



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CITY OF MASSILLON
STARK COUNTY**

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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, Ohio, (the City) as of and for the year ended December 31, 2000, as listed in the Table of Contents. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Massillon, Stark County, as of December 31, 2000, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As more fully discussed in Note 9 in the general purpose financial statements, certain errors and omissions resulting in the understatement of fixed assets, contributed capital, loans payable, and proceeds on loans reported in the Enterprise Fund and overstatement of bond anticipation notes payable reported in the General Long-term Obligations Account Group were discovered during the current year. Accordingly, the beginning balances for the Enterprise Fund, Debt Service Fund, Capital Projects Fund, General Fixed Assets Account Group, and General Long-term Obligations Account Group were restated as of January 1, 2000, to correct these errors.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2001, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

Jim Petro
Auditor of State

August 24, 2001

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CITY OF MASSILLON
STARK COUNTY

COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 2000

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
ASSETS AND OTHER DEBITS				
Assets:				
Equity in pooled cash and cash equivalents	\$ 896,583	\$ 2,035,108	\$ 484,474	\$ 4,535,036
Cash and cash equivalents:				
In segregated accounts	-	1,606	-	-
Receivables:				
Taxes	2,197,176	349,656	19,124	181,678
Accounts	22,120	435,287	-	-
Special assessments	-	-	305,532	-
Accrued interest	292,148	7,463	-	-
Due from other funds	84,637	45,300	-	-
Due from other governments	140,542	121,914	-	-
Materials and supplies inventory	70,198	8,735	-	-
Notes receivable	-	2,250,000	1,228,975	-
Prepaid items	111,910	8,960	-	-
Loans receivable	-	38,899	-	-
Deferred charges	-	-	-	-
Fixed assets, (net where applicable of accumulated depreciation)	-	-	-	-
Other debits:				
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	\$ 3,815,314	\$ 5,302,928	\$ 2,038,105	\$ 4,716,714

See accompanying notes to the general purpose financial statements.

Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals Memorandum Only
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Obligations	
\$ 2,084,975	\$ 178,745	\$ 90,505	\$ -	\$ -	\$ 10,305,426
-	-	311,878	-	-	313,484
-	-	299,015	-	-	3,046,649
1,333,462	4,041	-	-	-	1,794,910
-	-	-	-	-	305,532
-	-	75	-	-	299,686
-	-	7,839	-	-	137,776
-	-	-	-	-	262,456
12,921	-	-	-	-	91,854
-	-	-	-	-	3,478,975
38,746	-	-	-	-	159,616
-	-	-	-	-	38,899
46,008	-	-	-	-	46,008
14,537,538	-	-	21,433,736	-	35,971,274
-	-	-	-	477,830	477,830
-	-	-	-	10,151	10,151
-	-	-	-	11,714,110	11,714,110
-	-	-	-	116,111	116,111
\$ 18,053,650	\$ 182,786	\$ 709,312	\$ 21,433,736	\$ 12,318,202	\$ 68,570,747

**CITY OF MASSILLON
STARK COUNTY**

**COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUPS
AS OF DECEMBER 31, 2000**

Governmental Fund Types

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
LIABILITIES, EQUITY AND OTHER CREDITS				
Liabilities:				
Accounts payable	\$ 93,159	\$ 89,102	\$ 5,148	\$ 119,901
Accrued wages and benefits	327,801	63,161	-	-
Compensated absences payable	133,892	2,346	-	-
Due to other funds	-	-	-	-
Due to other governments	505,898	463,436	-	-
Deferred revenue	1,203,743	689,885	305,532	-
Undistributed monies	-	-	-	-
Accrued interest payable	-	-	-	-
Unamortized premiums on bonds	-	-	-	-
Claims payable	-	-	-	-
Claimant liability	-	-	-	-
Police and firemen's pension liability	-	-	-	-
Loans payable	-	-	-	-
Special obligation debt	-	-	-	-
Capital leases payable	-	-	-	-
Bond anticipation notes	-	-	4,150,000	3,140,000
General obligation bonds payable	-	-	-	-
Special assessment debt with governmental commitment	-	-	-	-
Total liabilities	<u>2,264,493</u>	<u>1,307,930</u>	<u>4,460,680</u>	<u>3,259,901</u>
Fund equity and other credits:				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balance:				
Reserved for encumbrances	149,670	662,967	10,469	2,009,517
Reserved for inventory	70,198	8,735	-	-
Reserved for prepaid items	111,910	8,960	-	-
Reserved for debt service	-	-	(3,662,019)	-
Reserved for loans receivable	-	38,899	-	-
Reserved for notes receivable	-	2,250,000	1,228,975	-
Unreserved:				
Undesignated	1,219,043	1,025,437	-	(552,704)
Total fund equity and other credits	<u>1,550,821</u>	<u>3,994,998</u>	<u>(2,422,575)</u>	<u>1,456,813</u>
Total liabilities, fund equity and other credits	<u>\$ 3,815,314</u>	<u>\$ 5,302,928</u>	<u>\$ 2,038,105</u>	<u>\$ 4,716,714</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	General Fixed Assets	General Long-term Obligations	
\$ 131,125	\$ -	\$ -	\$ -	\$ -	438,435
63,502	-	-	-	-	454,464
310,775	-	-	-	1,667,960	2,114,973
-	-	137,776	-	-	137,776
148,471	-	468,005	-	-	1,585,810
-	-	-	-	-	2,199,160
-	-	67,924	-	-	67,924
110,193	-	-	-	-	110,193
61,834	-	-	-	-	61,834
-	178,987	-	-	-	178,987
-	-	30,320	-	-	30,320
-	-	-	-	1,674,288	1,674,288
2,588,655	-	-	-	2,250,000	4,838,655
-	-	-	-	164,898	164,898
612,999	-	-	-	521,056	1,134,055
3,205,000	-	-	-	1,690,000	12,185,000
3,915,000	-	-	-	4,175,000	8,090,000
-	-	-	-	175,000	175,000
<u>11,147,554</u>	<u>178,987</u>	<u>704,025</u>	<u>-</u>	<u>12,318,202</u>	<u>35,641,772</u>
-	-	-	21,433,736	-	21,433,736
442,356	-	-	-	-	442,356
6,463,740	3,799	-	-	-	6,467,539
-	-	-	-	-	2,832,623
-	-	-	-	-	78,933
-	-	-	-	-	120,870
-	-	-	-	-	(3,662,019)
-	-	-	-	-	38,899
-	-	-	-	-	3,478,975
-	-	5,287	-	-	1,697,063
<u>6,906,096</u>	<u>3,799</u>	<u>5,287</u>	<u>21,433,736</u>	<u>-</u>	<u>32,928,975</u>
<u>\$ 18,053,650</u>	<u>\$ 182,786</u>	<u>\$ 709,312</u>	<u>\$ 21,433,736</u>	<u>\$ 12,318,202</u>	<u>\$ 68,570,747</u>

