



**Auditor of State  
Betty Montgomery**



CITY OF MASSILLON  
STARK COUNTY

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**Auditor of State  
Betty Montgomery**

**INDEPENDENT ACCOUNTANTS' REPORT**

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

To the Mayor and Member 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, 2002, 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, 2002, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2003 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 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. We subjected this information to the auditing procedures applied in the audit of the general-purpose financial statements. In our opinion, it is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 29, 2003

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CITY OF MASSILLON  
STARK COUNTY

COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 2002

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
<b>ASSETS AND OTHER DEBITS</b>				
<b>Assets:</b>				
Equity in pooled cash and cash equivalents	\$ 621,325	\$ 2,335,801	\$ 514,922	\$ 2,300,007
Cash and cash equivalents:				
In segregated accounts	-	1,082	-	-
Receivables:				
Taxes	2,536,531	394,420	80,263	80,264
Accounts	153,523	492,548	-	-
Interfund	75,000	-	-	-
Special assessments	-	-	185,589	-
Accrued interest	5,365	146	-	-
Due from other funds	73,832	58,209	-	-
Due from other governments	858,875	1,552,058	-	8,320
Materials and supplies inventory	117,510	13,931	-	-
Notes receivable	-	2,243,556	1,203,567	-
Prepaid items	145,577	8,960	-	-
Loans receivable	-	27,661	-	-
Deferred charges	-	-	-	-
Fixed assets, (net where applicable of accumulated depreciation)	-	-	-	-
<b>Other debits:</b>				
Amount to be provided from general government resources	-	-	-	-
Amount to be provided from special assessments	-	-	-	-
<b>Total assets and other debits</b>	<b>\$ 4,587,538</b>	<b>\$ 7,128,372</b>	<b>\$ 1,984,341</b>	<b>\$ 2,388,591</b>

See accompanying notes to the general purpose financial statements.



Proprietary Fund Types		Fiduciary Fund Types	Account Groups		Totals Memorandum Only
Enterprise	Internal Service	Trust and Agency	General Fixed Assets	General Long-term Obligations	
\$ 7,199,792	\$ 230,565	\$ 60,317	\$ -	\$ -	\$ 13,262,729
-	-	264,388	-	-	265,470
-	-	337,019	-	-	3,428,497
1,365,899	4,961	-	-	-	2,016,931
-	-	-	-	-	75,000
-	-	-	-	-	185,589
-	-	19	-	-	5,530
-	-	7,627	-	-	139,668
840	-	12,469	-	-	2,432,562
25,906	-	-	-	-	157,347
-	-	-	-	-	3,447,123
54,117	-	-	-	-	208,654
-	-	-	-	-	27,661
146,166	-	-	-	-	146,166
28,099,484	-	-	32,316,013	-	60,415,497
-	-	-	-	27,079,594	27,079,594
-	-	-	-	48,111	48,111
<b>\$ 36,892,204</b>	<b>\$ 235,526</b>	<b>\$ 681,839</b>	<b>\$ 32,316,013</b>	<b>\$ 27,127,705</b>	<b>\$ 113,342,129</b>

**CITY OF MASSILLON  
STARK COUNTY**

**COMBINED BALANCE SHEET  
ALL FUND TYPES AND ACCOUNT GROUPS  
DECEMBER 31, 2002**

**Governmental Fund Types**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>LIABILITIES, EQUITY AND OTHER CREDITS</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 267,365	\$ 114,542	\$ 1,762	\$ 55,917
Interfund payable	-	-	-	-
Accrued wages and benefits	407,663	97,447	-	-
Compensated absences payable	100,615	5,406	-	-
Due to other funds	-	-	-	-
Due to other governments	449,947	437,573	11,333	11,333
Deferred revenue	1,920,260	1,892,224	185,589	-
Undistributed monies	-	-	-	-
Accrued interest payable	-	-	-	-
Claims payable	-	-	-	-
Claimant liability	-	-	-	-
Police and firemen's pension liability	-	-	-	-
Loans payable	-	-	-	-
Special obligation debt	-	-	-	-
Capital leases payable	-	-	-	-
Bond anticipation notes	-	-	-	-
General obligation bonds payable	-	-	-	-
Special assessment debt with governmental commitment	-	-	-	-
<b>Total liabilities</b>	<u>3,145,850</u>	<u>2,547,192</u>	<u>198,684</u>	<u>67,250</u>
<b>Fund equity and other credits:</b>				
Investment in general fixed assets	-	-	-	-
Contributed capital	-	-	-	-
Retained earnings:				
Unreserved	-	-	-	-
Fund balance:				
Reserved for encumbrances	220,905	677,878	3,197	989,985
Reserved for inventory	117,510	13,931	-	-
Reserved for prepaid items	145,577	8,960	-	-
Reserved for debt service	-	-	578,893	-
Reserved for loans receivable	-	27,661	-	-
Reserved for notes receivable	-	2,243,556	1,203,567	-
Unreserved:				
Undesignated	957,696	1,609,194	-	1,331,356
<b>Total fund equity and other credits</b>	<u>1,441,688</u>	<u>4,581,180</u>	<u>1,785,657</u>	<u>2,321,341</u>
<b>Total liabilities, fund equity and other credits</b>	<u>\$ 4,587,538</u>	<u>\$ 7,128,372</u>	<u>\$ 1,984,341</u>	<u>\$ 2,388,591</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	
\$ 149,921	\$ -	\$ -	\$ -	\$ -	\$ 589,507
75,000	-	-	-	-	75,000
90,928	-	-	-	-	596,038
354,449	-	-	-	1,736,239	2,196,709
-	-	139,668	-	-	139,668
123,274	-	468,664	-	-	1,502,124
-	-	-	-	-	3,998,073
-	-	43,499	-	-	43,499
112,780	-	-	-	-	112,780
-	119,069	-	-	-	119,069
-	-	23,888	-	-	23,888
-	-	-	-	1,629,205	1,629,205
19,363,173	-	-	-	2,170,000	21,533,173
80,756	-	-	-	87,136	167,892
634,432	-	-	-	198,125	832,557
3,967,000	-	-	-	4,605,000	8,572,000
7,864,236	-	-	-	16,595,000	24,459,236
-	-	-	-	107,000	107,000
<u>32,815,949</u>	<u>119,069</u>	<u>675,719</u>	<u>-</u>	<u>27,127,705</u>	<u>66,697,418</u>
-	-	-	32,316,013	-	32,316,013
468,068	-	-	-	-	468,068
3,608,187	116,457	-	-	-	3,724,644
-	-	-	-	-	1,891,965
-	-	-	-	-	131,441
-	-	-	-	-	154,537
-	-	-	-	-	578,893
-	-	-	-	-	27,661
-	-	-	-	-	3,447,123
-	-	6,120	-	-	3,904,366
<u>4,076,255</u>	<u>116,457</u>	<u>6,120</u>	<u>32,316,013</u>	<u>-</u>	<u>46,644,711</u>
<b><u>\$ 36,892,204</u></b>	<b><u>\$ 235,526</u></b>	<b><u>\$ 681,839</u></b>	<b><u>\$ 32,316,013</u></b>	<b><u>\$ 27,127,705</u></b>	<b><u>\$ 113,342,129</u></b>

