase in active employee total payroll of 4.75% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54% and 5.1% based on additional annual pay increases. Health care premiums were assumed to increase 4.75% annually.

All investments are carried at market. For actuarial valuation purposes, a smoothed market approach is used. Assets are adjusted to reflect 25% of unrealized market appreciation or depreciation on investment assets.

The number of active participants was 411,076. The City's actual contributions for 2001 which were used to fund postemployment benefits were \$319,798. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 2000, (the latest information available) were \$11,735.90 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$14,364.60 million and \$2,628.70 million, respectively.

**B. Ohio Police and Fire Pension Fund**

The Ohio Police and Fire Pension Fund (OP&F) provides postretirement health care coverage to any person who receives or is eligible to receive a monthly benefit check or is a spouse or eligible dependent child of such person. An eligible dependent child is any child under the age of 18 whether or not the child is attending school or under the age of 22 if attending school full-time or on a 2/3 basis.

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No.12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that the health care costs are paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go-basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.5% of covered payroll was applied to the postemployment health care program during 2001. For 2000, the percent used to fund healthcare was 7.25%. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2001 that were used to fund postemployment benefits were \$397,736 for police and fire. The OP&F total health care expense for the year ended December 31, 2000 was \$106,160,054, which was net of member contributions of \$5,657,431. The number of OP&F participants eligible to receive health care benefits as of December 31, 2000, was 12,853 for police and 10,037 for firefighters.



**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**14. RISK MANAGEMENT**

The City 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. The City contracts with Public Entities Pool of Ohio, a local government risk pool. The Pool was formed in 1986 for the primary purpose of managing and funding third party liability claims against its members. As a member of the Pool, the City is required to make annual budgetary contributions sufficient to annually produce a sum of money necessary to fund the administrative expenses and reinsurance expenses of the Pool to pay current year claims and claims expenses, and to fund any deficiencies in the Cumulative Reserve Fund. Contributions to the Cumulative Reserve Fund shall be made for the first six years of membership based on a sliding scale. The purpose of this fund is to maintain a reserve at a level equal to 300% of the total current basis rates of all members. No member shall be responsible for any claim, judgment or judgments against any other member except to the extent of the assets of the Cumulative Reserve Fund and the Budgetary Fund. However, if upon termination of the Pool the remaining assets of the Pool are insufficient to satisfy indebtedness of the Pool, such deficiency shall be made up by assessments against members of the Pool by a fair and reasonable method established by the Committee/Board. At year ended December 31, 2000 (the latest information available) the Pool's total unpaid claims and claim adjustments totaled \$7,256,357 and total assets equaled \$17,112,129.

Coverage by the Pool consists of \$2,000,000 in liability insurance with the City required to pay the first \$2,500 (a self insurance retention) per occurrence for general liability, and \$1,000 per occurrence for property and other risks. There have been no settlements paid in excess of insurance nor has insurance coverage been significantly reduced in the past three years.

The City uses an internal service fund to record and report its self funded health care insurance program. The claims liability of \$107,374 reported in the fund at December 31, 2001, was estimated by third party administrators and is based on the requirements of GASB Statement No. 10, which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The City purchases stop-loss coverage of \$35,000 per employee. Changes in the fund's claims liability during 2000 and 2001 were:

		Balance at beginning of year	Current year claims	Claim payments	Balance at end of year
2000	\$	56,056	937,877	814,946	178,987
2001	\$	178,987	1,175,086	1,246,699	107,374

Workers Compensation coverage is provided by the State of Ohio and is based on a rate per \$100 of salaries. The rate is calculated based on accident history and administrative costs. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

**15. JOINTLY GOVERNED AND JOINT VENTURE ORGANIZATIONS**

**Jointly Governed**

The City participates in the Stark Council of Governments (the "Council"), which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County, municipalities and townships with twenty-four participants providing twenty-seven representatives.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**15. JOINTLY GOVERNED AND JOINT VENTURE ORGANIZATIONS (Continued)**

The City appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The board exercises total authority over the operation of the Council including budgeting, appropriating, contracting and designating management. Continued existence of the Council is not dependent on the City's continued participation. The Council does not provide specific financial benefits or impose specific financial burdens on the City. The City did not make any contributions during the year and does not have an equity interest in the Council. Financial statements of the Council can be obtained from the Stark Council of Governments, Canton, Ohio.