**CITY OF MASSILLON
STARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Municipal income tax	\$ 8,721,606	\$ 868,245	\$ 193,035	\$ 1,839,656
Property and other taxes	1,404,788	221,716	-	-
Charges for services	164,741	117,782	-	-
Licenses and permits	326,116	66,228	-	-
Fines and forfeitures	1,309,178	627,056	-	-
Intergovernmental	1,467,278	2,543,845	-	476,205
Special assessments	-	-	28,278	-
Investment income	705,228	23,850	-	-
Donations and contributions	-	-	-	-
Other	116,370	173,085	119,034	50,800
Total revenues	<u>14,215,305</u>	<u>4,641,807</u>	<u>340,347</u>	<u>2,366,661</u>
Expenditures:				
Current:				
General government	4,697,113	415,907	-	-
Security of persons and property	6,682,528	1,074,063	-	-
Public health and welfare	404,891	116,308	-	-
Transportation	993,298	1,055,934	-	-
Basic utility services	-	25,009	-	-
Leisure time activities	-	976,960	-	102,920
Economic development and assistance	-	1,180,466	-	-
Urban redevelopment and housing	-	226,331	-	-
Other	697,158	2,001	27,100	11,290
Capital outlay	52,222	279,921	-	5,254,368
Debt service:				
Principal retirement	38,762	-	349,904	228,622
Interest and fiscal charges	12,463	56,137	446,511	53,697
Total expenditures	<u>13,578,435</u>	<u>5,409,037</u>	<u>823,515</u>	<u>5,650,897</u>
Excess of revenues over (under) expenditures	<u>636,870</u>	<u>(767,230)</u>	<u>(483,168)</u>	<u>(3,284,236)</u>
Other financing sources (uses):				
Sale of fixed assets	-	149,757	-	7,623
Inception of capital lease	-	-	-	161,459
Proceeds from sales of notes	-	-	135,292	1,583,386
Proceeds of loans	-	1,075,000	-	-
Operating transfers - in	-	821,006	520,725	2,387,221
Operating transfers - out	(1,378,771)	(58,235)	(1,782,221)	(509,725)
Total other financing sources (uses)	<u>(1,378,771)</u>	<u>1,987,528</u>	<u>(1,126,204)</u>	<u>3,629,964</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(741,901)</u>	<u>1,220,298</u>	<u>(1,609,372)</u>	<u>345,728</u>
Fund balances at beginning of year, as restated in Note 9	2,282,281	2,771,592	(813,203)	1,111,085
Increase in reserve for inventory	10,441	3,108	-	-
Fund balances at end of year	<u>\$ 1,550,821</u>	<u>\$ 3,994,998</u>	<u>\$ (2,422,575)</u>	<u>\$ 1,456,813</u>

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type	Totals Memorandum Only
Expendable Trust	
\$ -	\$ 11,622,542
-	1,626,504
-	282,523
-	392,344
-	1,936,234
-	4,487,328
-	28,278
263	729,341
20,238	20,238
-	459,289
<u>20,501</u>	<u>21,584,621</u>
-	5,113,020
-	7,756,591
-	521,199
-	2,049,232
-	25,009
-	1,079,880
-	1,180,466
-	226,331
-	737,549
24,521	5,611,032
-	617,288
-	568,808
<u>24,521</u>	<u>25,486,405</u>
<u>(4,020)</u>	<u>(3,901,784)</u>
-	157,380
-	161,459
-	1,718,678
-	1,075,000
-	3,728,952
-	(3,728,952)
-	3,112,517
(4,020)	(789,267)
9,307	5,361,062
-	13,549
<u>\$ 5,287</u>	<u>\$ 4,585,344</u>

**CITY OF MASSILLON
STARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types		
	General Fund		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Municipal income tax	\$ 8,650,000	\$ 8,810,563	\$ 160,563
Property and other taxes	1,556,463	1,375,100	(181,363)
Charges for services	210,025	156,899	(53,126)
Licenses and permits	373,600	337,215	(36,385)
Fines and forfeitures	1,367,520	1,224,541	(142,979)
Intergovernmental	1,562,877	1,549,876	(13,001)
Special assessments	-	-	-
Investment income	412,000	641,464	229,464
Donations and contributions	-	-	-
Other	303,406	236,302	(67,104)
Total revenues	<u>14,435,891</u>	<u>14,331,960</u>	<u>(103,931)</u>
Expenditures:			
Current:			
General government	5,094,274	4,789,186	305,088
Security of persons and property	6,536,569	6,449,993	86,576
Public health and welfare	470,617	417,620	52,997
Transportation	1,145,300	1,034,968	110,332
Basic utility services	-	-	-
Leisure time activities	-	-	-
Economic development and assistance	-	-	-
Urban redevelopment and housing	-	-	-
Other	762,840	708,839	54,001
Capital outlay	106,218	103,660	2,558
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>14,115,818</u>	<u>13,504,266</u>	<u>611,552</u>
Excess of revenues over (under) expenditures	<u>320,073</u>	<u>827,694</u>	<u>507,621</u>
Other financing sources (uses):			
Proceeds of loan	-	-	-
Proceeds from the sale of fixed assets	-	-	-
Proceeds from the sale of notes	-	-	-
Operating transfers - in	-	-	-
Operating transfers - out	(1,379,603)	(1,378,771)	832
Total other financing sources (uses)	<u>(1,379,603)</u>	<u>(1,378,771)</u>	<u>832</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,059,530)	(551,077)	508,453
Fund balances at beginning of year	770,589	770,589	-
Prior year encumbrances appropriated	292,157	292,157	-
Fund balances at end of year	<u>\$ 3,216</u>	<u>\$ 511,669</u>	<u>\$ 508,453</u>

