



**Mary Taylor, CPA**  
Auditor of State



**CITY OF MASSILLON  
STARK COUNTY**

**TABLE OF CONTENTS**

<b>TITLE</b>	<b>PAGE</b>
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	16
Statement of Revenues, Expenditures and Changes In Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund.....	18
Statement of Fund Net Assets – Proprietary Funds.....	19
Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds.....	21
Statement of Fiduciary Net Assets – Agency Funds.....	23
Notes to the Basic Financial Statements.....	24
Federal Awards Expenditures Schedule.....	55
Notes to the Federal Awards Expenditures Schedule.....	56
Independent Accountants' Report on Internal Control Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i> .....	57
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133.....	59
Schedule of Findings.....	61

**This page intentionally left blank.**



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT

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

To the Honorable Mayor and City Council:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Massillon, Stark County, Ohio, (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require that we plan and perform the audit to reasonably assure 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 our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Massillon, Stark County, Ohio, as of December 31, 2009, and the respective changes in financial position and where applicable, cash flows, thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3, during the year ended December 31, 2009, the City restated net assets of the governmental activities to properly report the payment in lieu of taxes receivable and the related intergovernmental payables as of January 1, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2010, 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 grant agreements and other matters. While we did not opine on the internal control over financial reporting or on compliance, that report describes the scope of our testing of internal control over financial reporting and compliance and the results of that testing. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*. You should read it in conjunction with this report in assessing the results of our audit.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information accounting principles generally accepted in the United States of America requires. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measuring and presenting the required supplementary information. However, we did not audit the information and express no opinion on it.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements. The Federal Awards Expenditures Schedule is required by the 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 basic financial statements. We subjected the Federal Awards Expenditures Schedule to the auditing procedures applied in the audit of the basic financial statements. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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

**Mary Taylor, CPA**  
Auditor of State

August 20, 2010

**City of Massillon**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

---

The discussion and analysis of the City of Massillon's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2009. The intent of this discussion and analysis is to look at the City's financial performance as a whole. Readers should also review the basic financial statements and the notes to the basic financial statements to enhance their understanding of the City's financial performance.

### **Financial Highlights**

Key Financial highlights for 2009 are as follows:

- During 2009 the City started new construction projects while continuing to work on projects that were already undertaken. Overall the City had seven ongoing construction projects.
- The City made significant cuts to its expenses through cuts in hours, overtime and comp time for the ACUE group, which is a bargaining group comprised of all classified and unclassified employees in the City. Police and fire departments whom represent a different bargaining group also agreed to make cuts to further control expenses.
- In an attempt to further control and reduce the City's expenses, cuts to materials and supplies opened the way for the City to make intrafund transfers between expenditure line items to help support salaries.

### **Using This Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of Massillon as a financial whole or as an entire operating entity. The statements provide a detailed look at the City's specific financial conditions.

The statement of Net Assets and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column. In the case of the City, there is one major governmental fund and three major enterprise funds.

### **Reporting the City of Massillon as a Whole**

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole considers all financial transactions and asks the question, "How did we do financially during 2009?" The Statement of Net Assets and the Statement of Activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into accounts all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net assets and the changes in those assets. The change in assets is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets also needs to be evaluated.

**City of Massillon**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

---

The Statement of Net Assets and the Statement of Activities are divided into the following categories:

- Assets
- Liabilities
- Net Assets (Assets minus Liabilities)
- Program Expenses and Revenues
- General Revenues
- Net Assets Beginning of Year and Year's End

### **Reporting the City of Massillon's Most Significant Funds**

#### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The City of Massillon uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The presentation of the City's major funds begins on page 14. Fund financial reports provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds, which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Massillon, the major governmental fund is the general fund. An analysis of the City's major governmental funds begins on page 7.

**Governmental Funds** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Most City activities are reported in the governmental funds focusing on how money flows into and out of those funds and the balances left at year-end available for future spending. These funds are reported using the modified accrual accounting method. The modified accrual method measures cash and all other financial assets expected to be readily converted to cash. The governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. Governmental fund information helps determine the level of financial resources that can be spent in the near future on residential services. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

**Proprietary Funds** Proprietary funds use the same basis of accounting as business-type activities; therefore, these statements will essentially match.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected on the government-wide financial statements because the resources from these funds are not available to support the City's programs. These funds use the accrual basis of accounting.

