



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

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**STATE OF OHIO**



**CITY OF MASSILLON  
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## REPORT OF INDEPENDENT ACCOUNTANTS

City of Massillon  
Stark County  
1 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, (the City) as of and for the year ended December 31, 1999, 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 generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City as of December 31, 1999, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 4, 2000 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.

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".

**Jim Petro**  
Auditor of State

August 4, 2000

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**City of Massillon, Ohio**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**As of December 31, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<u>Assets and other debits</u>				
<u>Assets</u>				
Equity in pooled cash and cash equivalents	\$ 1,334,355	\$ 1,688,165	\$ 325,701	\$ 2,794,897
Cash and cash equivalents:				
In segregated accounts	-	6,190	-	-
Receivables:				
Taxes	2,075,510	316,979	18,387	174,672
Accounts	127,246	390,621	-	-
Special assessments	-	-	269,050	-
Accrued interest	227,922	-	-	-
Due from other governments	226,362	134,303	-	420,176
Materials and supplies inventory	59,757	5,627	-	-
Notes receivable	-	1,257,647	1,244,210	-
Prepaid items	105,363	8,963	-	-
Deferred charges	-	-	-	-
Loans receivable	-	66,795	-	-
Fixed assets, (net where applicable of accumulated depreciation)	-	-	-	-
<u>Other debits</u>				
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	-	-	-	-
Total assets and other debits	<u>\$ 4,156,515</u>	<u>\$ 3,875,290</u>	<u>\$ 1,857,348</u>	<u>\$ 3,389,745</u>

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 Funds	General Fixed Assets	General Long-Term Obligations	
\$ 2,345,804	\$ 391,448	\$ 61,324	\$ -	\$ -	\$ 8,941,694
-	-	271,964	-	-	278,154
-	-	295,603	-	-	2,881,151
1,086,371	-	-	-	-	1,604,238
-	-	-	-	-	269,050
-	-	97	-	-	228,019
107,194	3,510	-	-	-	891,545
15,725	-	-	-	-	81,109
27,549	-	-	-	-	2,529,406
39,210	-	-	-	-	153,536
52,824	-	-	-	-	52,824
-	-	-	-	-	66,795
10,129,346	-	-	16,283,400	-	26,412,746
-	-	-	-	319,479	319,479
-	-	-	-	17,357	17,357
-	-	-	-	13,707,173	13,707,173
-	-	-	-	155,111	155,111
<u>\$ 13,804,023</u>	<u>\$ 394,958</u>	<u>\$ 628,988</u>	<u>\$ 16,283,400</u>	<u>\$ 14,199,120</u>	<u>\$ 58,589,387</u>

(continued)

**City of Massillon, Ohio**  
**Combined Balance Sheet**  
**All Fund Types and Account Groups**  
**As of December 31, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Liabilities, <u>fund equity and other credits</u>				
<u>Liabilities</u>				
Accounts payable	\$ 107,868	\$ 91,900	\$ 1,501	\$ 1,374,100
Accrued wages and benefits	314,393	52,901	-	-
Compensated absences payable	68,611	3,708	-	-
Due to other governments	244,446	330,468	-	-
Deferred revenue	1,138,916	624,721	269,050	-
Undistributed monies	-	-	-	-
Accrued interest payable	-	-	-	-
Bond anticipation notes	-	-	-	-
Unamortized premiums on bonds	-	-	-	-
Claims payable	-	-	-	-
Claimant liability	-	-	-	-
Police and firemen's pension liability	-	-	-	-
Loans payable	-	-	-	-
Special obligation debt	-	-	-	-
Capital leases payable	-	-	-	-
General obligation bonds payable	-	-	-	-
Special assessment debt with governmental commitment	-	-	-	-
Total liabilities	<u>1,874,234</u>	<u>1,103,698</u>	<u>270,551</u>	<u>1,374,100</u>
<u>Fund equity and other credits</u>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balance:				
Reserved for encumbrances	180,974	408,021	5,751	1,511,958
Reserved for inventory	59,757	5,627	-	-
Reserved for prepaid items	105,363	8,963	-	-
Reserved for debt service	-	-	336,836	-
Reserved for loans receivable	-	66,795	-	-
Reserved for notes receivable	-	1,257,647	1,244,210	-
Unreserved:				
Undesignated	1,936,187	1,024,539	-	503,687
Total fund equity and other credits	<u>2,282,281</u>	<u>2,771,592</u>	<u>1,586,797</u>	<u>2,015,645</u>
Total liabilities, fund equity and other credits	<u>\$ 4,156,515</u>	<u>\$ 3,875,290</u>	<u>\$ 1,857,348</u>	<u>\$ 3,389,745</u>

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 Funds	General Fixed Assets	General Long-Term Obligations	
\$ 288,327	\$ 48,301	\$ 3,000	\$ -	\$ -	\$ 1,914,997
70,225	-	-	-	-	437,519
294,844	-	-	-	1,605,568	1,972,731
92,610	-	295,603	-	-	963,127
-	-	-	-	-	2,032,687
-	-	304,402	-	-	304,402
26,205	-	-	-	-	26,205
1,000,000	-	-	-	4,275,000	5,275,000
70,995	-	-	-	-	70,995
-	56,056	-	-	-	56,056
-	-	16,676	-	-	16,676
-	-	-	-	1,695,447	1,695,447
157,229	-	-	-	1,256,322	1,413,551
-	-	-	-	205,802	205,802
720,974	-	-	-	626,981	1,347,955
4,145,000	-	-	-	4,320,000	8,465,000
-	-	-	-	214,000	214,000
<u>6,866,409</u>	<u>104,357</u>	<u>619,681</u>	<u>-</u>	<u>14,199,120</u>	<u>26,412,150</u>
-	-	-	16,283,400	-	16,283,400
227,756	-	-	-	-	227,756
6,709,858	290,601	-	-	-	7,000,459
-	-	-	-	-	2,106,704
-	-	-	-	-	65,384
-	-	-	-	-	114,326
-	-	-	-	-	336,836
-	-	-	-	-	66,795
-	-	-	-	-	2,501,857
-	-	9,307	-	-	3,473,720
<u>6,937,614</u>	<u>290,601</u>	<u>9,307</u>	<u>16,283,400</u>	<u>-</u>	<u>32,177,237</u>
<u>\$ 13,804,023</u>	<u>\$ 394,958</u>	<u>\$ 628,988</u>	<u>\$ 16,283,400</u>	<u>\$ 14,199,120</u>	<u>\$ 58,589,387</u>