**CITY OF MASSILLON  
STARK COUNTY**

**COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<b>Governmental Fund Types</b>			
	<b>General</b>	<b>Special Revenue</b>	<b>Debt Service</b>	<b>Capital Projects</b>
<b>Revenues:</b>				
Municipal income tax	\$ 9,557,442	\$ 939,991	\$ 896,500	\$ 1,156,947
Property and other taxes	1,351,485	240,946	221,284	-
Charges for services	351,479	474,674	-	-
Licenses and permits	361,767	102,936	-	-
Fines and forfeitures	1,098,218	608,078	-	-
Intergovernmental	1,564,800	2,624,745	24,587	834,481
Special assessments	-	-	39,773	-
Investment income	270,916	8,800	-	-
Other	432,313	531,286	112,288	3,069
Total revenues	<u>14,988,420</u>	<u>5,531,456</u>	<u>1,294,432</u>	<u>1,994,497</u>
<b>Expenditures:</b>				
Current:				
General government	5,404,953	226,896	-	-
Security of persons and property	7,127,478	1,110,606	-	-
Public health and welfare	436,181	190,088	-	-
Transportation	824,040	1,102,831	-	1,012
Basic utility services	-	42,323	-	-
Leisure time activities	-	1,811,395	-	218,280
Economic development and assistance	-	1,036,141	-	-
Urban redevelopment and housing	-	243,367	-	-
Other	328,794	2,957	323,216	23,143
Capital outlay	18,971	267,017	-	7,123,328
Debt service:				
Principal retirement	27,018	40,000	32,558,275	168,748
Interest and fiscal charges	9,960	170,897	1,332,768	12,471
Total expenditures	<u>14,177,395</u>	<u>6,244,518</u>	<u>34,214,259</u>	<u>7,546,982</u>
Excess of revenues over (under) expenditures	<u>811,025</u>	<u>(713,062)</u>	<u>(32,919,827)</u>	<u>(5,552,485)</u>
<b>Other financing sources (uses):</b>				
Sale of fixed assets	-	5,998	-	-
Payment to refunded bond escrow agent	-	-	(3,007,782)	-
Proceeds from sale of notes	-	-	20,041,299	60,000
Proceeds from sale of bonds	-	-	12,350,603	-
Proceeds of refunding bonds	-	-	3,029,852	-
Operating transfers - in	-	848,100	312,200	-
Operating transfers - out	(1,125,300)	(35,000)	-	-
Total other financing sources (uses)	<u>(1,125,300)</u>	<u>819,098</u>	<u>32,726,172</u>	<u>60,000</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(314,275)</u>	<u>106,036</u>	<u>(193,655)</u>	<u>(5,492,485)</u>
Fund balances at beginning of year, as restated in Note 12	1,744,266	4,469,085	1,979,312	7,813,826
Increase in reserve for inventory	11,697	6,059	-	-
<b>Fund balances at end of year</b>	<u><b>\$ 1,441,688</b></u>	<u><b>\$ 4,581,180</b></u>	<u><b>\$ 1,785,657</b></u>	<u><b>\$ 2,321,341</b></u>

See accompanying notes to the general purpose financial statements.

<u>Fiduciary Fund Type</u>	<u>Totals Memorandum Only</u>
<u>Expendable Trust</u>	
\$ -	\$ 12,550,880
-	1,813,715
-	826,153
-	464,703
-	1,706,296
-	5,048,613
-	39,773
110	279,826
-	1,078,956
<u>110</u>	<u>23,808,915</u>
-	5,631,849
-	8,238,084
-	626,269
-	1,927,883
-	42,323
-	2,029,675
-	1,036,141
-	243,367
-	678,110
153	7,409,469
-	32,794,041
-	1,526,096
<u>153</u>	<u>62,183,307</u>
<u>(43)</u>	<u>(38,374,392)</u>
-	5,998
-	(3,007,782)
-	20,101,299
-	12,350,603
-	3,029,852
-	1,160,300
-	(1,160,300)
-	32,479,970
(43)	(5,894,422)
6,163	16,012,652
-	17,756
<u>\$ 6,120</u>	<u>\$ 10,135,986</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, 2002**

	<b>Governmental Fund Types</b>		
	<b>General Fund</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Municipal income tax	\$ 9,573,292	\$ 9,518,590	\$ (54,702)
Property and other taxes	1,306,235	1,253,106	(53,129)
Charges for services	336,691	356,493	19,802
Licenses and permits	339,500	362,114	22,614
Fines and forfeitures	1,175,100	1,107,531	(67,569)
Intergovernmental	1,371,583	1,564,322	192,739
Special assessments	-	-	-
Investment income	522,400	521,771	(629)
Other	175,000	298,400	123,400
Total revenues	<u>14,799,801</u>	<u>14,982,327</u>	<u>182,526</u>
<b>Expenditures:</b>			
Current:			
General government	5,455,172	5,253,634	201,538
Security of persons and property	7,264,839	7,158,581	106,258
Public health and welfare	472,476	467,445	5,031
Transportation	909,317	858,897	50,420
Basic utility services	-	-	-
Leisure time activities	-	-	-
Economic development and assistance	-	-	-
Urban redevelopment and housing	-	-	-
Other	373,759	368,397	5,362
Capital outlay	34,838	34,351	487
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>14,510,401</u>	<u>14,141,305</u>	<u>369,096</u>
Excess of revenues over (under) expenditures	<u>289,400</u>	<u>841,022</u>	<u>551,622</u>
<b>Other financing sources (uses):</b>			
Advances - in	75,000	-	(75,000)
Advances - out	(75,000)	(75,000)	-
Payment to refunded bond escrow agent	-	-	-
Proceeds from the sale of fixed assets	-	-	-
Proceeds from the sale of notes	-	-	-
Proceeds from the sale of bonds	-	-	-
Proceeds of refunding bonds	-	-	-
Operating transfers - in	-	-	-
Operating transfers - out	(1,155,395)	(1,125,300)	30,095
Total other financing sources (uses)	<u>(1,155,395)</u>	<u>(1,200,300)</u>	<u>(44,905)</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(865,995)</u>	<u>(359,278)</u>	<u>506,717</u>
Fund balances at beginning of year	400,027	400,027	-
Prior year encumbrances appropriated	<u>349,677</u>	<u>349,677</u>	<u>-</u>
<b>Fund balances at end of year</b>	<u><b>\$ (116,291)</b></u>	<u><b>\$ 390,426</b></u>	<u><b>\$ 506,717</b></u>

See accompanying notes to the general purpose financial statements.

Special Revenue Funds			Debt Service Funds		
Revised Budget	Actual	Variance Favorable (Unfavorable)	Revised Budget	Actual	Variance Favorable (Unfavorable)
\$ 877,200	\$ 941,122	\$ 63,922	\$ 526,549	\$ 836,554	\$ 310,005
209,543	238,380	28,837	234,145	221,284	(12,861)
578,630	471,854	(106,776)	-	-	-
108,000	102,891	(5,109)	-	-	-
568,423	590,877	22,454	-	-	-
3,018,185	2,425,705	(592,480)	-	24,587	24,587
-	-	-	29,918	39,773	9,855
7,100	14,205	7,105	-	-	-
309,354	550,261	240,907	130,120	127,368	(2,752)
<u>5,676,435</u>	<u>5,335,295</u>	<u>(341,140)</u>	<u>920,732</u>	<u>1,249,566</u>	<u>328,834</u>
311,797	241,323	70,474	-	-	-
1,320,321	1,183,592	136,729	-	-	-
249,802	215,699	34,103	-	-	-
1,207,678	1,149,185	58,493	-	-	-
47,728	43,530	4,198	-	-	-
1,953,593	1,838,950	114,643	-	-	-
1,441,016	1,318,572	122,444	-	-	-
375,410	325,029	50,381	-	-	-
2,700	1,298	1,402	312,073	311,681	392
671,673	529,568	142,105	-	-	-
40,000	40,000	-	32,588,867	32,563,234	25,633
170,897	170,897	-	1,332,841	1,332,768	73
<u>7,792,615</u>	<u>7,057,643</u>	<u>734,972</u>	<u>34,233,781</u>	<u>34,207,683</u>	<u>26,098</u>
<u>(2,116,180)</u>	<u>(1,722,348)</u>	<u>393,832</u>	<u>(33,313,049)</u>	<u>(32,958,117)</u>	<u>354,932</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(3,007,782)	(3,007,782)	-
-	5,998	5,998	-	-	-
-	-	-	20,226,018	20,041,299	(184,719)
-	-	-	12,350,603	12,350,603	-
-	-	-	3,029,852	3,029,852	-
852,000	848,100	(3,900)	432,847	312,200	(120,647)
<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>817,000</u>	<u>819,098</u>	<u>2,098</u>	<u>33,031,538</u>	<u>32,726,172</u>	<u>(305,366)</u>
(1,299,180)	(903,250)	395,930	(281,511)	(231,945)	49,566
1,680,984	1,680,984	-	734,041	734,041	-
766,690	766,690	-	7,869	7,869	-
<b>\$ 1,148,494</b>	<b>\$ 1,544,424</b>	<b>\$ 395,930</b>	<b>\$ 460,399</b>	<b>\$ 509,965</b>	<b>\$ 49,566</b>