The City participates in the Stark Area Regional Transit Authority (Authority), which is a jointly governed organization between Stark County and the cities of Massillon, Canton and Alliance. A nine member board of trustees oversees the operation of the Authority. The City appoints one of the nine members. Each member's control over the operation of the Authority is limited to its representation on the Board. The Board exercises total authority for the day-to-day operations of the Authority which include budgeting, appropriating, contracting, and designating management. The City has no financial responsibility for any of the Authority's liabilities. Complete financial statements may be obtained from the Stark Area Regional Transit Authority, 1600 Gateway Boulevard, SE, Canton, Ohio.

The City participates in the Stark County Tax Incentive Review Council (the "Council"), which is a jointly governed organization, created as a regional council of governments pursuant to State statutes. The Council has twenty-four members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, ten members appointed by township trustees, one member from the county auditor's office and six members appointed by boards of education located within the Enterprise Zones of Stark County. The Council reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the Council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this Council. The continued existence of the Council is not dependent upon the City's continued participation and no measurable equity interest exists.

The City participates in the Stark County Regional Planning Commission (the "Commission") which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County, other cities, villages and townships. Of the forty-eight member board, the City appoints two members. The degree of control exercised by any participating government is limited to its representation on the board. The principal aim of the Commission is to provide comprehensive planning, both long and short range, dealing with the economic and physical environment of Stark County. The Board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designating management. The City has no financial responsibility for any of the Commission's liabilities. In 2001, the City contributed \$17,500 to the Commission, which represents less than 1% of total contributions. Complete financial statements may be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**15. JOINTLY GOVERNED AND JOINT VENTURE ORGANIZATIONS (Continued)**

**Joint Venture**

The City participates in the Local Organized Governments in Cooperation (LOGIC), a statutorily created political subdivision of the State formed in 1986 to provide safety dispatching services. LOGIC is a joint venture among the City, Jackson Township, City of Canal Fulton, and Hills and Dales Village, with each participant providing one representative. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding, and each participant is entitled to vote its percentage share. The Board has total authority over the operation of LOGIC, including budgeting, appropriating, contracting, and designating management. Continued existence of LOGIC is dependent on the City's continued participation. LOGIC does not provide specific financial benefits or impose specific financial burdens on the City. During 2001, the City made contributions of \$283,317, but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.

**16. FUND DEFICITS**

As of December 31, 2001, certain funds had deficit balances/retained earnings. These deficits are a result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds, however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

<u>Fund</u>	<u>Deficit</u>
Police pension special revenue fund	\$ 148,969
Fire pension special revenue fund	187,951
Legends Golf Course enterprise fund	1,465,843
Lincoln Center III capital projects fund	996,350

**17. CHANGES IN ACCOUNTING PRINCIPAL AND RESTATEMENT OF FUND BALANCES**

For this year, the City has implemented GASB Statement (GASBS) No. 33 "Accounting and Financial Reporting for Nonexchange Transactions" and GASB Statement No. 36 "Recipient Reporting for Certain Shared Nonexchange Revenues".

This change in accounting principle had the following effect on fund balances at December 31, 2000:

	<u>General</u>	<u>Special Revenue</u>
Fund balances, December 31, 2000	\$ 1,550,821	\$ 3,994,998
Implementation of GASBS No. 33	<u>286,648</u>	<u>69,012</u>
Restated fund balances, December 31, 2000	<u>\$ 1,837,469</u>	<u>\$ 4,064,010</u>

This change in accounting principle had the following effect on the excess of revenues and other financing sources over(under) expenditures and other financing uses at December 31, 2000:

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**17. CHANGES IN ACCOUNTING PRINCIPAL AND RESTATEMENT OF FUND BALANCES  
(Continued)**

	<u>General</u>	<u>Special Revenue</u>
Excess of revenues and other financing sources over(under) expenditures and other financing uses as previously reported	\$ (741,901)	\$ 1,220,298
Implementation of GASBS No. 33	<u>286,648</u>	<u>69,012</u>
Restated January 1, 2001	<u>\$ (455,253)</u>	<u>\$ 1,289,310</u>

**18. SEGMENT INFORMATION- ENTERPRISE FUNDS**

Financial segment information as of and for the year ended December 31, 2001 for the enterprise funds is presented as follows:

	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total</u>
Operating revenues	\$ 4,903,101	\$ 945,703	\$ 962,869	\$ 6,811,673
Depreciation expense	516,199	29,783	222,930	768,912
Operating income (loss)	1,224,015	122,769	(41,636)	1,305,148
Operating grants	-	3,061	-	3,061
Net income (loss)	1,056,656	124,008	(293,068)	887,596
Contributed capital	-	-	25,712	25,712
Fixed asset additions	297,988	-	1,076,809	1,374,797
Fixed asset deletions	(16,500)	-	-	(16,500)
Net working capital	2,528,758	300,284	(3,889,704)	(1,060,662)
Total assets	12,970,393	434,836	5,523,366	18,928,595
Outstanding long-term liabilities:				
Payable from operating sources	3,553,558	78,012	2,631,787	6,263,357
Total equity	8,719,236	312,543	(1,212,375)	7,819,404
Encumbrances outstanding budget basis at December 31, 2001	\$ 38,526,663	\$ 21,291	\$ 29,107	\$ 38,577,061

**19. CONTINGENT LIABILITIES**

A few claims and lawsuits are pending against the City. It is Management's opinion that the ultimate liability will be covered by insurance, and/or will not have a material effect on the financial statements. The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City's management believes such disallowances, if any, will be immaterial.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2001  
(Continued)**

**20. CONTRIBUTED CAPITAL**

The Legends Golf Course enterprise fund reports contributed capital for fixed assets contributed by other funds. During the year, there was \$25,712 in contributed capital for the Legends Golf Course. The Wastewater Treatment enterprise fund also reports contributed capital for fixed assets contributed by other funds. During the year, there was no change in contributed capital for this fund.

**21. CONTRACTUAL COMMITMENTS**

As of December 31, 2001, the City had the following significant contractual commitments:

<u>Company</u>	<u>Project</u>	<u>Amount Remaining on Contract</u>
H & W Contractors	Wales/Hills and Dales Road Relocation	\$ 889,901
Wenger Excavating	Wetmore Sanitary Extension	\$ 250,000
Shumacher Construction	Recreation Center	\$ 2,717,149
Miles Mechanical, Inc.	Recreation Center	\$ 236,869

**22. SUBSEQUENT EVENTS**

On January 10, 2002, the City issued \$157,000 of bond anticipation notes to provide funding for the expansion of the golf course. The notes have an interest rate of 2.10% and mature on January 10, 2003.

On April 17, 2002, the City issued \$200,000 of bond anticipation notes to provide funding for the expansion of the golf course. The notes have an interest rate of 3.50% and mature on January 10, 2003.

During 2002, the City issued \$12,340,000 of general obligations bonds to provide funding for the Recreation Center and various other projects. The interest rate on the bonds range from 2.25-5.00% and the final maturity is on December 31, 2031. Debt service payments are scheduled annually that range from \$35,000-\$870,000.

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CITY OF MASSILLON  
STARK COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2001

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>				
<i>Passed Through Ohio Department of Education and the City of Canton</i>				
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	01-76201FCL389	10.557	\$74,988	\$87,635
Summer Food Service Program for Children	N/A	10.559	<u>21,052</u>	<u>27,322</u>
Total U.S. Department of Agriculture			96,040	114,957
<b><u>U.S. DEPARTMENT OF TRANSPORTATION:</u></b>				
<i>Passed Through Ohio Department of Public Safety</i>				
State and Community Highway Safety	01-1301J7410	20.600	5,757	5,757
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction	9421 9527	20.205	99,007 <u>183,498</u>	99,007 <u>202,204</u>
Total Highway Planning and Construction			<u>282,505</u>	<u>301,211</u>
Total U.S. Department of Transportation			288,262	306,968
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></b>				
<i>Direct</i>				
Community Development Block Grants/Entitlement Grants		14.218	1,011,220	1,061,778
<i>Passed Through Stark County HOME Consortium</i>				
HOME Investment Partnerships Program	M01DC390204	14.239	<u>157,740</u>	<u>169,533</u>
Total U.S. Department of Housing and Urban Development			1,168,960	1,231,311
<b><u>U.S. DEPARTMENT OF JUSTICE:</u></b>				
<i>Passed Through Ohio Office of Criminal Justice Services</i>				
Local Law Enforcement Block Grants Program	01-LBVX-2327 00-LBVX-2470 98-LBVX-3808	16.592	37,444 0 <u>0</u>	0 7,655 <u>319</u>
Total Local Law Enforcement Block Grants Program			37,444	7,974
Total U.S. Department of Justice				
<b><u>U.S. DEPARTMENT OF CRIMINAL JUSTICE:</u></b>				
<i>Passed Through Ohio Office of Criminal Justice Services</i>				
Violence Against Women Formula Grants	01-WFVA28225	16.588	<u>37,326</u>	<u>54,555</u>
<b>Totals</b>			<b><u>\$1,628,032</u></b>	<b><u>\$1,715,765</u></b>