**City of Massillon, Ohio**  
**Combined Statement of Revenues, Expenditures**  
**and Changes in Fund Balances**  
**All Governmental Fund Types and Expendable Trust Funds**  
**For the Year Ended December 31, 1999**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>Revenues</b>				
Municipal income tax	\$ 8,484,485	\$ 844,936	\$ 208,542	\$ 1,766,897
Property and other taxes	1,432,569	211,704	-	-
Charges for services	100,418	108,490	-	-
Licenses and permits	384,388	89,428	-	-
Fines and forfeitures	1,082,695	483,481	-	-
Intergovernmental	1,831,736	2,253,302	-	2,006,638
Special assessments	-	4,643	30,547	245
Investment income	495,236	14,003	-	-
Other	194,001	107,657	120,114	14,222
<b>Total revenues</b>	<b>14,005,528</b>	<b>4,117,644</b>	<b>359,203</b>	<b>3,788,002</b>
<b>Expenditures</b>				
Current:				
General government	4,173,788	51,663	-	-
Security of persons and property	5,876,591	984,483	-	-
Public health and welfare	337,566	110,544	-	-
Transportation	950,521	952,776	-	3,075
Community environment	34,368	-	-	-
Basic utility services	-	23,114	-	7,193
Leisure time activities	-	938,178	-	54,566
Economic development and assistance	150,000	1,160,811	-	-
Urban redevelopment and housing	-	197,918	-	-
Other	884,487	1,983	13,027	20,345
Capital outlay	107,456	377,062	-	6,846,965
Debt service:				
Principal retirement	40,226	34,437	2,615,604	300,440
Interest and fiscal charges	11,000	2,768	358,051	43,208
<b>Total expenditures</b>	<b>12,566,003</b>	<b>4,835,737</b>	<b>2,986,682</b>	<b>7,275,792</b>
Excess of revenues over (under) expenditures	1,439,525	(718,093)	(2,627,479)	(3,487,790)
<b>Other financing sources (uses)</b>				
Proceeds of notes	-	-	2,410,950	1,883,075
Sale of fixed assets	-	-	-	484,526
Capital lease	66,238	-	-	180,135
Proceeds of loans	-	1,175,000	-	81,322
Operating transfers - in	-	690,850	455,890	1,034,497
Operating transfers - out	(1,689,050)	-	(59,471)	(425,523)
<b>Total other financing sources (uses)</b>	<b>(1,622,812)</b>	<b>1,865,850</b>	<b>2,807,369</b>	<b>3,238,032</b>
Excess of revenues and other financing sources over expenditures and other financing uses	(183,287)	1,147,757	179,890	(249,758)
Fund balances at beginning of year	2,449,898	1,643,428	1,406,907	2,265,403
Increase (decrease) in reserve for inventory	15,670	(19,593)	-	-
<b>Fund balances at end of year</b>	<b>\$ 2,282,281</b>	<b>\$ 2,771,592</b>	<b>\$ 1,586,797</b>	<b>\$ 2,015,645</b>

See accompanying notes to the general purpose financial statements.

Fiduciary Fund		
Type		Totals
Expendable		(Memorandum
Trust		Only)
\$ -	\$	11,120,518
-		1,644,273
-		208,908
-		473,816
-		1,566,176
-		6,091,676
-		35,435
235		509,474
7,861		628,197
<u>8,096</u>		<u>22,278,473</u>
-		4,225,451
-		6,861,074
-		448,110
-		1,906,372
-		34,368
-		30,307
5,500		998,244
-		1,310,811
-		197,918
-		919,842
-		7,331,483
-		2,990,707
-		415,027
<u>5,500</u>		<u>27,669,714</u>
<u>2,596</u>		<u>(5,391,241)</u>
-		4,294,025
-		484,526
-		246,373
-		1,256,322
-		2,181,237
-		(2,174,044)
-		<u>6,288,439</u>
2,596		897,198
6,711		7,772,347
-		(3,923)
<u>\$ 9,307</u>	<u>\$</u>	<u>8,665,622</u>

**City of Massillon, Ohio**  
**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, 1999**

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<b>Revenues</b>			
Municipal income tax	\$ 8,267,037	\$ 8,329,982	\$ 62,945
Property and other taxes	1,607,607	1,528,554	(79,053)
Charges for services	110,025	98,579	(11,446)
Licenses and permits	239,200	374,917	135,717
Fines and forfeitures	1,367,520	1,163,795	(203,725)
Intergovernmental	1,691,000	1,749,843	58,843
Special assessments	-	-	-
Investment income	404,900	412,376	7,476
Other	151,296	175,405	24,109
Total revenues	13,838,585	13,833,451	(5,134)
<b>Expenditures</b>			
Current:			
General government	4,593,975	4,245,708	348,267
Security of persons and property	6,197,076	6,123,246	73,830
Public health and welfare	394,176	375,841	18,335
Transportation	1,155,552	1,037,798	117,754
Community environment	37,608	34,368	3,240
Basic utility services	-	-	-
Leisure time activities	-	-	-
Economic development and assistance	150,000	150,000	-
Urban redevelopment and housing	-	-	-
Other	977,347	897,340	80,007
Capital outlay	98,932	98,926	6
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	13,604,666	12,963,227	641,439
Excess of revenues over (under) expenditures	233,919	870,224	636,305
<b>Other financing sources (uses)</b>			
Proceeds of notes	-	-	-
Sale of fixed assets	-	-	-
Advances - in	300,000	300,000	-
Advances - out	(300,000)	(300,000)	-
Proceeds of loan	-	-	-
Operating transfers - in	-	-	-
Operating transfers - out	(1,707,488)	(1,689,050)	18,438
Total other financing sources (uses)	(1,707,488)	(1,689,050)	18,438
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,473,569)	(818,826)	654,743
Fund balances at beginning of year	1,363,168	1,363,168	-
Prior year encumbrances appropriated	226,247	226,247	-
Fund balances at end of year	\$ 115,846	\$ 770,589	\$ 654,743

See accompanying notes to the general purpose financial statements.