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)
\$ 860,000	\$ 877,116	\$ 17,116	\$ 188,000	\$ 195,006	\$ 7,006
212,804	212,716	(88)	-	-	-
115,390	113,939	(1,451)	-	-	-
90,850	66,228	(24,622)	-	-	-
575,359	581,882	6,523	-	-	-
3,164,687	2,560,222	(604,465)	-	-	-
-	-	-	28,700	28,278	(422)
-	16,387	16,387	-	-	-
-	-	-	-	-	-
125,491	201,121	75,630	130,336	144,729	14,393
<u>5,144,581</u>	<u>4,629,611</u>	<u>(514,970)</u>	<u>347,036</u>	<u>368,013</u>	<u>20,977</u>
616,344	532,047	84,297	-	-	-
1,086,276	1,007,954	78,322	-	-	-
129,027	115,239	13,788	-	-	-
1,226,629	1,026,980	199,649	-	-	-
32,260	26,051	6,209	-	-	-
1,071,826	962,998	108,828	-	-	-
2,849,540	2,707,313	142,227	-	-	-
380,686	277,519	103,167	-	-	-
2,435	2,101	334	36,142	35,899	243
417,986	348,124	69,862	-	-	-
-	-	-	4,516,252	4,503,075	13,177
56,137	56,137	-	484,373	478,732	5,641
<u>7,869,146</u>	<u>7,062,463</u>	<u>806,683</u>	<u>5,036,767</u>	<u>5,017,706</u>	<u>19,061</u>
<u>(2,724,565)</u>	<u>(2,432,852)</u>	<u>291,713</u>	<u>(4,689,731)</u>	<u>(4,649,693)</u>	<u>40,038</u>
1,075,000	1,075,000	-	-	-	-
232,400	232,404	4	-	-	-
-	-	-	4,275,000	4,285,292	10,292
748,235	821,006	72,771	520,333	520,725	392
(58,235)	(58,235)	-	-	-	-
<u>1,997,400</u>	<u>2,070,175</u>	<u>72,775</u>	<u>4,795,333</u>	<u>4,806,017</u>	<u>10,684</u>
(727,165)	(362,677)	364,488	105,602	156,324	50,722
1,167,192	1,167,192	-	302,176	302,176	-
500,735	500,735	-	7,252	7,252	-
<u>\$ 940,762</u>	<u>\$ 1,305,250</u>	<u>\$ 364,488</u>	<u>\$ 415,030</u>	<u>\$ 465,752</u>	<u>\$ 50,722</u>

(continued)

**CITY OF MASSILLON
STARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

	Governmental Fund Types		
	Capital Projects Funds		
	Revised Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Municipal income tax	\$ 1,898,566	\$ 1,858,412	\$ (40,154)
Property and other taxes	-	-	-
Charges for services	-	-	-
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental	690,212	495,120	(195,092)
Special assessments	-	-	-
Investment income	-	-	-
Donations and contributions	-	-	-
Other	2,249	50,800	48,551
Total revenues	<u>2,591,027</u>	<u>2,404,332</u>	<u>(186,695)</u>
Expenditures:			
Current:			
General government	-	-	-
Security of persons and property	-	-	-
Public health and welfare	-	-	-
Transportation	-	-	-
Basic utility services	-	-	-
Leisure time activities	211,190	207,398	3,792
Economic development and assistance	-	-	-
Urban redevelopment and housing	-	-	-
Other	11,500	11,290	210
Capital outlay	7,758,393	7,375,445	382,948
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>7,981,083</u>	<u>7,594,133</u>	<u>386,950</u>
Excess of revenues over (under) expenditures	<u>(5,390,056)</u>	<u>(5,189,801)</u>	<u>200,255</u>
Other financing sources (uses):			
Proceeds of loan	-	-	-
Proceeds from the sale of fixed assets	-	7,623	7,623
Proceeds from the sale of notes	4,723,376	4,723,386	10
Operating transfers - in	606,400	605,000	(1,400)
Operating transfers - out	(509,725)	(509,725)	-
Total other financing sources (uses)	<u>4,820,051</u>	<u>4,826,284</u>	<u>6,233</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(570,005)	(363,517)	206,488
Fund balances at beginning of year	1,100,257	1,100,257	-
Prior year encumbrances appropriated	<u>1,639,357</u>	<u>1,639,357</u>	<u>-</u>
Fund balances at end of year	<u>\$ 2,169,609</u>	<u>\$ 2,376,097</u>	<u>\$ 206,488</u>

See accompanying notes to the general purpose financial statements.

Fiduciary Fund Type			Totals		
Expendable Trust Funds			(Memorandum Only)		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 11,596,566	\$ 11,741,097	\$ 144,531
-	-	-	1,769,267	1,587,816	(181,451)
-	-	-	325,415	270,838	(54,577)
-	-	-	464,450	403,443	(61,007)
-	-	-	1,942,879	1,806,423	(136,456)
-	-	-	5,417,776	4,605,218	(812,558)
-	-	-	28,700	28,278	(422)
243	285	42	412,243	658,136	245,893
20,238	20,238	-	20,238	20,238	-
13,500	14,068	568	574,982	647,020	72,038
33,981	34,591	610	22,552,516	21,768,507	(784,009)
-	-	-	5,710,618	5,321,233	389,385
-	-	-	7,622,845	7,457,947	164,898
-	-	-	599,644	532,859	66,785
-	-	-	2,371,929	2,061,948	309,981
-	-	-	32,260	26,051	6,209
-	-	-	1,283,016	1,170,396	112,620
-	-	-	2,849,540	2,707,313	142,227
-	-	-	380,686	277,519	103,167
13,000	424	12,576	825,917	758,553	67,364
24,521	24,521	-	8,307,118	7,851,750	455,368
-	-	-	4,516,252	4,503,075	13,177
-	-	-	540,510	534,869	5,641
37,521	24,945	12,576	35,040,335	33,203,513	1,836,822
(3,540)	9,646	13,186	(12,487,819)	(11,435,006)	1,052,813
-	-	-	1,075,000	1,075,000	-
-	-	-	232,400	240,027	7,627
-	-	-	8,998,376	9,008,678	10,302
-	-	-	1,874,968	1,946,731	71,763
-	-	-	(1,947,563)	(1,946,731)	832
-	-	-	10,233,181	10,323,705	90,524
(3,540)	9,646	13,186	(2,254,638)	(1,111,301)	1,143,337
25,886	25,886	-	3,366,100	3,366,100	-
-	-	-	2,439,501	2,439,501	-
\$ 22,346	\$ 35,532	\$ 13,186	\$ 3,550,963	\$ 4,694,300	\$ 1,143,337