(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, 2002**

	<b>Governmental Fund Types</b>		
	<b>Capital Projects Funds</b>		
	<b>Revised Budget</b>	<b>Actual</b>	<b>Variance Favorable (Unfavorable)</b>
<b>Revenues:</b>			
Municipal income tax	\$ 1,253,620	\$ 1,269,696	\$ 16,076
Property and other taxes	-	-	-
Charges for services	-	-	-
Licenses and permits	-	-	-
Fines and forfeitures	-	-	-
Intergovernmental	1,334,464	844,867	(489,597)
Special assessments	-	-	-
Investment income	-	-	-
Other	-	3,069	3,069
Total revenues	<u>2,588,084</u>	<u>2,117,632</u>	<u>(470,452)</u>
<b>Expenditures:</b>			
Current:			
General government	-	-	-
Security of persons and property	-	-	-
Public health and welfare	-	-	-
Transportation	2,000	1,012	988
Basic utility services	-	-	-
Leisure time activities	265,118	265,106	12
Economic development and assistance	-	-	-
Urban redevelopment and housing	-	-	-
Other	25,000	18,893	6,107
Capital outlay	9,834,869	8,937,718	897,151
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
Total expenditures	<u>10,126,987</u>	<u>9,222,729</u>	<u>904,258</u>
Excess of revenues over (under) expenditures	<u>(7,538,903)</u>	<u>(7,105,097)</u>	<u>433,806</u>
<b>Other financing sources (uses):</b>			
Advances - in	-	-	-
Advances - out	-	-	-
Payment to refunded bond escrow agent	-	-	-
Proceeds from the sale of fixed assets	-	-	-
Proceeds from the sale of notes	60,000	60,000	-
Proceeds from the sale of bonds	-	-	-
Proceeds of refunding bonds	-	-	-
Operating transfers - in	-	-	-
Operating transfers - out	-	-	-
Total other financing sources (uses)	<u>60,000</u>	<u>60,000</u>	<u>-</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(7,478,903)</u>	<u>(7,045,097)</u>	<u>433,806</u>
Fund balances at beginning of year	1,387,573	1,387,573	-
Prior year encumbrances appropriated	<u>6,911,630</u>	<u>6,911,630</u>	<u>-</u>
<b>Fund balances at end of year</b>	<u><b>\$ 820,300</b></u>	<u><b>\$ 1,254,106</b></u>	<u><b>\$ 433,806</b></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)
\$ -	\$ -	\$ -	\$ 12,230,661	\$ 12,565,962	\$ 335,301
-	-	-	1,749,923	1,712,770	(37,153)
-	-	-	915,321	828,347	(86,974)
-	-	-	447,500	465,005	17,505
-	-	-	1,743,523	1,698,408	(45,115)
-	-	-	5,724,232	4,859,481	(864,751)
-	-	-	29,918	39,773	9,855
117	117	-	529,617	536,093	6,476
2,076	2,076	-	616,550	981,174	364,624
2,193	2,193	-	23,987,245	23,687,013	(300,232)
-	-	-	5,766,969	5,494,957	272,012
-	-	-	8,585,160	8,342,173	242,987
-	-	-	722,278	683,144	39,134
-	-	-	2,118,995	2,009,094	109,901
-	-	-	47,728	43,530	4,198
-	-	-	2,218,711	2,104,056	114,655
-	-	-	1,441,016	1,318,572	122,444
-	-	-	375,410	325,029	50,381
30	30	-	713,562	700,299	13,263
1,417	153	1,264	10,542,797	9,501,790	1,041,007
-	-	-	32,628,867	32,603,234	25,633
-	-	-	1,503,738	1,503,665	73
1,447	183	1,264	66,665,231	64,629,543	2,035,688
746	2,010	1,264	(42,677,986)	(40,942,530)	1,735,456
-	-	-	75,000	-	(75,000)
-	-	-	(75,000)	(75,000)	-
-	-	-	(3,007,782)	(3,007,782)	-
-	-	-	-	5,998	5,998
-	-	-	20,286,018	20,101,299	(184,719)
-	-	-	12,350,603	12,350,603	-
-	-	-	3,029,852	3,029,852	-
-	-	-	1,284,847	1,160,300	(124,547)
-	-	-	(1,190,395)	(1,160,300)	30,095
-	-	-	32,753,143	32,404,970	(348,173)
746	2,010	1,264	(9,924,843)	(8,537,560)	1,387,283
27,271	27,271	-	4,229,896	4,229,896	-
709	709	-	8,036,575	8,036,575	-
<b>\$ 28,726</b>	<b>\$ 29,990</b>	<b>\$ 1,264</b>	<b>\$ 2,341,628</b>	<b>\$ 3,728,911</b>	<b>\$ 1,387,283</b>

**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, 2002**

	<u>Proprietary Fund Types</u>		<b>Totals (Memorandum Only)</b>
	<u>Enterprise</u>	<u>Internal Service</u>	
<b>Operating revenues:</b>			
Charges for services	\$ 7,251,925	\$ 1,845,472	\$ 9,097,397
Other	149,562	28,896	178,458
Total operating revenues	<u>7,401,487</u>	<u>1,874,368</u>	<u>9,275,855</u>
<b>Operating expenses:</b>			
Personal services	2,291,128	-	2,291,128
Fringe benefits	653,528	-	653,528
Contractual services	2,053,940	722,074	2,776,014
Claims	-	1,099,206	1,099,206
Materials and supplies	4,999,028	-	4,999,028
Depreciation	812,088	-	812,088
Other	932	-	932
Total operating expenses	<u>10,810,644</u>	<u>1,821,280</u>	<u>12,631,924</u>
Operating income (loss)	<u>(3,409,157)</u>	<u>53,088</u>	<u>(3,356,069)</u>
<b>Non-operating revenues (expenses):</b>			
Grants	1,355	-	1,355
Loss on disposal of fixed assets	(1,301)	-	(1,301)
Interest and fiscal charges	<u>(334,046)</u>	<u>-</u>	<u>(334,046)</u>
Total non-operating revenues (expenses)	<u>(333,992)</u>	<u>-</u>	<u>(333,992)</u>
Net income (loss)	(3,743,149)	53,088	(3,690,061)
Retained earnings at beginning of year	<u>7,351,336</u>	<u>63,369</u>	<u>7,414,705</u>
<b>Retained earnings at end of year</b>	<u><b>\$ 3,608,187</b></u>	<u><b>\$ 116,457</b></u>	<u><b>\$ 3,724,644</b></u>

See accompanying notes to the general purpose financial statements.

CITY OF MASSILLON  
STARK COUNTY

**COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED DECEMBER 31, 2002**

	<u>Proprietary Fund Types</u>		<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>(Memorandum Only)</u>
<b><u>Cash flows from operating activities:</u></b>			
Operating income (loss)	\$ (3,409,157)	\$ 53,088	\$ (3,356,069)
Adjustments to reconcile operating loss to net cash provided by (used for) operating activities:			
Depreciation	812,088	-	812,088
Change in assets and liabilities:			
(Increase) decrease in assets:			
Accounts receivable	(70,723)	(890)	(71,613)
Inventory of supplies	18,449	-	18,449
Prepaid items	(15,319)	-	(15,319)
Due from other governments	(840)	-	(840)
Increase (decrease) in liabilities:			
Accounts payable	46,372	-	46,372
Claims payable	-	11,695	11,695
Accrued wages	11,568	-	11,568
Compensated absences	48,374	-	48,374
Due to other governments	11,957	-	11,957
Net cash provided by (used for) operating activities	<u>(2,547,231)</u>	<u>63,893</u>	<u>(2,483,338)</u>
<b><u>Cash flows from noncapital financing activities:</u></b>			
Advances from other funds	75,000	-	75,000
Grants	1,355	-	1,355
Net cash provided by noncapital financing activities	<u>76,355</u>	<u>-</u>	<u>76,355</u>
<b><u>Cash flows from capital and related financing activities:</u></b>			
Proceeds of bond	8,034,027	-	8,034,027
Proceeds of note	4,129,404	-	4,129,404
Proceeds of loan	17,326,666	-	17,326,666
Principal payment on notes and bonds	(7,285,000)	-	(7,285,000)
Interest payments on notes and bonds	(625,368)	-	(625,368)
Principal payments on capital lease	(139,595)	-	(139,595)
Interest payments on capital lease	(26,920)	-	(26,920)
Principal payment on loans	(296,959)	-	(296,959)
Interest paid on loans	(167,313)	-	(167,313)
Acquisition of capital assets	(13,645,606)	-	(13,645,606)
Net cash provided by capital and related financing activities	<u>7,303,336</u>	<u>-</u>	<u>7,303,336</u>
Net increase in cash and cash equivalents	4,832,460	63,893	4,896,353
Cash and cash equivalents at beginning of year	<u>2,367,332</u>	<u>166,672</u>	<u>2,534,004</u>
<b>Cash and cash equivalents at end of year</b>	<b><u>\$ 7,199,792</u></b>	<b><u>\$ 230,565</u></b>	<b><u>\$ 7,430,357</u></b>

See accompanying notes to the general purpose financial statements.