Governmental Fund Types					
Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 827,000	\$ 829,532	\$ 2,532	\$ 183,000	\$ 184,342	\$ 1,342
200,314	216,606	16,292	-	-	-
105,634	108,345	2,711	-	-	-
62,600	89,428	26,828	-	-	-
494,332	519,253	24,921	-	-	-
2,700,411	2,215,827	(484,584)	866,025	845,940	(20,085)
-	4,643	4,643	25,531	30,547	5,016
-	14,003	14,003	-	-	-
177,429	254,843	77,414	123,925	120,489	(3,436)
4,567,720	4,252,480	(315,240)	1,198,481	1,181,318	(17,163)
89,848	79,451	10,397	-	-	-
1,046,105	989,117	56,988	-	-	-
141,694	115,113	26,581	-	-	-
1,162,609	1,055,335	107,274	-	-	-
-	-	-	-	-	-
36,350	30,574	5,776	-	-	-
1,065,905	966,689	99,216	-	-	-
2,580,619	2,507,484	73,135	-	-	-
307,952	289,468	18,484	-	-	-
2,350	2,118	232	63,832	55,645	8,187
646,831	506,426	140,405	-	-	-
-	-	-	3,404,000	3,404,000	-
-	-	-	399,418	399,072	346
7,080,263	6,541,775	538,488	3,867,250	3,858,717	8,533
(2,512,543)	(2,289,295)	223,248	(2,668,769)	(2,677,399)	(8,630)
-	-	-	2,400,000	2,410,950	10,950
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,175,000	1,175,000	-	-	-	-
710,000	690,850	(19,150)	430,706	455,890	25,184
-	-	-	(39,390)	(39,390)	-
1,885,000	1,865,850	(19,150)	2,791,316	2,827,450	36,134
(627,543)	(423,445)	204,098	122,547	150,051	27,504
958,958	958,958	-	143,527	143,527	-
631,679	631,679	-	8,598	8,598	-
\$ 963,094	\$ 1,167,192	\$ 204,098	\$ 274,672	\$ 302,176	\$ 27,504

**City of Massillon, Ohio**  
**Combined Statement of Revenues, Expenditures and**  
**Changes in Fund Balances - Budget and Actual (Budget Basis)**  
**All Governmental Fund Types and Expendable Trust Funds (continued)**  
**For the Year Ended December 31, 1999**

	Governmental Fund Types		
	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>			
Municipal income tax	\$ 1,771,939	\$ 1,755,103	\$ (16,836)
Property and other taxes	-	-	-
Charges for services	-	-	-
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental	1,473,685	1,141,783	(331,902)
Special assessments	-	245	245
Investment income	-	-	-
Other	2,000	14,222	12,222
Total revenues	<u>3,247,624</u>	<u>2,911,353</u>	<u>(336,271)</u>
<u>Expenditures</u>			
Current:			
General government	-	-	-
Security of persons and property	-	-	-
Public health and welfare	-	-	-
Transportation	77,755	3,075	74,680
Community environment	-	-	-
Basic utility services	7,193	7,193	-
Leisure time activities	173,342	149,089	24,253
Economic development and assistance	-	-	-
Urban redevelopment and housing	-	-	-
Other	23,369	23,369	-
Capital outlay	8,791,988	7,705,002	1,086,986
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>9,073,647</u>	<u>7,887,728</u>	<u>1,185,919</u>
Excess of revenues over (under) expenditures	<u>(5,826,023)</u>	<u>(4,976,375)</u>	<u>849,648</u>
<u>Other financing sources (uses)</u>			
Proceeds of notes	1,883,075	1,883,075	-
Sale of fixed assets	477,875	484,526	6,651
Advances - in	300,000	300,000	-
Advances - out	(300,000)	(300,000)	-
Proceeds of loan	81,322	81,322	-
Operating transfers - in	1,063,096	1,014,416	(48,680)
Operating transfers - out	(425,523)	(425,523)	-
Total other financing sources (uses)	<u>3,079,845</u>	<u>3,037,816</u>	<u>(42,029)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(2,746,178)</u>	<u>(1,938,559)</u>	<u>807,619</u>
Fund balances at beginning of year	526,172	526,172	-
Prior year encumbrances appropriated	2,512,644	2,512,644	-
Fund balances at end of year	<u>\$ 292,638</u>	<u>\$ 1,100,257</u>	<u>\$ 807,619</u>

See accompanying notes to the general purpose financial statements. 12



Fiduciary Fund Type			Totals		
Expendable Trust Funds			(Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 11,048,976	\$ 11,098,959	\$ 49,983
-	-	-	1,807,921	1,745,160	(62,761)
-	-	-	215,659	206,924	(8,735)
-	-	-	301,800	464,345	162,545
-	-	-	1,861,852	1,683,048	(178,804)
-	-	-	6,731,121	5,953,393	(777,728)
-	-	-	25,531	35,435	9,904
243	231	(12)	405,143	426,610	21,467
8,090	8,101	11	462,740	573,060	110,320
8,333	8,332	(1)	22,860,743	22,186,934	(673,809)
-	-	-	4,683,823	4,325,159	358,664
-	-	-	7,243,181	7,112,363	130,818
-	-	-	535,870	490,954	44,916
-	-	-	2,395,916	2,096,208	299,708
-	-	-	37,608	34,368	3,240
-	-	-	43,543	37,767	5,776
5,538	5,500	38	1,244,785	1,121,278	123,507
-	-	-	2,730,619	2,657,484	73,135
-	-	-	307,952	289,468	18,484
-	-	-	1,066,898	978,472	88,426
-	-	-	9,537,751	8,310,354	1,227,397
-	-	-	3,404,000	3,404,000	-
-	-	-	399,418	399,072	346
5,538	5,500	38	33,631,364	31,256,947	2,374,417
2,795	2,832	37	(10,770,621)	(9,070,013)	1,700,608
-	-	-	4,283,075	4,294,025	10,950
-	-	-	477,875	484,526	6,651
-	-	-	600,000	600,000	-
-	-	-	(600,000)	(600,000)	-
-	-	-	1,256,322	1,256,322	-
-	-	-	2,203,802	2,161,156	(42,646)
-	-	-	(2,172,401)	(2,153,963)	18,438
-	-	-	6,048,673	6,042,066	(6,607)
2,795	2,832	37	(4,721,948)	(3,027,947)	1,694,001
23,054	23,054	-	3,014,879	3,014,879	-
-	-	-	3,379,168	3,379,168	-
\$ 25,849	\$ 25,886	\$ 37	\$ 1,672,099	\$ 3,366,100	\$ 1,694,001