**CITY OF MASSILLON
STARK COUNTY**

**COMBINED STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Types</u>		Totals (Memorandum Only)
	<u>Enterprise</u>	<u>Internal Service</u>	
Operating revenues:			
Charges for services	\$ 5,087,588	\$ 1,322,960	\$ 6,410,548
Other	553,011	17,064	570,075
Total operating revenues	<u>5,640,599</u>	<u>1,340,024</u>	<u>6,980,623</u>
Operating expenses:			
Personal services	2,042,118	-	2,042,118
Fringe benefits	536,873	-	536,873
Contractual services	1,254,909	688,949	1,943,858
Claims	-	937,877	937,877
Materials and supplies	964,852	-	964,852
Depreciation	748,419	-	748,419
Other	1,563	-	1,563
Total operating expenses	<u>5,548,734</u>	<u>1,626,826</u>	<u>7,175,560</u>
Operating income/loss	<u>91,865</u>	<u>(286,802)</u>	<u>(194,937)</u>
Non-operating revenues (expenses):			
Grants	2,204	-	2,204
Interest and fiscal charges	(497,415)	-	(497,415)
Total non-operating revenues (expenses)	<u>(495,211)</u>	<u>-</u>	<u>(495,211)</u>
Net loss	(403,346)	(286,802)	(690,148)
Retained earnings at beginning of year, as restated in Note 9	<u>6,867,086</u>	<u>290,601</u>	<u>7,157,687</u>
Retained earnings at end of year	<u>\$ 6,463,740</u>	<u>\$ 3,799</u>	<u>\$ 6,467,539</u>

See accompanying notes to the general purpose financial statements.

CITY OF MASSILLON
STARK COUNTY

**COMBINED STATEMENT OF CASH FLOWS
ALL PROPRIETARY FUND TYPES
FOR THE YEAR ENDED DECEMBER 31, 2000**

	<u>Proprietary Fund Types</u>		<u>Totals (Memorandum Only)</u>
	<u>Enterprise</u>	<u>Internal Service</u>	
<u>Cash flows from operating activities:</u>			
Operating income/loss	\$ 91,865	\$ (286,802)	\$ (194,937)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	748,419	-	748,419
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(247,349)	(4,041)	(251,390)
Inventory of supplies	2,804	-	2,804
Prepaid items	464	-	464
Due from other governments	107,194	3,510	110,704
Increase (decrease) in liabilities:			
Accounts payable	(170,591)	(48,301)	(218,892)
Claims payable	-	122,931	122,931
Accrued wages	(6,723)	-	(6,723)
Compensated absences	15,931	-	15,931
Due to other governments	55,861	-	55,861
Net cash provided by (used for) operating activities	<u>597,875</u>	<u>(212,703)</u>	<u>385,172</u>
<u>Cash flows from noncapital financing activities:</u>			
Grants	<u>2,462</u>	-	<u>2,462</u>
Net cash provided by noncapital financing activities	<u>2,462</u>	-	<u>2,462</u>
<u>Cash flows from capital and related financing activities:</u>			
Repayment from note receivable	27,549	-	27,549
Proceeds of note	3,205,000	-	3,205,000
Proceeds of loan	1,374,749	-	1,374,749
Principal payment on notes and bonds	(1,230,000)	-	(1,230,000)
Interest payments on notes and bonds	(281,996)	-	(281,996)
Principal payments on capital lease	(107,976)	-	(107,976)
Interest payments on capital lease	(37,563)	-	(37,563)
Principal payment on loans	(34,621)	-	(34,621)
Interest paid on loans	(96,213)	-	(96,213)
Acquisition of capital assets	<u>(3,680,095)</u>	-	<u>(3,680,095)</u>
Net cash used for capital and related financing activities	<u>(861,166)</u>	-	<u>(861,166)</u>
Net decrease in cash and cash equivalents	(260,829)	(212,703)	(473,532)
Cash and cash equivalents at beginning of year	<u>2,345,804</u>	<u>391,448</u>	<u>2,737,252</u>
Cash and cash equivalents at end of year	<u>\$ 2,084,975</u>	<u>\$ 178,745</u>	<u>\$ 2,263,720</u>

See accompanying notes to the general purpose financial statements.

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**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000**

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 18.261 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 16 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.

CITY OF MASSILLON
STARK COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

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

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.

CITY OF MASSILLON
STARK COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fiduciary Fund Types

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

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

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

Account Groups

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

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

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

C. Basis of Accounting

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

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.

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2000, 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 (the "Commission") determines if the budget substantiates a need to levy the full amount of authorized property tax rates and reviews revenue estimates. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives an official certificate of estimated resources, which states the projected revenue of each fund.

CITY OF MASSILLON
STARK COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

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

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 2000.

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

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

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

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 2000, investments were limited to repurchase agreements. At year-end the City's only investments were repurchase agreements. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, 2000 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure or expense is reported in the year in which services are consumed.

H. Deferred Charges and Bond Premiums

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

I. Fixed Assets and Depreciation

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

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.

CITY OF MASSILLON
STARK COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

J. Contributed Capital

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

K. Compensated Absences

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

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

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City did not accrue a liability for vacation benefits as of December 31. The City's policy and various employment contracts allow employees to earn vacation leave based on the completion of a certain number of years of employment. The employees become eligible for the vacation benefits on or after January 1, with an exception made for first year employees. Vacation is not allowed to be carried forward to the following calendar year. After an employee completes one year of service, then January 1 is considered their anniversary date for vacation purposes. Based on the City's policy and contracts, a liability for earned vacation leave exists on January 1. The January 1 liability is determined by the number of days posted to each employee's account and is based on the pay rate for the year taken. As of January 1, 2001 the amount to be paid out for vacation leave is \$814,195 with \$126,893 of this amount to be paid by enterprise funds. The remaining amount will be paid in the governmental funds. This calculated amount does not include any employer taxes or retirement contributions.

L. Long-Term Obligations

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

M. Reserves of Fund Balance

Reserves of fund balance indicate that a portion of the fund balance is not available for expenditure or is legally segregated for a specific future use. Governmental fund type fund balances are reserved for encumbrances, inventory (materials and supplies), loans receivable, prepaid items, debt service, and notes receivable. Enterprise fund reservation of retained earnings indicates that portion of retained earnings which is legally segregated for a specific future use. There is no reservation of retained earnings at December 31, 2000.

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.