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**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**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 18.693 square miles. The City has a Mayor-Council form of government with three members of council elected at large and six others elected from separate wards for two-year terms. The Mayor is Chief Executive and Administrative Officer of the City and has a term of four years.

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

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

The City is associated with the Stark Council of Governments, the Stark Area Regional Transit Authority, Stark County Tax Incentive Review Council, and Stark County Regional Planning Commission which are defined as Jointly Governed Organizations and the Local Organized Governments in Cooperation, which is defined as a Joint Venture. These organizations are presented in Note 16 to the General Purpose Financial Statements.

CITY OF MASSILLON  
STARK COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)

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

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

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

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

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

**Governmental Fund Types**

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

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

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

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

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

**Proprietary Fund Types**

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

CITY OF MASSILLON  
STARK COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

**Fiduciary Fund Types**

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

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

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

**Account Groups**

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

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

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

C. Basis of Accounting

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

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

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

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

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

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

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

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

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

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. In subsequent periods, when both revenue recognition criteria are met, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Special assessment installments are recorded as deferred revenue because they do not meet the availability criteria. Property taxes measurable as of December 31, 2002, and delinquent property taxes, whose availability is indeterminate and which are not intended to finance the current year, have also been recorded as deferred revenue.



CITY OF MASSILLON  
STARK COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets and Budgetary Accounting

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

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

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

On or about January 1 the Certificate of Estimated Resources is amended to include unencumbered fund balances at December 31. Further amendments may be made during the year if the City Auditor determines that revenue to be collected will be greater than or less than the prior estimates and the budget commission finds the revised estimates to be reasonable. The amounts set forth in the financial statements represent estimates from the final amended certificate issued for 2002.

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

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

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

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

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

**E. Cash and Cash Equivalents**

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

During the year 2002, investments were limited to repurchase agreements. At year-end the City's only investments were repurchase agreements. Nonparticipating investment contracts such as repurchase agreements and nonnegotiable certificates of deposit are reported at cost.

**F. Inventory of Materials and Supplies**

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

**G. Prepaid Items**

Payments made to vendors for services that will benefit periods beyond December 31, 2002 are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure or expense is reported in the year in which services are consumed.

**H. Deferred Charges and Bond Premiums**

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

**I. Fixed Assets and Depreciation**

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

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

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

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

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

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

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

<u>Asset class</u>	<u>Estimated useful life</u>
Buildings	20 to 40 years
Equipment	2 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**

Contributions for (or of) capital assets are credited directly to contributed capital at their fair market value on the date contributed. In prior years, these included donations by developers, contributions made by the City and assets whose construction was financed through special assessments. Depreciation expense on assets acquired through restricted grants is not closed to contributed capital. As of January 1, 2001 increases in contributed capital will only take place for contributions made by the City. There were no changes in contributed capital during the year.

**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.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

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

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.

The City does not accrue a liability for vacation benefits as of December 31. The City's policy and various employment contracts allow employees to earn vacation leave based on the completion of a certain number of years of employment. The employees become eligible for the vacation benefits on or after January 1, with an exception made for first year employees. Vacation is not allowed to be carried forward to the following calendar year. After an employee completes one year of service, January 1 is considered their anniversary date for vacation purposes. Based on the City's policy and contracts, a liability for earned vacation leave exists on January 1. The January 1 liability is determined by the number of days posted to each employee's account and is based on the pay rate for the year taken. As of January 1, 2003 the amount to be paid out for vacation leave is \$741,557 with \$126,342 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, 2002.

**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.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

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

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

**O. Intergovernmental Revenues**

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

**P. Estimates**

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

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

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

**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;

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

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

(d) Advances-in and Advances-out are operating transactions (budget basis) as opposed to balance sheet transactions (GAAP basis).

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

	Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses				
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Expendable Trust</u>
GAAP Basis	\$ (314,275)	\$ 106,036	\$ (193,655)	\$ (5,492,485)	\$ (43)
Revenue Accruals	(6,093)	(196,161)	(44,866)	123,135	2,083
Expenditure Accruals	256,995	(20,656)	11,535	(629,845)	(30)
Advances In (Out)	(75,000)	-	-	-	-
Encumbrances (Budget Basis)					
Outstanding at year end	<u>(220,905)</u>	<u>(792,469)</u>	<u>(4,959)</u>	<u>(1,045,902)</u>	<u>-</u>
Budget Basis	<u>\$ (359,278)</u>	<u>\$ (903,250)</u>	<u>\$ (231,945)</u>	<u>\$ (7,045,097)</u>	<u>\$ 2,010</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;

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

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

2. Bonds, notes, debentures, or other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in securities listed provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least 2% and be marked to market daily, and that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions; and
6. The State Treasurer's investment pool (Star Ohio).

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

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

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

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

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

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

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

**Deposits:** At year-end, the City's carrying amount of deposits was \$10,683,199 and the bank balance was \$11,163,718. Of the bank balance, \$505,547 was covered by Federal Depository Insurance or by collateral held by the City's agent in the City's name. Of the remaining balance, \$10,658,171 was collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

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

The only City investments at year-end were repurchase agreements. These are Category 3 investments, with a carrying value and fair value of \$2,845,000. 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 2002 amounted to \$270,916 which includes \$259,689 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, 2001 on the assessed value as of January 1, 2001, the lien date, and were collected in 2002. Assessed values are established by State law at 35% of appraised market value. All property is required to be revalued every six years. Public utility property taxes received in 2002 attached as a lien on December 31, 2001, were levied after October 1, 2002, and are collected with real property taxes. Public utility property taxes are assessed on tangible personal property at 100% of true value and on real property at 35% of assessed valuation. 2002 tangible personal property taxes are levied after October 1, 2001, on the value listed as of December 31, 2001, and are collected in 2002. Tangible personal property assessments are 25% of true value. The full-tax rate for all City operations applied to taxable property for the year ended December 31, 2002, was \$4.70 per \$1,000 of assessed valuation.



**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**4. PROPERTY TAX (Continued)**

The assessed values upon which the 2002 taxes were collected are as follows:

<u>Property Category</u>	<u>2001 Assessed Value</u>	<u>Percent</u>
<u>Real Property</u>		
Residential and Agricultural	\$ 264,377,250	56.7 %
Commercial, Industrial, Mineral	88,986,660	19.1
Public Utilities	170,440	0.0
<u>Tangible Personal Property</u>		
General	89,181,487	19.1
Public Utilities	<u>23,906,160</u>	<u>5.1</u>
Total	<u>\$ 466,621,997</u>	<u>100.0 %</u>

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, 2002. However, since these tax collections will not be received during the available period nor are they intended to finance 2002 operations, the receivable is offset by a credit to deferred revenue.