***City of Massillon, Ohio***  
**Combined Statement of Revenues,**  
**Expenses and Changes in Retained Earnings**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 1999**

	Proprietary Fund Types		Totals (Memorandum Only)
	Enterprise	Internal Service	
<u>Operating revenues</u>			
Charges for services	\$ 5,205,711	\$ 1,309,115	\$ 6,514,826
Other	40,435	76,405	116,840
Total operating revenues	<u>5,246,146</u>	<u>1,385,520</u>	<u>6,631,666</u>
<u>Operating expenses</u>			
Personal services	2,500,901	-	2,500,901
Contractual services	1,955,654	690,882	2,646,536
Claims	-	566,192	566,192
Materials and supplies	527,563	-	527,563
Depreciation	698,961	-	698,961
Total operating expenses	<u>5,683,079</u>	<u>1,257,074</u>	<u>6,940,153</u>
Operating income (loss)	(436,933)	128,446	(308,487)
<u>Non-operating revenues (expenses)</u>			
Grants	109,703	-	109,703
Loss on disposal of fixed assets	(8,048)	-	(8,048)
Interest and fiscal charges	(270,305)	-	(270,305)
Total non-operating revenues (expenses)	<u>(168,650)</u>	<u>-</u>	<u>(168,650)</u>
Income (loss) before operating transfers	(605,583)	128,446	(477,137)
Operating transfers - out	(7,193)	-	(7,193)
Net income (loss)	(612,776)	128,446	(484,330)
Retained earnings at beginning of year (Restated, Note 10)	<u>7,322,634</u>	<u>162,155</u>	<u>7,484,789</u>
Retained earnings at end of year	<u>\$ 6,709,858</u>	<u>\$ 290,601</u>	<u>\$ 7,000,459</u>

See accompanying notes to the general purpose financial statements.

**City of Massillon, Ohio**  
**Combined Statement of Cash Flows**  
**All Proprietary Fund Types**  
**For the Year Ended December 31, 1999**

	Proprietary Fund Types		Totals
	Enterprise	Internal Service	(Memorandum Only)
<u>Cash flows from operating activities:</u>			
Operating income (loss)	\$ (436,933)	\$ 128,446	\$ (308,487)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	698,961	-	698,961
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	444,785	(225)	444,560
Inventory of supplies	(3,915)	-	(3,915)
Prepaid items	8,435	-	8,435
Increase (decrease) in liabilities:			
Accounts payable	86,100	47,361	133,461
Claims payable	-	20,143	20,143
Accrued wages	6,946	-	6,946
Compensated absences	25,701	-	25,701
Due to other governments	(42,496)	-	(42,496)
Net cash provided by operating activities	<u>787,584</u>	<u>195,725</u>	<u>983,309</u>
<u>Cash flows from noncapital financing activities:</u>			
Operating transfers to other funds	(7,193)	-	(7,193)
Grants	2,251	-	2,251
Net cash provided by (used for) noncapital financing activities	<u>(4,942)</u>	<u>-</u>	<u>(4,942)</u>
<u>Cash flows from capital and related financing activities:</u>			
Proceeds from sale of assets	10,359	-	10,359
Interest paid on debt	(273,915)	-	(273,915)
Payments on capital lease	(110,237)	-	(110,237)
Principal payment on notes and bonds	(215,000)	-	(215,000)
Repayment from note receivable	27,549	-	27,549
Acquisition of capital assets	(267,980)	-	(267,980)
Proceeds of note	1,004,100	-	1,004,100
Proceeds loan	157,229	-	157,229
Net cash provided by capital and related financing activities	<u>332,105</u>	<u>-</u>	<u>332,105</u>
Net increase in cash and cash equivalents	1,114,747	195,725	1,310,472
Cash and cash equivalents at beginning of year	<u>1,231,057</u>	<u>195,723</u>	<u>1,426,780</u>
Cash and cash equivalents at end of year	<u>\$ 2,345,804</u>	<u>\$ 391,448</u>	<u>\$ 2,737,252</u>

See accompanying notes to the general purpose financial statements.

**December 31, 1999**

**NOTE 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. 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 17.124 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 and the Stark Area Regional Transit Authority 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.

**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 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:

*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 Funds:* The internal service funds are 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 fund is 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.

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.

The governmental fund types and the expendable trust and agency funds use the modified accrual basis of accounting for reporting purposes. Under this method of accounting, the City recognizes revenue when it becomes both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is considered 60 days after year-end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. Principal and interest on general long-term and special assessment debt are recognized as expenditures when due or when amounts have been accumulated in the debt service fund for payments to be made early in the following year.

Revenues accrued at the end of the year included income taxes withheld by employers, interest on investments, intergovernmental revenues (including motor vehicle license fees, gasoline tax, and local government assistance), fines and forfeitures, and reimbursements due from federal and state funded projects for which corresponding expenditures have been made.

Other revenues, including licenses, permits, certain charges for services, income taxes other than those withheld by employers, and miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received.

The proprietary funds use the accrual basis of accounting for reporting purposes. Revenues are recognized when they are 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, 1999, 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.

#### 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 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.

## ***CITY OF MASSILLON, OHIO***

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 1999.

*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.

*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.

### **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 fiscal year 1999, investments were limited to repurchase agreements and U.S. government securities. 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, 1999 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.

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>
<i>Buildings</i>	<i>20 to 40 years</i>
<i>Equipment</i>	<i>1 to 15 years</i>
<i>Vehicles</i>	<i>5 to 7 years</i>
<i>Infrastructure</i>	<i>20 to 50 years</i>
<i>Land improvements</i>	<i>7 to 40 years</i>

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

#### 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 EQUITY

Reserves of fund equity indicate that a portion of 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, 1999.