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Estimates

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

Q. Memorandum Only – Total Columns on Combined Financial Statements

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

2. BUDGETARY BASIS OF ACCOUNTING

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

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

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

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

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

2. BUDGETARY BASIS OF ACCOUNTING (Continued)

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

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ (741,901)	\$ 1,220,298	\$ (1,609,372)	\$ 345,728	\$ (4,020)
Revenue Accruals	116,655	70,451	4,177,666	1,233,991	14,090
Expenditure Accruals	318,885	(935,929)	(2,396,353)	186,182	(424)
Encumbrances (Budget Basis)					
Outstanding at year end	<u>(244,716)</u>	<u>(717,497)</u>	<u>(15,617)</u>	<u>(2,129,418)</u>	<u>-</u>
Budget Basis	<u>\$ (551,077)</u>	<u>\$ (362,677)</u>	<u>\$ 156,324</u>	<u>\$ (363,517)</u>	<u>\$ 9,646</u>

3. DEPOSITS AND INVESTMENTS

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

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

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts including passbook accounts. Interim monies may be invested in the following obligations provided they are redeemable within five years of the date of settlement:

1. United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

3. Written repurchase agreements in securities listed provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 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; and
3. Obligations of the City.

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

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

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

Cash on hand - At fiscal year end, the City had \$186,556 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.

Deposits: At year-end, the City's carrying amount of deposits was \$9,277,354 and the bank balance was \$10,341,596. Of the bank balance, \$605,112 was covered by Federal Depository Insurance or by collateral held by the City's agent in the City's name. Of the remaining balance, \$9,736,484 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

3. DEPOSITS AND INVESTMENTS (Continued)

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

The only City investments at year-end were repurchase agreements. These are Category 3 investments, with a carrying value and fair value of \$1,155,000. Interest earned on the deposits in the Massillon Bicentennial expendable trust fund, the Massillon Municipal Court agency fund and certain street maintenance and repair special revenue funds are recorded in those funds as required by trust agreements and state statute. All other interest is legally required to be placed in the general fund. Interest revenue credited to the general fund during the fiscal year 2000 amounted to \$705,228 which includes \$644,977 assigned from other City funds.

4. PROPERTY TAX

Property taxes include amounts levied against all real and public utility property, and tangible personal (used in business) property located in the City. Real property taxes were levied after October 1, 1999 on the assessed value as of January 1, 1999, the lien date, and were collected in 2000. 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 2000 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 thirty-five percent of assessed valuation. 2000 tangible personal property taxes are levied after October 1, 1999, on the value listed as of December 31, 1999, and are collected in 2000. 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, 2000, was \$4.70 per \$1,000 of assessed valuation.

The assessed values upon which the 2000 taxes were collected are as follows:

<u>Property Category</u>	<u>1999 Assessed Value</u>	<u>Percent</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 214,706,460	53.8 %
Commercial, Industrial, Mineral	73,488,470	18.4
Public Utilities	267,320	0.1
<u>Tangible Personal Property</u>		
General	83,241,267	20.9
Public Utilities	27,103,700	6.8
Total	\$ 398,807,217	100.0 %

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

4. PROPERTY TAX (Continued)

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

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

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

Accrued property taxes receivable represents delinquent taxes outstanding and real property, public utility, and tangible personal property taxes, which became measurable as of December 31, 2000. However, since these tax collections will not be received during the available period nor are they intended to finance 2000 operations, the receivable is offset by a credit to deferred revenue.

5. INCOME TAX

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

6. FIXED ASSETS

General Fixed Assets: Changes in general fixed assets during 2000 were as follows:

	Balance <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>December 31</u>
Land and land improvements	\$ 4,594,262	\$ 4,335,861	\$ (6,720)	\$ 8,923,403
Buildings	5,670,777	560,494	(127,005)	6,104,266
Vehicles	4,310,428	99,097	(74,200)	4,335,325
Machinery and equipment	962,392	364,889	(30,035)	1,297,246
Construction in progress	<u>3,103,249</u>	<u>773,496</u>	<u>(3,103,249)</u>	<u>773,496</u>
Total	<u>\$ 18,641,108</u>	<u>\$ 6,133,837</u>	<u>\$ (3,341,209)</u>	<u>\$ 21,433,736</u>

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

6. FIXED ASSETS (Continued)

Enterprise Fund: A summary of the enterprise funds' fixed assets as of December 31, 2000, follows:

<u>Classification</u>	<u>Balance</u>
Land and land improvements	\$ 2,281,911
Buildings	7,895,761
Equipment	2,154,820
Vehicles	926,875
Infrastructure	9,376,708
Construction in progress	<u>3,364,815</u>
Total	26,000,890
Less: accumulated depreciation	<u>(11,463,352)</u>
Net fixed assets	<u>\$ 14,537,538</u>

7. CAPITAL LEASES

The City leases various vehicles and equipment through capital leasing arrangements in the governmental and proprietary fund types. The assets and obligations for agreements of the governmental funds are recorded in the general fixed asset account group and the general long-term obligations account group, respectively, and are recorded in the proprietary funds directly. General fixed assets attributable to capital leases consist of vehicles in the amount of \$548,980 and machinery and equipment in the amount of \$179,629. There are also \$23,000 in vehicles, and \$174,047 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, 2000.

<u>Year</u>	<u>General Long- Term Obligations</u>	<u>Proprietary Fund Type</u>
2001	\$ 257,256	\$ 145,538
2002	170,551	111,105
2003	27,934	83,803
2004	27,934	83,803
2005	27,934	83,803
Thereafter	<u>76,820</u>	<u>230,459</u>
Total minimum lease payment	588,429	738,511
Less: amount representing interest	<u>67,373</u>	<u>125,512</u>
Present value of minimum lease payments	<u>\$ 521,056</u>	<u>\$ 612,999</u>

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

8. INTERFUND TRANSACTIONS

As of December 31, 2000, receivables and payables that resulted from various interfund transactions were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General fund	Municipal court agency fund	\$ 84,637
Special revenue	Municipal court agency fund	45,300
Agency fund	Municipal court agency fund	<u>7,839</u>
		<u>\$ 137,776</u>

9. RESTATEMENT OF PRIOR YEAR BALANCES

Following the close of the previous year, an error was found in the reporting of a capital projects fund. The fund was then reclassified as an enterprise fund during fiscal year 2000. This enterprise fund was established for the construction of sanitary sewer lines and was partially financed by an on-behalf WPC Loan. As of December 31, 1999, the drawn down on the loan was \$900,627; however, only \$81,322 of this amount was reported in the previous year. In addition, the previously reported \$845,440 accounts payable and \$81,322 loan payable were reported in error and understated, respectively. The sanitary sewer line project also had Construction in Progress (CIP) totaling \$1,016,852 of which \$90,090 represented contributed capital from other funds that was not previously reported. The enterprise wastewater fund had \$321,765 related to CIP that was previously reported and an additional drawn down on the loan for \$164,536. As a result, net income of \$232,664 should have been reported in the enterprise fund rather than the net loss of \$612,776 previously reported. In addition, excess of revenues and other financing sources over/under expenditures and other financing uses of \$0 should have been reported in the capital projects fund rather than the (\$845,440) previously reported.