**5. INCOME TAX**

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

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**6. FIXED ASSETS**

**General Fixed Assets:** Changes in general fixed assets during 2002 were as follows:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>
Land and land improvements	\$ 9,641,287	\$ 1,650,687	\$ -	\$ 11,291,974
Buildings	6,110,266	8,622,192	(21,309)	14,711,149
Vehicles	4,363,557	156,471	(56,511)	4,463,517
Machinery and equipment	1,573,514	319,586	(43,727)	1,849,373
Construction in progress	<u>4,356,579</u>	<u>4,613,331</u>	<u>(8,969,910)</u>	<u>-</u>
Total	<u>\$ 26,045,203</u>	<u>\$ 15,362,267</u>	<u>\$ (9,091,457)</u>	<u>\$ 32,316,013</u>

**Enterprise Fund:** A summary of the enterprise funds' fixed assets as of December 31, 2002, follows:

<u>Classification</u>	<u>Balance</u>
Land and land improvements	\$ 4,822,651
Buildings	8,317,364
Equipment	2,303,109
Vehicles	1,114,985
Infrastructure	9,393,360
Construction in progress	<u>14,875,061</u>
Total	40,826,530
Less: accumulated depreciation	<u>(12,727,046)</u>
Net fixed assets	<u>\$ 28,099,484</u>

**7. CAPITAL LEASES**

The City leases various vehicles and equipment through capital leasing arrangements in the governmental and proprietary fund types. The assets and obligations for agreements of the governmental funds are recorded in the general fixed asset account group and the general long-term obligations account group, respectively, and are recorded in the proprietary funds directly. General fixed assets attributable to capital leases consist of vehicles in the amount of \$577,243 and machinery and equipment in the amount of \$140,894. There are also \$158,912 in vehicles, and \$438,849 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.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**7. CAPITAL LEASES (Continued)**

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, 2002.

<u>Year</u>	<u>General Long- Term Obligations</u>	<u>Proprietary Fund Type</u>
2003	\$ 75,580	\$ 173,653
2004	46,022	165,603
2005	27,935	117,749
2006	27,935	114,377
2007	27,935	83,803
2008	<u>20,951</u>	<u>62,852</u>
Total minimum lease payment	226,358	718,037
Less: amount representing interest	<u>28,233</u>	<u>83,605</u>
Present value of minimum lease payments	<u>\$ 198,125</u>	<u>\$ 634,432</u>

**8. INTERFUND TRANSACTIONS**

As of December 31, 2002, 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	\$ 73,832
Massillon municipal court special revenue fund	Municipal court agency fund	12,442
Law enforcement special revenue fund	Municipal court agency fund	12,312
Indigent drivers alcohol special revenue fund	Municipal court agency fund	7,004
Enforcement and education special revenue fund	Municipal court agency fund	242
Clerk of courts computing special revenue fund	Municipal court agency fund	4,906
Municipal courts computing special revenue fund	Municipal court agency fund	7,263
Probation services special revenue fund	Municipal court agency fund	10,439
Mandatory drug fine special revenue fund	Municipal court agency fund	235
ADR special revenue fund	Municipal court agency fund	3,366
State patrol transfer agency fund	Municipal court agency fund	<u>7,627</u>
		<u>\$ 139,668</u>

**9. CONDUIT DEBT OBLIGATIONS**

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

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

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

A listing of changes in the bonds and other long-term obligations of the City for the year ended December 31, 2002 follows:

	Balance 1/1/2002	Additions	Reductions	Balance 12/31/02
<b><u>Enterprise Fund Obligations</u></b>				
<u>General Obligation Bonds</u>				
1988 Sewer System Bonds				
Series B, 6.5 - 7.38%	\$ 1,030,000	\$ -	\$ (1,030,000)	\$ -
2002 Wastewater Refunding Bonds				
Series 88, 1.5 - 3.0%	-	920,000	-	920,000
1995 Legends of Massillon Golf Course				
Bonds, 3.750 - 6.625%	2,645,000	-	(2,645,000)	-
2002 Golf Course Construction Refunding				
Bonds, 1.5 - 7.16%	-	7,281,233	-	7,281,233
Unamortized Discount on Refunding	-	(74,516)	4,224	(70,292)
Unamortized Deferred Cost of Refunding	-	(303,485)	36,780	(266,705)
Total General Obligation Bonds	<u>3,675,000</u>	<u>7,823,232</u>	<u>(3,633,996)</u>	<u>7,864,236</u>
<u>Special obligation debt</u>				
2001 State Hospital Endowment, 0%	102,848	-	(22,092)	80,756
<u>Other Long-term Obligations</u>				
Legends Bond anticipation note, 4.33%	3,610,000	-	(3,610,000)	-
Legends Bond anticipation note, 2.10%	-	3,767,000	-	3,767,000
Legends Bond anticipation note, 3.50%	-	200,000	-	200,000
Sanitary Sewer WPC Loan, 3.81%	1,323,789	11,230	(50,832)	1,284,187
Wastewater Plant WPC Loan, 3.2%	987,585	-	(235,265)	752,320
WWTP Upgrade OWDA Loan, 0.00%	-	4,214,698	-	4,214,698
WWTP Upgrade OWDA Loan, 1.26%	-	13,111,968	-	13,111,968
Capital leases	650,183	123,844	(139,595)	634,432
Compensated absences	306,075	54,790	(6,416)	354,449
Total Other Long-term Obligations	<u>6,877,632</u>	<u>21,483,530</u>	<u>(4,042,108)</u>	<u>24,319,054</u>
Total Enterprise Obligations	<u>\$ 10,655,480</u>	<u>\$ 29,306,762</u>	<u>\$ (7,698,196)</u>	<u>\$ 32,264,046</u>

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

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

	<u>Balance</u> <u>1/1/2002</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/02</u>
<b><u>General Long Term Obligations</u></b>				
General Obligation Bonds and Bond				
<u>Anticipation Notes</u>				
1994 Lincoln Center Bond, 4.00 - 6.00%	\$ 2,805,000	\$ -	\$ (2,805,000)	\$ -
2002 Lincoln Center Phase II				
Refunding Bonds, 1.5 - 4%	-	3,065,000	-	3,065,000
1994 Senior Center Bond, 8.00 - 8.50%	1,215,000	-	(20,000)	1,195,000
2002 Park and Recreation Bonds, 5.2%	-	12,335,000	-	12,335,000
2000 Marketplace Infrastructure TIF BAN, 4.24%	1,690,000	-	(1,690,000)	-
2001 Park Land and Recreation BAN, 4.33%	4,590,000	-	(4,590,000)	-
2001 Recreation Center BAN, 3.74%	8,000,000	-	(8,000,000)	-
2001 Lincoln Center III, 5.07%	2,700,000	-	(2,700,000)	-
2002 TIF Engineering Cost Marketplace				
Infrastructure, 2.35%	-	1,775,000	-	1,775,000
2002 Lincoln Center III, 3.35%	-	1,271,000	-	1,271,000
2002 Lincoln Center III, 2.47%	-	1,559,000	-	1,559,000
Total General Obligation Bonds and				
Bond Anticipation Notes	<u>21,000,000</u>	<u>20,005,000</u>	<u>(19,805,000)</u>	<u>21,200,000</u>
<u>Long-term Loans</u>				
1999 HUD Section 108 Loan	<u>2,210,000</u>	-	<u>(40,000)</u>	<u>2,170,000</u>
<u>Special Obligation</u>				
1993 State Hospital Endowment, 0.0%	<u>126,411</u>	-	<u>(39,275)</u>	<u>87,136</u>
<u>Special Assessment Debt</u>				
1985 Street Improvements, 9.125%	36,000	-	(9,000)	27,000
1995 Castle West Circle & Shaw Ave, 5.50%	105,000	-	(25,000)	80,000
Total Special Assessment Debt	<u>141,000</u>	-	<u>(34,000)</u>	<u>107,000</u>
<u>Other Obligations</u>				
Police and firemen's pension liability	1,652,220	-	(23,015)	1,629,205
Long-term compensated absences	1,587,523	210,525	(61,809)	1,736,239
Capital lease payable	393,891	-	(195,766)	198,125
Total Other Obligations	<u>3,633,634</u>	<u>210,525</u>	<u>(280,590)</u>	<u>3,563,569</u>
Total General Long-term Obligations	<u>\$ 27,111,045</u>	<u>\$ 20,215,525</u>	<u>\$ (20,198,865)</u>	<u>\$ 27,127,705</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.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