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.

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.

**NOTE 2 - BUDGETARY BASIS OF ACCOUNTING**

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

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget 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);

**CITY OF MASSILLON, OHIO**

- (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:

*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>
<i>GAAP Basis</i>	\$ (183,287)	\$ 1,147,757	\$ 179,890	\$ (249,758)	\$ 2,596
<i>Revenue Accruals</i>	61,685	134,836	822,115	(776,865)	236
<i>Expenditure Accruals</i>	(405,059)	(1,205,303)	(844,702)	727,421	-
<i>Encumbrances (Budget Basis)</i>					
<i>Outstanding at year end</i>	<u>(292,165)</u>	<u>(500,735)</u>	<u>(7,252)</u>	<u>(1,639,357)</u>	<u>-</u>
<i>Budget Basis</i>	<u>\$ (818,826)</u>	<u>\$ (423,445)</u>	<u>\$ 150,051</u>	<u>\$ (1,938,559)</u>	<u>\$ 2,832</u>

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

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;
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.

Cash on hand - At fiscal year end, the City had \$367,118 in undeposited cash on hand, which is included on the balance sheet of the City as part of equity in pooled cash and cash equivalents.

## ***CITY OF MASSILLON, OHIO***

*Deposits:* At year-end, the City's carrying amount of deposits was \$7,702,730 and the bank balance was \$7,985,839. Of the bank balance, \$408,707 was covered by Federal Depository Insurance or by collateral held by the City's agent in the City's name. Of the remaining balance, \$7,577,132 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

*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 \$1,150,000. Of this balance, \$267,137 was maintained in the Massillon Municipal Court agency fund and presented on the balance sheet as "Cash in segregated accounts." 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 fiscal year 1999 amounted to \$495,236 which includes \$420,520 assigned from other City funds.

### **NOTE 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, 1998 on the assessed value as of January 1, 1998, the lien date, and were collected in 1999. Assessed values are established by State law at thirty-five percent of appraised market value. All property is required to be revalued every six years. Public utility property taxes received in 1999 attached as a lien on December 31, 1997, were levied after October 1, 1998, and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 100 percent of true value and on real property at 35 percent of assessed valuation. 1999 tangible personal property taxes are levied after October 1, 1998, on the value listed as of December 31, 1998, and are collected in 1999. Tangible personal property assessments are twenty-five percent of true value. The full-tax rate for all City operations applied to taxable property for the year ended December 31, 1999, was \$4.70 per \$1,000 of assessed valuation.

The assessed values upon which the 1999 taxes were collected are as follows:

<u>Property Category</u>	<u>1998 Assessed Value</u>	<u>Percent</u>
<u>Real Property</u>		
<i>Residential and Agricultural</i>	\$ 210,911,470	53.0 %
<i>Commercial, Industrial, Mineral</i>	72,262,350	18.1
<i>Public Utilities</i>	253,120	0.1
<u>Tangible Personal Property</u>		
<i>General</i>	86,726,291	21.8
<i>Public Utilities</i>	27,882,120	7.0
<i>Total</i>	\$ 398,035,351	100.0 %

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.

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, 1999. However, since these tax collections will not be received during the available period nor are they intended to finance 1999 operations, the receivable is offset by a credit to deferred revenue.

**NOTE 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 (75.0%), capital improvements fund (16.7%) and parks and recreation fund (8.3%).

**NOTE 6 – FIXED ASSETS**

General Fixed Assets: Changes in general fixed assets during 1999 were as follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
<i>Land and land improvements</i>	\$ 3,716,262	\$ 878,000	\$ -	\$ 4,594,262
<i>Buildings</i>	5,653,224	17,553	-	5,670,777
<i>Vehicles</i>	3,712,941	735,517	(138,030)	4,310,428
<i>Machinery and equipment</i>	1,174,057	73,923	-	1,247,980
<i>Construction in progress</i>	109,953	350,000	-	459,953
<i>Total</i>	<u>\$ 14,366,437</u>	<u>\$ 2,054,993</u>	<u>\$ (138,030)</u>	<u>\$ 16,283,400</u>

Enterprise Fund: A summary of the enterprise funds' fixed assets as of December 31, 1999, follows:

<u>Classification</u>	<u>Balance</u>
<i>Land and land improvements</i>	\$ 2,281,911
<i>Buildings</i>	7,895,761
<i>Equipment</i>	2,012,182
<i>Vehicles</i>	926,876
<i>Infrastructure</i>	<u>7,727,549</u>
<i>Total</i>	20,844,279
<i>Less: accumulated depreciation</i>	<u>(10,714,933)</u>
<i>Net fixed assets</i>	<u>\$ 10,129,346</u>

**NOTE 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 \$1,063,724 and machinery and equipment in the amount of \$180,358. There are also \$97,932 in vehicles, and \$99,115 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, 1999.

<u>Year</u>	<u>General Long-Term Obligations</u>	<u>Proprietary Fund Type</u>
2000	\$ 244,132	\$ 145,538
2001	199,888	145,538
2002	113,183	111,105
2003	27,934	83,803
2004	27,934	83,803
<i>Thereafter</i>	<u>104,755</u>	<u>314,263</u>
<i>Total minimum lease payment</i>	717,826	884,050
<i>Less: amount representing interest</i>	<u>90,845</u>	<u>163,076</u>
<i>Present value of minimum lease payments</i>	<u><u>\$ 626,981</u></u>	<u><u>\$ 720,974</u></u>

**NOTE 8 – NOTE DEBT**

During 1998, the City issued notes for \$825,000 to finance a state route construction project. The amount of the notes is equal to the Ohio Department of Transportation’s (ODOT) share of the project. Under this agreement, ODOT made disbursements to the City for the amount of principal and interest on the notes. The balance of \$825,000 was repaid during 1999.

**NOTE 9 – INTERFUND TRANSACTIONS**

During 1999 the general fund advanced \$300,000 to the Municipal Road capital projects fund. The advance was paid back to the general fund prior to the close of the year. There were no outstanding interfund receivables or payables as of December 31, 1999.