The general fixed asset account group excluded \$2,643,296 of CIP and included \$285,588 of items below the City's capitalization threshold.

\$1,750,000 and \$2,400,000 of bond anticipation notes were reclassified from the general long-term account group to the capital projects park and recreation fund and debt service bond retirement park and recreation fund, respectively.

Due to these errors, a restatement of beginning balances and retained earnings is necessary. The restatements are as follows:

	<u>Enterprise</u>	<u>Capital Projects</u>	<u>Debt Service</u>
Retained Earnings/Fund Balance			
as previously stated December 31, 1999	\$ 6,709,857	\$ 2,015,645	\$ 1,586,797
Prior year restatements	<u>157,229</u>	<u>(904,560)</u>	<u>(2,400,000)</u>
Restated January 1, 2000	<u>\$ 6,867,086</u>	<u>\$ 1,111,085</u>	<u>\$ (813,203)</u>
	<u>General Long Term Obligations</u>	<u>General Fixed Asset Account Group</u>	
Account Balance as			
as previously stated at December 31, 1999	\$ 14,199,120	\$ 16,283,400	
Prior year restatements	<u>(4,231,322)</u>	<u>2,357,708</u>	
Restated January 1, 2000	<u>\$ 9,967,798</u>	<u>\$ 18,641,108</u>	

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

10. CONDUIT DEBT OBLIGATIONS

The City has served as the issuer of two industrial development revenue bonds totaling \$3,650,000. The proceeds from the first issue, in the amount of \$2,000,000, were used to finance the costs of acquiring, constructing and installing robotic and other equipment and facilities improvements for a local manufacturer. The proceeds from the second issue, in the amount of \$1,650,000, were used to assist a local manufacturer in the financing of costs of acquiring, constructing and installing a project. The manufacturer will make the principal and interest payments on both of these bonds. The industrial development revenue bonds do not constitute a general obligation, debt or bond indebtedness to the City.

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, 2000 follows:

	Balance 1/1/00	Additions	Reductions	Balance 12/31/00
<u>Enterprise Fund Obligations</u>				
<u>General Obligation Bonds</u>				
1988 Sewer System Bonds Series B 6.5 - 7.38%	\$ 1,245,000	\$ -	\$ (105,000)	\$ 1,140,000
1995 Legends of Massillon Golf Course Bonds 3.750 - 6.625%	2,900,000	-	(125,000)	2,775,000
Total General Obligation Bonds	4,145,000	-	(230,000)	3,915,000
<u>Other Long-term Obligations</u>				
Bond anticipation note, 4.67%	1,000,000	-	(1,000,000)	-
Bond anticipation note, 5.10%	-	3,205,000	-	3,205,000
Sanitary Sewer WPC Loan, 3.81%	926,762	481,014	(34,621)	1,373,155
Wastewater Plant WPC Loan, 3.2%	321,765	893,735	-	1,215,500
Capital leases	720,975	-	(107,976)	612,999
Long-term compensated absences	294,844	15,931	-	310,775
Total Other Long-term Obligations	3,264,346	4,595,680	(1,142,597)	6,717,429
Total Enterprise Obligations	\$ 7,409,346	\$ 4,595,680	\$ (1,372,597)	\$ 10,632,429

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

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

	<u>Balance</u> <u>1/1/00</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/00</u>
<u>General Long Term Obligations</u>				
General Obligation Bonds and Bond				
<u>Anticipation Notes</u>				
1994 Lincoln Center Bond 4.00 - 6.00%	\$ 3,075,000	\$ -	\$ (130,000)	\$ 2,945,000
1994 Senior Center Bond 8.00 - 8.50%	1,245,000	-	(15,000)	1,230,000
1999 Marketplace Infrastructure BAN, 4.24%	125,000	-	(125,000)	-
2000 Marketplace Infrastructure TIF BAN, 4.24%	<u>-</u>	<u>1,690,000</u>	<u>-</u>	<u>1,690,000</u>
Total General Obligation Bonds and				
Bond Anticipation Notes	<u>4,445,000</u>	<u>1,690,000</u>	<u>(270,000)</u>	<u>5,865,000</u>
<u>Long-term Loans</u>				
1999 HUD Section 108 Loan	<u>1,175,000</u>	<u>1,075,000</u>	<u>-</u>	<u>2,250,000</u>
<u>Special Obligation</u>				
1993 State Hospital Endowment 0.0%	<u>205,802</u>	<u>-</u>	<u>(40,904)</u>	<u>164,898</u>
<u>Special Assessment Debt</u>				
1985 Street Improvements 9.125%	54,000	-	(9,000)	45,000
1988 Sewer System Bonds Series A 9.375%	10,000	-	(10,000)	-
1995 Castle West Circle & Shaw Ave 5.50%	<u>150,000</u>	<u>-</u>	<u>(20,000)</u>	<u>130,000</u>
Total Special Assessment Debt	<u>214,000</u>	<u>-</u>	<u>(39,000)</u>	<u>175,000</u>
<u>Other Obligations</u>				
Police and firemen's pension liability	1,695,447	-	(21,159)	1,674,288
Long-term compensated absences	1,605,568	62,392	-	1,667,960
Capital lease payable	<u>626,981</u>	<u>161,459</u>	<u>(267,384)</u>	<u>521,056</u>
Total Other Obligations	<u>3,927,996</u>	<u>223,851</u>	<u>(288,543)</u>	<u>3,863,304</u>
Total General Long-term Obligations	<u>\$ 9,967,798</u>	<u>\$ 2,988,851</u>	<u>\$ (638,447)</u>	<u>\$ 12,318,202</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, 2000, including interest payments of \$4,783,842 are as follows:

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

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

<u>Year</u>	<u>Enterprise Bonds</u>	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Total</u>
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
2005	486,988	445,513	41,471	973,972
Thereafter	3,438,765	4,740,373	-	8,179,138
Total	<u>\$ 5,878,098</u>	<u>\$ 6,961,426</u>	<u>\$ 209,318</u>	<u>\$ 13,048,842</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 2000, a note for \$1,690,000 was issued to finance construction of the Marketplace infrastructure and the Legends Golf Course issued a bond anticipation note for \$3,205,000 to finance golf course expansion.

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 \$2,250,000, which the City has in turn agreed to lend to the Downtown Massillon Hotel, Ltd. 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. 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 for an upgrade project of the wastewater treatment plant.