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

The annual requirements to amortize all bonded debt outstanding as of December 31, 2002, including interest payments of \$20,472,214 are as follows:

<u>Year</u>	<u>Enterprise Bonds</u>	<u>General Obligation Bonds</u>	<u>Special Assessment Bonds</u>	<u>Total</u>
2003	\$ 576,778	\$ 1,093,900	\$ 40,864	\$ 1,711,542
2004	531,963	1,110,646	38,667	1,681,276
2005	523,223	1,128,874	41,471	1,693,568
2006	623,923	1,149,524	-	1,773,447
2007	651,403	1,163,433	-	1,814,836
2008-2012	2,759,015	6,454,744	-	9,213,759
2013-2017	2,621,405	5,869,198	-	8,490,603
2018-2022	2,268,739	4,653,250	-	6,921,989
2023-2027	2,140,189	4,568,750	-	6,708,939
2028-2031	1,710,488	3,655,000	-	5,365,488
Total	<u>\$ 14,407,126</u>	<u>\$ 30,847,319</u>	<u>\$ 121,002</u>	<u>\$ 45,375,447</u>

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

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

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

**Bond Anticipation Notes:** During 2002, the Legends Golf Course issued two bond anticipation notes for a total of \$3,967,000 to finance golf course expansion and improvements. During 2002, bond anticipation notes were issued for \$2,830,000 to finance the construction of the Lincoln Center complex. The bond anticipation notes were 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. Also, during 2002, a bond anticipation note was issued for \$1,775,000 to finance the construction of the Marketplace Infrastructure.

CITY OF MASSILLON  
STARK COUNTY

NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)

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

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

The City also entered into an agreement with the Ohio Water Development Authority (OWDA) to upgrade and expand the City's wastewater treatment facility. The agreement provides loan proceeds totaling \$42.5 million which will be received by the City and used to fund the projects. The debt proceeds will be repaid by wastewater service charges semi-annually over 20 years at 1.26% per annum. Under the terms of the agreement, the OWDA will reimburse or directly pay the construction costs of the approved projects. The OWDA will capitalize administrative costs and construction interest and add them to the total of each loan. As of December 31, 2002, the City has received \$17,326,666 of the proceeds.

On November 1, 2002, the City issued \$3,065,000 in General Obligation Bonds with an average interest rate of 2.75% to advance refund \$2,805,000 of outstanding Lincoln Center 1994 Series bonds with an average interest rate of 5%. The net proceeds of \$3,007,782 (after payment of \$57,218 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. governmental securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments on the Lincoln Center 1994 Series bonds. As a result, the Lincoln Center 1994 Series bonds are considered to be defeased and the liability for those bonds has been removed from the general long-term debt account group.

The City advance refunded the Lincoln Center 1994 Series bonds to reduce its total debt service payments over the next 12 years by almost \$80,939 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$102,992.

Additionally, on November 1, 2002, the City issued \$920,000 and \$7,281,233 in General Obligation Bonds with an average interest rate of 2% and 4.3% to advance refund \$910,000 and \$2,510,000 of outstanding Sewer System 1988 Series bonds and Legends Golf Course 1995 Series bonds with an average interest rate of 6.94% and 5.2%, respectively. The net proceeds of \$910,000 and 2,820,747 (after payment of \$10,000 and 4,460,486 in underwriting fees, insurance, other issuance costs, and additional funds) were used to purchase U.S. governmental securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments on the Sewer System 1988 Series bonds and the Legends Golf Course 1995 Series bonds. As a result, the Sewer System 1988 Series bonds and Legends Golf Course 1995 Series bonds are considered to be defeased and the liability for those bonds has been removed from the respective funds.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

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

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$303,425 for the Legends Golf Course 1995 Series bonds and \$0 for the Sewer System 1988 Series bonds. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2015 using the outstanding bonds method. The City completed the advance refunding to reduce its total debt service payments over the next six years \$143,191 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$144,628 for the Sewer System 1988 Series bonds. The City completed the advance refunding of the Legends Golf Course 1995 Series bonds to obtain additional funds, which resulted in additional total debt service payments of \$36,033 of the debt related to the refunding, and to obtain an economic gain of \$14,314.

The Park and Recreation Department issued \$12,335,000 in General Obligation Bonds with an average interest rate of 5.2% to finance expenses for a recreation center.

**11. SHORT TERM OBLIGATIONS**

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

	Balance 1/1/2002	Additions	Deletions	Balance 12/31/2002
Debt Service Fund				
Bond Retirement Park and Recreation	\$ -	\$ 12,590,000	\$ (12,590,000)	\$ -
Lincoln Center III, 2.10%	-	2,750,000	(2,750,000)	-
	\$ -	\$ 15,340,000	\$ (15,340,000)	\$ -

During 2002, bond anticipation notes were issued for \$2,750,000 to finance the construction of the Lincoln Center complex. The bond anticipation notes were 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. Also, during 2002, a bond anticipation note was issued for \$12,590,000 to finance expenses for a recreation center.

**12. RESTATEMENT OF PRIOR YEAR BALANCES**

Following the close of the previous year, an error was found in the reporting of a bond anticipation note. \$2,700,000 of bond anticipation notes were reclassified from the Lincoln Center III capital projects fund to the general long-term account group.

Due to this error, a restatement of beginning balances is necessary. The restatements are as follows:



**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**12. RESTATEMENT OF PRIOR YEAR BALANCES (Continued)**

	<u>Capital Projects</u>
Fund balance	
as previously stated December 31, 2001	\$ 5,014,815
Prior year restatements	<u>2,799,011</u>
Restated January 1, 2002	<u>\$ 7,813,826</u>
	<u>General Long-term Obligations</u>
Account balance as	
as previously stated at December 31, 2001	\$ 24,411,045
Prior year restatements	<u>2,700,000</u>
Restated January 1, 2002	<u>\$ 27,111,045</u>

**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 Ohio Public Employees Retirement System (OPERS), a cost-sharing, multiple-employer public employee retirement system administered by the Public Employees Retirement Board. OPERS 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. OPERS issues a stand-alone financial report which may be obtained by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-6705 or 1-800-222-PERS (7377).

Plan members are required to contribute 8.5% of their annual covered salary to fund pension obligations. In January 2001, House Bill 416 divided the OPERS law enforcement program into two separate divisions with separate employee contribution rates and benefits. The law enforcement classification consisted of sheriffs, deputy sheriffs, and township police with an employee contribution rate of 10.1%. All other members of the OPERS law enforcement program were placed in a newly named public safety division and continued to contribute at 9%. For 2002 employer pension contribution rate for the City was 8.55% of covered payroll. The 2002 employer contribution rate for both the law enforcement and public safety divisions was 16.70% of covered payroll. Required employer contributions are equal to 100% of the dollar amount billed to each employer and must be extracted from the employer's records. Contributions are authorized by state statute. The contribution rates are determined actuarially. The City's required contributions to the OPERS for the years ending December 31, 2002, 2001 and 2000 were \$676,768, \$687,013 and \$465,202 respectively. The full amount has been contributed for 2001 and 2000. 66% has been contributed for 2002 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, 2002  
(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.

Plan members are required to contribute 10% of their covered salary to fund pension obligations, while employers are required to contribute 11.75% and 16.25% respectively for police officers and firefighters. Contributions are authorized by State statute. The City's contributions to the OP&F for police and firefighters were \$641,845 for the year ended December 31, 2002, \$762,527 for the year ended December 31, 2001, \$742,900 for the year ended December 31, 2000. The full amount has been contributed for 2001 and 2000. 76% has been contributed for 2002 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 (OPERS) 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 OPERS is set aside for the funding of postretirement health care based on authority granted by State statute. The 2002 employer contribution rate was 13.55% for covered payroll; 5% was the portion that was used to fund health care. For 2001, the contribution rate was 13.55% of covered payroll; 4.30% 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 OPERS's latest actuarial review performed as of December 31, 2001, include a rate of return on investments of 8%, an annual increase in active employee total payroll of 4% compounded annually (assuming no change in the number of active employees) and an additional increase in total payroll of between .5% and 6.3% based on additional annual pay increases. Health care premiums were assumed to increase 4% annually.