**NOTE 10 – RESTATEMENT OF PRIOR YEAR BALANCES**

Following the close of the previous year an error was found in the amount of depreciation calculated on land improvements in the Legends Golf Course and Wastewater enterprise funds. Due to this error, a restatement of beginning balances and retained earnings are necessary. The restatements are as follows:

<i>Retained earnings as previously stated,</i>	
<i>December 31, 1998</i>	\$ 8,032,508
<i>Restatement:</i>	
<i>Legends</i>	\$ (533,024)
<i>Wastewater</i>	<u>(176,850)</u>
<i>Restated January 1, 1999</i>	<u><u>\$ 7,322,634</u></u>

The beginning balance of the fixed assets reported in the general fixed asset account group were overstated and therefore required a restatement of \$143,111 as of January 1, 1999.

**NOTE 11 - 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, 1999, follows:

	<u>Balance 1/1/99</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/99</u>
<b><u>Enterprise Fund Obligations</u></b>				
<b><u>General Obligation Bonds</u></b>				
1988 Sewer System Bonds Series B 6.5 - 7.38%	\$ 1,340,000	\$ -	\$ (95,000)	\$ 1,245,000
1995 Legends of Massillon Golf Course Bonds 3.750 - 6.625%	<u>3,020,000</u>	<u>-</u>	<u>(120,000)</u>	<u>2,900,000</u>
Total General Obligation Bonds	<u>4,360,000</u>	<u>-</u>	<u>(215,000)</u>	<u>4,145,000</u>
<b><u>Other Long-term Obligations</u></b>				
Bond anticipation note	-	1,000,000	-	1,000,000
Wastewater Plant WPCL Loan	-	157,229	-	157,229
Capital leases	634,164	197,047	(110,236)	720,975
Long-term compensated absences	<u>269,143</u>	<u>31,308</u>	<u>(5,607)</u>	<u>294,844</u>
Total Other Long-term Obligations	<u>903,307</u>	<u>1,385,584</u>	<u>(115,843)</u>	<u>2,173,048</u>
Total Enterprise Obligations	<u>\$ 5,263,307</u>	<u>\$ 1,385,584</u>	<u>\$ (330,843)</u>	<u>\$ 6,318,048</u>
<b><u>General Long Term Obligations</u></b>				
<b><u>General Obligation Bonds and Notes</u></b>				
1994 Lincoln Center Bond 4.00 - 6.00%	\$ 3,200,000	\$ -	\$ (125,000)	\$ 3,075,000
1994 Senior Center Bond 8.00 - 8.50%	1,260,000	-	(15,000)	1,245,000
1998 Park Land Acquisition BAN 4.55%	600,000	-	(600,000)	-
1998 Park and Recreation BAN 4.97%	1,800,000	-	(1,800,000)	-
1999 Park Land Acquisition BAN 4.07%	-	1,200,000	-	1,200,000
1999 Park and Recreation Center BAN 3.98%	-	550,000	-	550,000
1999 Park and Recreation Phase I BAN 3.73%	-	2,400,000	-	2,400,000
1999 Marketplace Infrastructure BAN 4.24%	<u>-</u>	<u>125,000</u>	<u>-</u>	<u>125,000</u>
Total General Obligation Bonds and Notes	<u>6,860,000</u>	<u>4,275,000</u>	<u>(2,540,000)</u>	<u>8,595,000</u>
<b><u>Long-term Loans</u></b>				
1999 HUD Section 108 Loan	-	1,175,000	-	1,175,000
1999 WPCL Loan	<u>-</u>	<u>81,322</u>	<u>-</u>	<u>81,322</u>
Total Long-term Loans	<u>-</u>	<u>1,256,322</u>	<u>-</u>	<u>1,256,322</u>
<b><u>Special Obligation</u></b>				
1993 State Hospital Endowment 0.0%	<u>242,406</u>	<u>-</u>	<u>(36,604)</u>	<u>205,802</u>
<b><u>Special Assessment Debt</u></b>				
1985 Street Improvements 9.125%	63,000	-	(9,000)	54,000
1988 Sewer System Bonds Series A 9.375%	20,000	-	(10,000)	10,000
1995 Castle West Circle & Shaw Ave 5.50%	<u>170,000</u>	<u>-</u>	<u>(20,000)</u>	<u>150,000</u>
Total Special Assessment Debt	<u>253,000</u>	<u>-</u>	<u>(39,000)</u>	<u>214,000</u>
<b><u>Other Obligations</u></b>				
Police and firemen's pension liability	1,715,734	-	(20,287)	1,695,447
Long-term compensated absences	1,346,472	259,096	-	1,605,568
Capital lease payable	<u>760,708</u>	<u>246,374</u>	<u>(380,101)</u>	<u>626,981</u>
Total Other Obligations	<u>3,822,914</u>	<u>505,470</u>	<u>(400,388)</u>	<u>3,927,996</u>
Total General Long-term Obligations	<u>\$ 11,178,320</u>	<u>\$ 6,036,792</u>	<u>\$ (3,015,992)</u>	<u>\$ 14,199,120</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, 1999, including interest payments of \$5,949,870 are as follows:

<u>Year</u>	<u>Enterprise Bonds</u>	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Total</u>
2000	\$ 491,868	\$ 441,277	\$ 52,877	\$ 986,022
2001	488,688	443,578	45,256	977,522
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
Thereafter	<u>3,925,753</u>	<u>5,185,885</u>	<u>41,471</u>	<u>9,153,109</u>
Total	<u>\$ 6,369,966</u>	<u>\$ 7,402,702</u>	<u>\$ 262,195</u>	<u>\$ 14,034,863</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.

Bond Anticipation Notes: During 1999, the Park and Recreation Department issued three bond anticipation notes. One note for \$1,200,000 to finance the acquisition of land, another for \$550,000 to finance preliminary expenses for a recreation center and a third for \$2,400,000 to finance Phase I construction of the Community Park. Also during 1999, a bond anticipation note for \$125,000 was issued to finance construction of the Marketplace infrastructure. Finally, the Legends Golf Course issued a bond anticipation note for \$1,000,000 to finance golf course expansion.