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

12. SHORT TERM OBLIGATIONS

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

	<u>Amount</u>
Bond retirement park and recreation - debt service fund	\$ 4,150,000
Lincoln center III - capital projects fund	2,700,000
P&R reservoir project - capital projects fund	240,000
P&R recreation center project - capital projects fund	<u>200,000</u>
	<u>\$ 7,290,000</u>

During 2000, the Park and Recreation Department issued three bond anticipation notes. One note for \$4,150,000 to finance the acquisition of land, another for \$200,000 to finance preliminary expenses for a recreation center and a third for \$240,000 to finance dredging of the City Reservoir. Also during 2000, a Tax Increment Financing (TIF) bond anticipation note was issued for \$2,700,000 to finance the construction of the Lincoln Center complex. The TIF bond anticipation note was issued to encourage development in a redevelopment area. Revenues for payment of interest and principal on the bond result from service payments being made in lieu of taxes.

13. DEFINED BENEFIT PENSION PLANS

A. PUBLIC EMPLOYEES RETIREMENT SYSTEM

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

Plan members are required to contribute 8.5 percent of their annual covered salary to fund pension obligations. For the calendar year 2000, PERS instituted a temporary employer rate rollback for state and local governments. The 2000 employer pension contribution rate for the City was 6.54 percent of covered payroll, reduced from 9.35 percent in 1999. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's required contributions to the PERS for the years ending December 31, 2000, 1999 and 1998 were \$771,068, \$926,800 and \$863,398 respectively. The full amount has been contributed for 1999 and 1998. 67 percent has been contributed for 2000 with the remainder being reported as a liability within the respective funds.

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

13. DEFINED BENEFIT PENSION PLANS (Continued)

B. OHIO POLICE AND FIRE PENSION FUND

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

Police and firefighters are required to contribute 10 percent of their annual covered salary to fund pension obligations and the City is required to contribute 12.25 percent for police and 16.75 percent for firefighters. For 2000, the City's contributions were 12.5 percent for police and 17 percent for firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$1,085,103 for the year ended December 31, 2000, \$972,222 for the year ended December 31, 1999, \$911,297 for the year ended December 31, 1998. The full amount has been contributed for 1999 and 1998. 81 percent, has been contributed for 2000 with the remainder being reported as a liability within the respective funds.

14. POSTEMPLOYMENT BENEFITS

A. Public Employees Retirement System

The Public Employees Retirement System of Ohio (PERS) provides postretirement health care coverage to age and service retirees with ten or more years of qualifying Ohio service credit. Health care coverage for disability recipients and primary survivor recipients is available. The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No. 12, "Disclosure of Information on Postemployment Benefits Other Than Pension Benefits by State and Local Governmental Employers". A portion of each employer's contribution to the PERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2000 employer contribution rate was 10.84 percent of covered payroll; 4.3 percent was the portion that was used to fund health care for the year 2000. For 1999, the contribution rate was 13.55 percent of covered payroll; 4.20 percent was the portion that was used to fund health care.

Benefits are advance-funded using the entry age normal cost method. Significant actuarial assumptions, based on PERS's latest actuarial review performed as of December 31, 1999, include a rate of return on investments of 7.75 percent, an annual increase in active employee total payroll of 4.75 percent compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .54 percent and 5.1 percent based on additional annual pay increases. Health care premiums were assumed to increase 4.75 percent annually.

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

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

14. POSTEMPLOYMENT BENEFITS (Continued)

The number of active participants was 401,339. The City's actual contributions for 2000 which were used to fund postemployment benefits were \$305,867. The actual contribution and the actuarially required contribution amounts are the same. PERS's net assets available for payment of benefits at December 31, 1999, (the latest information available) were \$10,805.5 million. The actuarially accrued liability and the unfunded actuarial accrued liability were \$12,473.6 million and \$1,668.1 million, respectively.

B. Ohio Police and Fire Pension Fund

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No.12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that the health care costs are paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go-basis. The total police employer contribution rate is 19.5 percent of covered payroll and the total firefighter employer contribution rate is 24 percent of covered payroll, of which 7.25 percent of covered payroll was applied to the postemployment health care program during 2000. For 1999 the percent used to fund healthcare was 7 percent. In addition, since July 1, 1992, most retirees have been required to contribute a portion of the cost of their health care coverage through a deduction from their monthly benefit payment.

The City's actual contributions for 2000 that were used to fund postemployment benefits were \$365,600 for police and fire. The OP&F's total health care expenses for the year ended December 31, 1999, (the latest information available) were \$95,004,633, which was net of member contributions of \$5,518,098. The number of OP&F participants eligible to receive health care benefits as of December 31, 1999, was 12,467 for police and 9,807 for firefighters.

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

15. 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 \$178,987 reported in the fund at December 31, 2000, 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 1999 and 2000 were:

		Balance at beginning of year	Current year claims	Claim payments	Balance at end of year
1999	\$	35,913	566,192	546,049	56,056
2000	\$	56,056	937,877	814,946	178,987

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.

16. JOINTLY GOVERNED AND JOINT VENTURE ORGANIZATIONS

Jointly Governed

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

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

16. JOINTLY GOVERNED AND JOINT VENTURE ORGANIZATIONS (Continued)

The City appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The board exercises total authority over the operation of the Council including budgeting, appropriating, contracting and designating management. Continued existence of the Council is not dependent on the City's continued participation. The Council does not provide specific financial benefits or impose specific financial burdens on the City. The City did not make any contributions during the 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, appropriating, contracting, and designating management. Continued existence of LOGIC is dependent on the City's continued participation. LOGIC does not provide specific financial benefits or impose specific financial burdens on the City. During 2000, the City made contributions of \$299,983, but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.

17. FUND DEFICITS

As of December 31, 2000, certain funds had deficit balances/retained earnings. These deficits are a result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds, however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

17. FUND DEFICITS (Continued)

<u>Fund</u>	<u>Deficit</u>
Police pension special revenue fund	\$ 165,449
Fire pension special revenue fund	167,573
Legends golf course enterprise fund	1,172,775
Bond retirement park & recreation debt service fund	3,869,600
P&R reservoir project capital projects fund	148,440
Lincoln center III capital projects fund	40,866

18. SEGMENT INFORMATION- ENTERPRISE FUNDS

Financial segment information as of and for the year ended December 31, 2000 for the enterprise funds is presented as follows:

	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total</u>
Operating revenues	\$ 3,697,968	\$ 917,473	\$ 1,025,158	\$ 5,640,599
Depreciation expense	505,529	29,406	213,484	748,419
Operating income (loss)	438,238	60,833	(407,206)	91,865
Operating grants	-	2,204	-	2,204
Net income (loss)	220,676	59,492	(683,514)	(403,346)
Contributed capital	124,510	-	-	124,510
Fixed asset additions	1,548,279	-	2,269,715	3,817,994
Net working capital	1,725,452	141,350	(2,701,975)	(835,173)
Total assets	12,362,283	353,405	5,337,962	18,053,650
Outstanding long-term liabilities:				
Payable from operating sources	4,025,119	72,869	2,698,281	6,796,269
Total equity	7,662,580	188,535	(945,019)	6,906,096
Encumbrances outstanding budget basis at December 31, 2000	\$ 239,024	\$ 15,677	\$ 488,610	\$ 743,311

19. CONTINGENT LIABILITIES

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

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
DECEMBER 31, 2000
(Continued)**

20. CONTRIBUTED CAPITAL

The Legends Golf Course enterprise fund reports contributed capital for fixed assets contributed by other funds. During the year there was no change in contributed capital for this fund. The Wastewater Treatment enterprise fund also reports contributed capital for fixed assets contributed by other funds. During the year, there was \$124,510 in contributed capital for the Wastewater Treatment fund and there was a prior year restatement of \$90,090.

21. SUBSEQUENT EVENTS

On January 12, 2001, the City issued \$405,000 of bond anticipation notes to provide funding for the expansion of the golf course. The notes have an interest rate of 4.33 percent and mature on January 11, 2002.

On April 12, 2001, the City issued \$8,000,000 of bond anticipation notes to provide funding for the new recreation center. The notes have an interest rate of 3.74 percent and mature on January 11, 2002.

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CITY OF MASSILLON
STARK COUNTY

**SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2000**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
<i>Passed Through Ohio Department of Education and the City of Canton</i>				
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	00-76201FCL389	10.557	\$92,026	\$89,313
Summer Food Service Program for Children	N/A	10.559	<u>20,531</u>	<u>23,675</u>
Total U.S. Department of Agriculture			112,557	112,988
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
<i>Passed Through Ohio Department of Public Safety</i>				
State and Community Highway Safety	00-1301J7J410	20.600	8,033	8,033
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction	N/A	20.205	<u>319,908</u>	<u>319,908</u>
Total U.S. Department of Transportation			327,941	327,941
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
<i>Direct</i>				
Community Development Block Grant Community Development Block Grant/Loan		14.218	<u>1,009,309</u> <u>1,075,000</u>	<u>1,059,165</u> <u>1,075,000</u>
Total Community Development Block Grant/Loan			2,084,309	2,134,165
<i>Passed Through Stark County HOME Consortium</i>				
HOME Investment Partnerships Program	M00DC390204	14.239	<u>155,455</u>	<u>196,940</u>
Total U.S. Department of Housing and Urban Development			2,239,764	2,331,105
<u>U.S. DEPARTMENT OF INTERIOR:</u>				
<i>Direct</i>				
Assistance to State Water Resources Research Institutes		15.805	53,185	53,185
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
<i>Passed Through Ohio Office of Criminal Justice Services</i>				
Local Law Enforcement Block Grants Program	00-LBVX-2470 99-LBVX-7080 98-LBVX-3808	16.592	30,775 <u>41,253</u> <u>42,390</u>	0 <u>35,248</u> <u>38,432</u>
Total Local Law Enforcement Block Grants Program			114,418	73,680
<u>U.S. DEPARTMENT OF CRIMINAL JUSTICE:</u>				
<i>Passed Through Ohio Office of Criminal Justice Services</i>				
Violence Against Women Formula Grants	99-WFVA28225 00-WFVA28225	16.588	33,856 <u>868</u>	49,357 <u>0</u>
Total Violence Against Women Formula Grants			<u>34,724</u>	<u>49,357</u>
Totals			<u>\$2,882,589</u>	<u>\$2,948,256</u>

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

**CITY OF MASSILLON
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS
DECEMBER 31, 2000**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

The City passes-through certain federal assistance received from the U.S. Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). 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 OMB 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 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 the money is recorded as an expenditures on the accompanying Schedule. Loans repaid, including interest, are use to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, but are not included as expenditures on the Schedule.

These loans are collateralized by a deed of trust of mortgage in favor of the City upon all land, buildings, fixtures, equipment, and other assets of the applicant comprising the project, and by the applicant's personal guarantee of repayment, unconditionally and irrevocably guaranteeing repayment of the revolving loan funds to the City. At December 31, 2000, the gross amount of loans outstanding under this program were \$1,113,899. Of this balance, \$38,899 is presented on the balance sheet as "Loans receivable", and \$1,075,000 is presented on the balance sheet as "Notes receivable" together with \$1,175,000 "Notes receivable" outstanding from previous years since the City actually holds a mortgage note for the amount loaned to a developer.

NOTE D - MATCHING REQUIREMENTS

Certain federal programs require 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.



STATE OF OHIO
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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, Ohio, (the City) as of and for the year ended December 31, 2000, and have issued our report thereon dated August 24, 2001, in which we noted the Enterprise Fund, Debt Service Fund, Capital Projects Fund, General Fixed Assets Account Group, and General Long-term Obligations Account Group were restated. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

However, we noted immaterial instances of noncompliance that we have reported to management of the City in a separate letter dated August 24, 2001.

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 over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to management of the City in a separate letter dated August 24, 2001.

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

Jim Petro
Auditor of State

August 24, 2001



STATE OF OHIO
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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, Ohio, (the City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133, Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2000. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of 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 auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on 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 each of its major federal programs for the year ended December 31, 2000.

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 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, 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 24, 2001

**CITY OF MASSILLON
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2000**

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	Type of Financial Statement Opinion	Unqualified
(d)(1)(ii)	Were there any material control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(ii)	Were there any other reportable control weakness conditions reported at the financial statement level (GAGAS)?	No
(d)(1)(iii)	Was there any reported material non-compliance at the financial statement level (GAGAS)?	No
(d)(1)(iv)	Were there any material internal control weakness conditions reported for major federal programs?	No
(d)(1)(iv)	Were there any other reportable internal control weakness conditions reported for major federal programs?	No
(d)(1)(v)	Type of Major Programs' Compliance Opinion	Unqualified
(d)(1)(vi)	Are there any reportable findings under § .510?	No
(d)(1)(vii)	Major Programs (list):	Highway Planning and Construction, CFDA #20.205 HOME Investment Partnerships Program, CFDA #14.239 Community Development Block Grants/Entitlement Grant Loan, CFDA #14.218
(d)(1)(viii)	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
(d)(1)(ix)	Low Risk Auditee?	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None



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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 9, 2001**