The accompanying notes to this schedule are an integral part of this schedule.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2001**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes the activity of the City's federal award programs. The Schedule has been prepared on the cash basis of accounting.

**NOTE B - SUBRECIPIENTS**

The City passes-through certain Federal assistance received from the U.S. Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As described in Note A, the City records expenditures of federal awards to subrecipients when paid in cash.

The subrecipient agencies have certain compliance responsibilities related to administering these federal programs. Under Federal Circular A-133, the City is responsible for monitoring subrecipients to help assure that federal awards are used for authorized purposes in compliance with laws, regulations and the provisions of contracts or grant agreements, and that performance goals are achieved.

**NOTE C - COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAM**

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The U.S. Department Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan of this money is recorded as an expenditure. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as expenditures on the Schedule.

These loans are collateralized by a deed of trust of mortgage in favor of the City upon all land, buildings, fixtures, equipment, and other assets of the applicant comprising the project, and by the applicant's personal guarantee of repayment, unconditionally and irrevocably guaranteeing repayment of the revolving loan funds to the City. At December 31, 2001, the gross amount of loans outstanding under this program were \$2,284,816. Of this balance, \$34,816 is presented on the balance sheet as "Loans receivable", and \$2,250,000 is presented on the balance sheet as "Notes receivable" outstanding from previous years since the City actually holds a mortgage note for the amount loaned to a developer.

**NOTE D - MATCHING REQUIREMENTS**

Certain federal programs require the City to contribute non-federal funds (matching funds) to support the federally-funded programs. The City has complied with the matching requirements. The expenditure of non-federal matching funds is not included on the Schedule.





STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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**REPORT OF INDEPENDENT ACCOUNTANTS ON COMPLIANCE AND ON  
INTERNAL CONTROL REQUIRED BY GOVERNMENT AUDITING STANDARDS**

City of Massillon  
Stark County  
One James Duncan Plaza  
Massillon, Ohio 44646

To the Mayor and Members of Council:

We have audited the general purpose financial statements of the City of Massillon, Stark County, Ohio, (the City) as of and for the year ended December 31, 2001, and have issued our report thereon dated July 31, 2002 in which we noted the City implemented Governmental Accounting Board Statement No. 33. 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.

**Compliance**

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

However, we noted immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated July 31, 2002.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated July 31, 2002.

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

A handwritten signature in black ink, appearing to read "Jim Petro". The signature is fluid and cursive, with a large loop at the end.

**Jim Petro**  
Auditor of State

July 31, 2002



STATE OF OHIO  
OFFICE OF THE AUDITOR

JIM PETRO, AUDITOR OF STATE

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

City of Massillon  
Stark County  
One James Duncan Plaza  
Massillon, Ohio 44646

To the Mayor and Members of City Council:

**Compliance**

We have audited the compliance of the City of Massillon, Stark County, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2001. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City's management. Our responsibility is to express an opinion on City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2001.

**Internal Control Over Compliance**

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

City of Massillon  
Stark County  
Report of Independent Accountants on Compliance with Requirements  
Applicable to Each Major Federal Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133  
Page 2

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

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

A handwritten signature in black ink, appearing to read "Jim Petro", with a large, stylized flourish at the end.

**Jim Petro**  
Auditor of State

July 31, 2002

**CITY OF MASSILLON  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .50  
DECEMBER 31, 2001**

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

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
<i>(d)(1)(iv)</i>	Were there any material internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	Unqualified
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Highway Planning and Construction, CFDA #20.205 Community Development Block Grants/Entitlement Grants, CFDA #14.218
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A\B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	Yes

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

None

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

None





STATE OF OHIO  
OFFICE OF THE AUDITOR  

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JIM PETRO, AUDITOR OF STATE

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800-282-0370  
Facsimile 614-466-4490

**CITY OF MASSILLON**

**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  
SEPTEMBER 12, 2002**