## ***CITY OF MASSILLON, OHIO***

Loans Payable: The City has received a Section 108 loan from the U.S. Department of Housing and Urban Development (HUD) in the principal amount of \$1,175,000, which the City has in turn agreed to lend to the Downtown Massillon Hotel, Ltd. The proceeds are part of an approved \$2,250,000 loan. The City will receive approximately \$185,502 annually from the developer for debt service repayment. Furthermore, the City will require 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. The remaining loan proceeds from HUD and the repayment schedule have not yet been received. 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.

The City has also received two loans from the Ohio Water Development Authority's Water Pollution Control Loan Program (WPCL) to finance a sanitary sewer line project and an upgrade for the wastewater treatment plant. The credit limit for the plant upgrade and sewer line projects are \$1,200,000 and \$2,055,165, respectively. The City anticipates using the complete amount. The loan repayment schedule begins January 1, 2001 and is amortized over twenty years with 3.81% interest. Only the portion used is presented as a liability.

### **NOTE 12 - DEFINED BENEFIT PENSION PLANS**

All employees of the City, with the exclusion of uniformed City police and firefighters, are required to be members of the Public Employees Retirement System of Ohio (PERS), a multiple-employer, cost-sharing public employee retirement system. However, those students working less than 1,500 hours per calendar year have an option to exclude themselves from membership. All full-time uniformed City police and firefighters are required to be members of the Police and Firemen's Disability and Pension Fund (PFDPF), also a multiple-employer, cost-sharing public employee retirement system. Both of these retirement plans provide retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. Authority to establish and amend benefits for PERS and PFDPF, is provided by the Ohio State Legislature and are codified in the Ohio Revised Code, Chapters 145 and 742 respectively. Each retirement system prepares a stand-alone financial report that includes financial information and required supplementary information for the plans. These reports can be obtained by writing to PERS at 277 East Town Street, Columbus, Ohio 43215-4642 and PFDPF at 140 East Town Street, Columbus, Ohio 43215-5164.

#### **PERS**

Plan members are required to contribute 8.5 percent of their covered salary, while employers are required to contribute 13.55 percent. The City's contributions to PERS for the years ending December 31, 1999, 1998, and 1997 were \$926,800, \$863,398 and \$804,732, respectively, equal to the required contributions for each year.

#### **PFDPF**

Plan members are required to contribute 10.0 percent of their covered salary, while employers are required to contribute 19.5 percent and 24.0 percent respectively for police officers and firefighters. The City's contributions to PFDPF for the years ending December 31, 1999, 1998, and 1997 were \$1,006,857, \$972,222, and \$911,297, respectively, equal to the required contributions for each year.

**NOTE 13 - POSTEMPLOYMENT BENEFITS**

PERS provides post-retirement health care coverage, also referred to as Other Post Employment Benefits (OPEB), to age and service retirants with 10 or more years of qualifying Ohio service credit and to primary survivor recipients of such retirants. Health care coverage for disability recipients is available. A portion of each employer's contribution to PERS is set aside for the funding of post retirement health care. The Ohio Revised Code provides statutory authority requiring public employers to fund post retirement health care through their contributions to PERS. The employer contribution rate for 1999 was 13.55 percent of covered payroll and 4.20 percent was the portion that was used to fund health care. The employer contributions for 1999 were \$926,800 with \$287,274 used to fund health care benefits.

OPEB are financed through employer contributions and investment earnings thereon. The contributions allocated to retiree health and Medicare, along with investment income on allocated assets and periodic adjustments in health care provisions are expected to be sufficient to sustain the program indefinitely. Expenditures for post retirement health care during 1999, for the entire system, were \$523,599,349. As of December 31, 1999, the unaudited estimated net assets available for future OPEB payments for the entire system, were \$9,870,285,641. The number of benefit recipients eligible for OPEB at December 31, 1999 was 118,062 for the entire system. During 1997, the Retirement Board adopted a new calculation method for determining employer contributions applied to OPEB. Under the new method, effective January 1, 1998, employer contributions, equal to 4.20% of member covered payroll, are used to fund health care expenses. Under the prior method, accrued liabilities and normal cost rates were determined for retiree health care coverage.

PFDPF provides post retirement health care coverage, also referred to as Other Post Employment Benefits (OPEB), to any person who received 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 Ohio Revised Code provides that health care cost paid from the funds of the PFDPF shall be included in the employer's contribution rate. The employer contribution rates for 1999 were 19.5 percent and 24.0 percent of covered payroll for police and firefighters, respectively. The Ohio Revised Code provides the statutory authority allowing the Fund's Board of Trustees to provide health care coverage to all eligible individuals. The employer contribution for 1999 was \$1,006,867 with \$327,389 used to fund health care benefits. The portion of employer contributions that were used to pay post-employment benefits totaled \$179,837 for police and \$147,551 for firefighters.

PFDPF health care funding and accounting is on a pay-as-you-go basis. Currently, 7.0% of covered payroll, the Board-defined allocation, is used to pay retiree health care expenses. In addition, since July 1, 1992 most retirees have been required to contribute a portion of their health care coverage through a deduction from their monthly benefit payment. The number of participants eligible to receive health care benefits as of December 31, 1998, (latest information available), was 11,424 for police and 9,186 for firefighters. Total expense for health care for the year ending December 31, 1998 were \$78,596,790.

**NOTE 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, 1998 (the latest information available) the Pool's total unpaid claims and claim adjustments totaled \$6,017,822 and total assets equaled \$13,829,810.

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 \$56,056 reported in the fund at December 31, 1999, 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 1998 and 1999 were:

		<i>Balance at beginning <u>of year</u></i>	<i>Current <u>year claims</u></i>	<i>Claim <u>payments</u></i>	<i>Balance at end <u>of year</u></i>
1998	\$	41,741	616,360	622,188	35,913
1999	\$	35,913	566,192	546,049	56,056

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.

**NOTE 15 - JOINTLY GOVERNED AND JOINT VENTURE ORGANIZATIONS**

Jointly Governed

The City participates in the Stark Council of Governments, 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. 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, appropriation, 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 made contributions of \$98,307 during the fiscal 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.

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, Canal Fulton Village, 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, appropriation, 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 1999, the City made contributions of \$249,215, but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.