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

The number of active participants was 402,041. The City's actual contributions for 2002 which were used to fund postemployment benefits were \$395,771. The actual contribution and the actuarially required contribution amounts are the same. OPERS's net assets available for payment of benefits at December 31, 2001, (the latest information available) were \$11.6 billion.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**14. POSTEMPLOYMENT BENEFITS (Continued)**

The actuarially accrued liability and the unfunded actuarial accrued liability were \$16.4 billion and \$4.8 billion, respectively.

In December 2001, the Board adopted the Health Care "Choices" Plan in its continuing effort to respond to the rise in the cost of Health Care. The Choices Plan will be offered to all persons newly hired under OPERS after January 1, 2003, with no prior service credit accumulated toward health care coverage. Choices, as the name suggests, will incorporate a cafeteria approach, offering a more broad range of health care options. The Plan uses a graded scale from ten to thirty years to calculate a monthly health care benefit. This is in contrast to the ten-year "cliff" eligibility standard for the present Plan.

The benefit recipient will be free to select the option that best meets their needs. The plan will fund health care costs in excess of their monthly health care benefit. The Plan will also offer a spending account feature, enabling the benefit recipient to apply their allowance toward specific medical expenses, much like a Medical Spending Account.

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

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

The health care coverage provided by the retirement system is considered an Other Postemployment Benefit (OPEB) as described in GASB Statement No.12. The Ohio Revised Code provides the authority allowing the Ohio Police and Fire Pension Fund's board of trustees to provide health care coverage and states that the health care costs are paid from the Ohio Police and Fire Pension Fund shall be included in the employer's contribution rate. Health care funding and accounting is on a pay-as-you-go-basis. The total police employer contribution rate is 19.5% of covered payroll and the total firefighter employer contribution rate is 24% of covered payroll, of which 7.75% of covered payroll was applied to the postemployment health care program during 2002. For 2001, the percent used to fund healthcare was 7.5%. 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 2002 that were used to fund postemployment benefits were \$358,564 for police and fire. The OP&F total health care expense for the year ended December 31, 2001 was \$122,298,771, which was net of member contributions of \$6,874,699. The number of OP&F participants eligible to receive health care benefits as of December 31, 2001, was 13,174 for police and 10,239 for firefighters.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(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, 2001 (the latest information available) the Pool's total unpaid claims and claim adjustments totaled \$8,085,304 and total assets equaled \$19,358,458.

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 \$119,069 reported in the fund at December 31, 2002, 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 2001 and 2002 were:

	Balance at beginning of year	Current year claims	Claim payments	Balance at end of year
2001	\$ 178,987	1,175,086	1,246,699	107,374
2002	\$ 107,374	1,099,206	1,087,511	119,069

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. The Council's current functions include but are not limited to the funding and operation of the Stark County Metropolitan Narcotics Unit and the Canton Crime Lab.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(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 year and does not have an equity interest in the Council. Financial statements of the Council can be obtained from the Stark Council of Governments, Canton, Ohio.

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

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

The City participates in the Stark County Regional Planning Commission (the "Commission") which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County, other cities, villages and townships. Of the forty-eight member board, the City appoints two members. The degree of control exercised by any participating government is limited to its representation on the board. The principal aim of the Commission is to provide comprehensive planning, both long and short range, dealing with the economic and physical environment of Stark County. The Board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designating management. The City has no financial responsibility for any of the Commission's liabilities. In 2002, the City contributed \$24,871 to the Commission, which represents less than 1% of total contributions. Complete financial statements may be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

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

**Joint Venture**

The City participates in the Local Organized Governments in Cooperation (LOGIC), a statutorily created political subdivision of the State formed in 1986 to provide safety dispatching services. LOGIC is a joint venture among the City, Jackson Township, City of Canal Fulton, and Hills and Dales Village, with each participant providing one representative. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding, and each participant is entitled to vote its percentage share. The Board has total authority over the operation of LOGIC, including budgeting, appropriating, contracting, and designating management. Continued existence of LOGIC is dependent on the City's continued participation. LOGIC does not provide specific financial benefits or impose specific financial burdens on the City. During 2002, the City made contributions of \$310,631, 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, 2002, certain funds had deficit balances/retained earnings. These deficits are a result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds, however, this is done when cash is needed rather than when accruals occur. The following funds had deficit balances:

<u>Fund</u>	<u>Deficit</u>
Police pension special revenue fund	\$ 127,114
Fire pension special revenue fund	146,737
OPWC Hills and Dales capital projects fund	13,663
Legends golf course enterprise fund	1,951,133

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**18. SEGMENT INFORMATION- ENTERPRISE FUNDS**

Financial segment information as of and for the year ended December 31, 2002 for the enterprise funds is presented as follows:

	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total</u>
Operating revenues	\$ 5,297,311	\$ 940,340	\$ 1,163,836	\$ 7,401,487
Depreciation expense	550,495	29,783	231,810	812,088
Operating income (loss)	(3,114,252)	42,454	(337,359)	(3,409,157)
Operating grants	-	1,355	-	1,355
Net income (loss)	(3,301,668)	43,809	(485,290)	(3,743,149)
Fixed asset additions	13,703,425	-	66,025	13,769,450
Fixed asset deletions	(256,095)	-	(46,012)	(302,107)
Net working capital	3,014,779	381,894	456,288	3,852,961
Total assets	26,756,062	498,515	9,637,627	36,892,204
Outstanding long-term liabilities:				
Payable from operating sources	20,518,590	86,030	7,271,570	27,876,190
Total equity	5,417,568	356,352	(1,697,665)	4,076,255
Encumbrances outstanding budget basis at December 31, 2002	\$ 21,331,735	\$ 23,499	\$ 9,323	\$ 21,364,557

**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.

**20. CONTRIBUTED CAPITAL**

The Legends Golf Course and the Wastewater Treatment enterprise funds report contributed capital for fixed assets contributed by other funds. During the year, there was no change in contributed capital.

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS  
DECEMBER 31, 2002  
(Continued)**

**21. CONTRACTUAL COMMITMENTS**

The City had several outstanding construction projects as of December 31, 2002. These projects are evidenced by contractual commitments with contractors and include:

	Spent to <u>date</u>	Commitment <u>remaining</u>
Wastewater Treatment Plant Upgrade	\$ 14,546,690	\$ 18,480,519
Pedestrian Bridge	301,572	256,284
Wales/Hills and Dales Road Relocation	22,986	307,014
Recreation Center	<u>8,969,910</u>	<u>77,986</u>
Totals	<u>\$ 23,841,158</u>	<u>\$ 19,121,803</u>

Individual funds have been established to account for each of these projects. Therefore, each project is a commitment of the applicable fund. The Wastewater Treatment Plant Upgrade project is being financed with loans provided by the Ohio Water Development Authority. Construction of the recreation center is being financed with the proceeds of Bond Anticipation Notes issued during 2001. The other projects are being financed by current available revenues in the applicable funds.

**22. SUBSEQUENT EVENTS**

On February 28, 2003, the City issued \$1,775,000 of bond anticipation notes to provide funding for the construction of the Marketplace Infrastructure. The notes have an interest rate of 1.95% and mature on February 27, 2004.

On June 12, 2003, the City issued \$1,612,000 and \$1,303,000 of bond anticipation notes to finance the construction of the Lincoln Center complex. The notes have an interest rate of 2.08% and 1.88% and mature on February 27, 2004.