**NOTE 16 - FUND DEFICITS**

As of December 31, 1999, certain funds had deficit balances. 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>
<i>Police pension special revenue fund</i>	\$ 115,905
<i>Fire pension special revenue fund</i>	126,345
<i>Community development special revenue fund</i>	158,842
<i>Legends Golf Course enterprise fund</i>	261,505
<i>Fothergill/Belmont capital projects fund</i>	845,440

**NOTE 17- SEGMENT INFORMATION- ENTERPRISE FUNDS**

Financial segment information as of and for the year ended December 31, 1999 for the enterprise funds is presented as follows:

	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total</u>
<i>Operating revenues</i>	\$ 3,297,449	\$ 833,436	\$ 1,115,261	\$ 5,246,146
<i>Depreciation expense</i>	481,313	14,478	203,170	698,961
<i>Operating income (loss)</i>	(608,359)	12,367	159,059	(436,933)
<i>Operating grants</i>	107,194	2,509	-	109,703
<i>Net income (loss)</i>	(614,185)	14,876	(13,467)	(612,776)
<i>Fixed asset additions</i>	267,980	97,932	99,115	465,027
<i>Net working capital</i>	1,508,873	88,919	208,719	1,806,511
<i>Total assets</i>	9,595,294	350,902	3,857,827	13,804,023
<i>Outstanding long-term liabilities:</i>				
<i>Payable from operating sources</i>	1,862,449	109,335	2,896,639	4,868,423
<i>Total equity</i>	7,070,075	129,044	(261,505)	6,937,614
<i>Encumbrances outstanding budget basis at December 31, 1999</i>	\$ 1,381,324	\$ 40,737	\$ 472,415	\$ 1,894,476

**NOTE 18 - 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.

**NOTE 19 – CONTRIBUTED CAPITAL**

There was no change in contributed capital during 1999.



**CITY OF MASSILLON  
STARK COUNTY**

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 1999**

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 Food Program for Women, Infants and Children (WIC)	1231	10.557	\$85,041	\$86,413
Summer Food Service Program	N/A	10.559	<u>33,494</u>	<u>34,368</u>
Total U.S. Department of Agriculture			118,535	120,781
<b><u>U.S. DEPARTMENT OF TRANSPORTATION:</u></b>				
<i>Passed Through Ohio Department of Public Safety</i>				
State and Community Highway Safety	99-13-01-J7-J-410	20.600	18,194	13,004
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></b>				
<i>Direct</i>				
Community Development Block Grant		14.218	374,676	403,742
Community Development Block Grant			489,349	519,030
Community Development Block Grant Loan			<u>1,177,765</u>	<u>1,175,000</u>
Total Community Development Block Grant			2,041,790	2,097,772
<i>Passed Through Stark County HOME Consortium</i>				
HOME Investment Partnerships Program	N/A	14.239	<u>88,968</u>	<u>88,257</u>
Total U.S. Department of Housing and Urban Development			2,130,758	2,186,029
<b><u>U.S. DEPARTMENT OF JUSTICE:</u></b>				
<i>Passed Through Ohio Office of Criminal Justice Services</i>				
Community Oriented Policing Services (COPS)	N/A	16.710	(54,247)	0
<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	97-WFVA28225 98-WFVA28225	16.588	32,711	33,828
			<u>8,464</u>	<u>11,828</u>
Total Violence Against Women Formula Grants			<u>41,175</u>	<u>45,656</u>
<b>Total</b>			<b><u><u>\$2,254,415</u></u></b>	<b><u><u>\$2,365,470</u></u></b>

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

**CITY OF MASSILLON  
STARK COUNTY  
FOR THE YEAR ENDED DECEMBER 31, 1999**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Schedule of Receipts and Expenditures of Federal Awards (the Schedule) summarizes 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). 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 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 of Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan of this money is recorded as an expenditure on the accompanying the Schedule. 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 applicants personal guarantee of repayment, unconditionally and irrevocably guaranteeing repayment of the revolving loan funds loans to the City. At December 31, 1999, the gross amount of loans outstanding under this program were \$1,241,795. Of this balance, \$66,795 is presented on the balance sheet as "Loans receivable", and \$1,175,000 is presented on the balance sheet as "Notes receivable" since the City actually holds a mortgage note for the amount loaned to a developer.

**NOTE D - MATCHING REQUIREMENTS**

Certain federal programs require that the City 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.



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

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

To the Mayor and Members of City Council:

We have audited the general purpose financial statements of the City of Massillon, Stark County, (the City) as of and for the year ended December 31, 1999, and have issued our report thereon dated August 4, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether the 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 certain immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 4, 2000.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the 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 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 August 4, 2000.

City of Massillon  
Stark County  
Report of Independent Accountants on Compliance and on Internal  
Control Required by *Government Auditing Standards*  
Page 2

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

August 4, 2000



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  
1 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, (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 its major federal program for the year ended December 31, 1999. The City's major federal program is 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 its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance 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 of the 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 its major federal program for the year ended December 31, 1999.

### 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 the 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 the internal control over compliance in accordance with OMB Circular A-133.

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.



**Jim Petro**  
Auditor of State

August 4, 2000

**SCHEDULE OF FINDINGS**

**CITY OF MASSILLON  
STARK COUNTY  
DECEMBER 31, 1999**

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

<b>(d)(1)(i)</b>	<b>Type of Financial Statement Opinion</b>	Unqualified
<b>(d)(1)(ii)</b>	<b>Were there any material control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(ii)</b>	<b>Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iii)</b>	<b>Was there any reported material non-compliance at the financial statement level (GAGAS)?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any material internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(iv)</b>	<b>Were there any other reportable internal control weakness conditions reported for major federal programs?</b>	No
<b>(d)(1)(v)</b>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<b>(d)(1)(vi)</b>	<b>Are there any reportable findings under § .510?</b>	No
<b>(d)(1)(vii)</b>	<b>Major Programs (list):</b>	Community Development Block Grant CFDA # 14.218
<b>(d)(1)(viii)</b>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<b>(d)(1)(ix)</b>	<b>Low Risk Auditee?</b>	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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**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  
OCTOBER 12, 2000**