CITY OF MASSILLON  
STARK COUNTY

SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2002

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Receipts	Expenditures
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>				
<i>Passed Through Ohio Department of Education and the City of Canton</i>				
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	01-76201FCL389	10.557	\$103,551	\$94,592
Summer Food Service Program for Children	N/A	10.559	17,613	31,193
Total U.S. Department of Agriculture			121,164	125,785
<b><u>U.S. DEPARTMENT OF TRANSPORTATION:</u></b>				
<i>Passed Through Ohio Department of Transportation</i>				
Highway Planning and Construction	9527	20.205	91,739	118,926
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></b>				
<i>Direct</i>				
Community Development Block Grants/Entitlement Grants		14.218	965,744	1,032,220
<i>Passed Through Stark County HOME Consortium</i>				
HOME Investment Partnerships Program	M02DC390204	14.239	217,031	262,649
Total U.S. Department of Housing and Urban Development			1,182,775	1,294,869
<b><u>U.S. DEPARTMENT OF JUSTICE:</u></b>				
<i>Passed Through Ohio Office of Criminal Justice Services</i>				
Local Law Enforcement Block Grants Program	02-LBVX	16.592	25,110	2,964
	00-LBVX-2470		0	40,000
	99-LBVX-7080		0	3,824
	98-LBVX-3808		0	40
Total Local Law Enforcement Block Grants Program			25,110	46,828
<b><u>U.S. DEPARTMENT OF CRIMINAL JUSTICE:</u></b>				
<i>Passed Through Ohio Office of Criminal Justice Services</i>				
Violence Against Women Formula Grants	01-WFVA28225	16.588	15,000	20,226
<b><u>U.S. DEPARTMENT OF INTERIOR:</u></b>				
<i>Passed Through Cuyahoga Valley and Ohio and Erie Canal Association</i>				
Ohio and Erie Canal Grant	N/A	15.AAA	0	65,726
<b>Totals</b>			<b>\$1,435,788</b>	<b>\$1,672,360</b>

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

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE SCHEDULE OF RECEIPTS AND EXPENDITURES OF FEDERAL AWARDS  
DECEMBER 31, 2002**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

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

**NOTE B - SUBRECIPIENTS**

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

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

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

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

These loans are collateralized by a deed of trust of mortgage in favor of the City upon all land, buildings, fixtures, equipment, and other assets of the applicant comprising the project, and by the applicant's personal guarantee of repayment, unconditionally and irrevocably guaranteeing repayment of the revolving loan funds to the City. At December 31, 2002, the gross amount of loans outstanding under this program were \$2,271,217. Of this balance, \$27,661 is presented on the balance sheet as "Loans receivable", and \$2,243,556 is presented on the balance sheet as "Notes receivable" outstanding from previous years since the City actually holds a mortgage note for the amount loaned to a developer.

**NOTE D - MATCHING REQUIREMENTS**

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



**Auditor of State  
Betty Montgomery**

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

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

We have audited the financial statements of the City of Massillon, Stark County, Ohio, (the City) as of and for the year ended December 31, 2002, and have issued our report thereon dated August 29, 2003. 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 City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

However, we noted certain immaterial instances of noncompliance that we have reported to the management on the City in a separate letter dated August 29, 2003.

**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. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. A reportable condition is described in the accompanying Schedule of Findings as item 2002-001.

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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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness.

We also noted other matters involving the internal control over financial reporting that do not require inclusion in this report, that we have reported to the management of the City in a separate letter dated August 29, 2003.

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

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
Auditor of State

August 29, 2003



**Auditor of State  
Betty Montgomery**

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

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

To the Mayor and Member of City Council:

**Compliance**

We have audited the compliance of 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 its major federal programs for the year ended December 31, 2002. The City's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with 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, City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended December 31, 2002.

**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.

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

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



**Betty Montgomery**  
Auditor of State

August 29, 2003

**CITY OF MASSILLON  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 §.505  
DECEMBER 31, 2002**

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

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

<b>Finding Number</b>	<b>2002-001</b>
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**Fixed Assets**

Currently, the City's fixed assets procedures require each department head to submit to the City Auditor's Office a listing of its fixed assets additions and deletions for the year. The information submitted to the City Auditor's Office is gathered and submitted to the City's conversion team for inclusion in the City's Master Fixed Assets Listing and subsequently in the general purpose financial statements. The following issues were noted during testing of fixed assets:

- The City has adopted a formal, written, fixed asset policy which describes the capitalization threshold, accountability for fixed assets purchased in the aggregate and procedures for tracking fixed assets. However, the City's fixed asset policy does not detail procedures for capturing construction in progress, useful lives assigned to each classification, or the method of depreciation. As a result, certain fixed assets could not be readily identified or properly accounted for.
- Tag numbers are not assigned and attached to the City's fixed assets. In addition, serial numbers were not recorded for assets as an alternative method of identification. As a result, the City's fixed assets cannot be easily located or identified.
- The 2002 Construction in Progress (CIP) amount improperly included infrastructure projects within the General Fixed Asset Account Group (GFAAG), contrary to the City's Fixed Asset Policy. As a result, the CIP for 2002 was initially overstated by approximately \$324,000.
- The 2002 CIP additions included assets that were also reported on the 2002 Fixed Asset Additions Listing, resulting in the overstatement of CIP.
- The City's Master Fixed Asset Listing which included the 2001 CIP amount did not agree to the CIP reported in the prior period. As a result, the CIP amount was not properly represented in the 2002 Fixed Asset Note Disclosure as originally provided by the City.
- The Fixed Asset Additions Listing included lease payments for assets already reported on the City's Master Fixed Asset Listing. As a result, the additions were overstated by \$113,130.
- One asset on the Fixed Asset Additions Listing was overstated in value, which overstated the additions by approximately \$27,000.
- One asset on the Fixed Asset Additions Listing was improperly reported as equipment; however, the asset should have been reported as a land improvement.



**Fixed Assets (Continued)**

- Six additions were not reported to the Fixed Assets Additions Listing, which understated the additions by \$357,700.
- Fixed asset deletions were not properly removed from the Master Fixed Asset Listing. As a result, although the asset had no carrying value, the accumulated depreciation and total assets were overstated by approximately \$219,000, respectively.
- The carrying value of asset did not always agree to the difference between the asset cost and the accumulated depreciation. Additionally, some assets were included on the Master Fixed Asset Listing with a negative carrying value, thus indicating that depreciation was overstated for these assets. As a result, the City's Master Fixed Asset Listing did not accurately reflect the cumulative value of the City's assets.
- No individual is assigned responsibility for fixed asset additions and deletions and reconciliation of the Master Fixed Asset Listing with the current year's additions and deletions.

To improve accountability over fixed assets, the City should:

- Amend its formal written fixed asset policy to detail procedures for capturing construction in progress, assign useful lives to each asset classification, and describe a method of depreciation. This will help ensure fixed assets can be readily identified and properly accounted for, and will help the City prepare for the implementation of Governmental Accounting Standards Board Statement No. 34. Policies should also be established regarding the frequency of physical counts and the reconciliation of those results to the Master Fixed Asset Listing.
- Assign and attach (where applicable) tag numbers to all fixed assets and/or use serial numbers to ensure the proper identification of the fixed assets.
- Review its Construction in Progress (CIP) amounts and completion dates to ensure that CIP is properly recorded on the Master Fixed Asset Listing.
- Review the CIP additions to ensure infrastructure projects are not included in the General Fixed Assets Account Group, so as to comply with the City's Policy.
- Review the CIP and Fixed Asset Additions Listings to ensure that no duplication exists.
- Ensure the CIP reported in the Master Fixed Assets Listing agrees to the prior year to help ensure the amounts are properly reported within the City's financial statements and note disclosure.
- Review the Master Fixed Asset Additions Listing for leased assets which have been capitalized to ensure that the assets are not capitalized twice.
- Verify the Fixed Asset Additions Listing to the source documentation to ensure that fixed asset amounts are properly recorded.
- Review the Master Fixed Asset Additions Listing to ensure the fixed assets are properly classified.
- Establish procedures to ensure all fixed assets additions are included and the Fixed Asset Additions Listing is complete.

**Fixed Assets (Continued)**

- Establish procedures to ensure all fixed assets deletions are removed from the Master Fixed Asset Listing.
- The City should review its depreciation calculations on the Master Fixed Asset Listing to ensure that depreciation is calculated correctly in accordance with the assets useful life and ensure the depreciation amounts reported are not greater than the assets historical cost.
- Assign responsibility for fixed asset additions and deletions and reconciliation of the Master Fixed Asset Listing with the current year's additions and deletions. In addition, the City should perform a physical count and compare the results to the Listing to ensure records are complete and accurate including proper description and classification of assets.

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

None.



**Auditor of State  
Betty Montgomery**

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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  
NOVEMBER 6, 2003**