**City of Massillon**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

**The City of Massillon as a Whole**

Recall that the Statement of Net Assets pictures the City as a whole. Table 1 provides a summary of the City's net assets for 2009 compared to 2008.

Table 1  
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	Restated 2008	2009	2008	2009	2008
<b>Assets</b>						
Current and Other Assets	\$14,970,876	\$14,870,674	\$5,856,738	\$5,630,710	\$20,827,614	\$20,501,384
Capital Assets, Net	36,828,963	38,274,876	50,537,000	52,261,826	87,365,963	90,536,702
<i>Total Assets</i>	<u>51,799,839</u>	<u>53,145,550</u>	<u>56,393,738</u>	<u>57,892,536</u>	<u>108,193,577</u>	<u>111,038,086</u>
<b>Liabilities</b>						
Current and Other Liabilities	3,846,018	3,596,105	561,977	654,209	4,407,995	4,250,314
Long-Term Liabilities:						
Due Within One Year	1,155,479	1,312,657	2,385,728	2,401,728	3,541,207	3,714,385
Due in More than One Year	24,422,133	24,200,867	36,857,397	39,234,473	61,279,530	63,435,340
<i>Total Liabilities</i>	<u>29,423,630</u>	<u>29,109,629</u>	<u>39,805,102</u>	<u>42,290,410</u>	<u>69,228,732</u>	<u>71,400,039</u>
<b>Net Assets</b>						
Invested in Capital Assets, Net of Related Debt	18,438,759	19,174,699	12,113,760	11,416,303	30,552,519	30,591,002
Restricted:						
Capital Projects	850,934	1,034,565	0	0	850,934	1,034,565
Debt Service	1,388,545	1,300,389	0	0	1,388,545	1,300,389
Transportation	838,311	968,584	0	0	838,311	968,584
Economic Development	1,813,984	1,760,144	0	0	1,813,984	1,760,144
Parks and Recreation	181,083	31,034	0	0	181,083	31,034
Other Purposes	1,067,765	914,939	0	0	1,067,765	914,939
Unrestricted (Deficit)	(2,203,172)	(1,148,433)	4,474,876	4,185,823	2,271,704	3,037,390
<i>Total Net Assets</i>	<u>\$22,376,209</u>	<u>\$24,035,921</u>	<u>\$16,588,636</u>	<u>\$15,602,126</u>	<u>\$38,964,845</u>	<u>\$39,638,047</u>

Total governmental activities assets, liabilities and net assets decreased from 2008 to 2009. Although 2009 was a tough economic year, in which income tax revenues were down slightly, the City implemented decisions to help control costs and in an effort to maintain net assets relatively constant. Capital assets reported on the government-wide statements represent the largest portion of the City's assets. A decrease in capital assets was the main cause of the decrease in overall net assets, due to annual depreciation on capital assets partially offset by current year additions. Capital assets include land, construction in progress, land improvements, buildings and improvements, vehicles, machinery and equipment and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2009, were \$30,552,519. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Total assets, liabilities and net assets for the business-type activity increased in 2009 from 2008. The business type activities had an increase in the investments in capital assets net of related debt due to the decrease in outstanding debt.

**City of Massillon**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

Table 2 shows the changes in net assets for the year ended December 31, 2009 compared to 2008.

Table 2  
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenues</b>						
Program Revenues:						
Charges for Services	\$4,022,919	\$4,318,780	\$10,085,106	\$9,804,527	\$14,108,025	\$14,123,307
Operating Grants and Contributions	2,566,588	2,580,098	0	0	2,566,588	2,580,098
Capital Grants	497,878	268,006	4,000	52,306	501,878	320,312
<b>Total Program Revenues</b>	<b>7,087,385</b>	<b>7,166,884</b>	<b>10,089,106</b>	<b>9,856,833</b>	<b>17,176,491</b>	<b>17,023,717</b>
General Revenues:						
Property Taxes	1,711,220	1,344,489	0	0	1,711,220	1,344,489
Income Taxes	12,725,575	13,441,252	255,000	205,000	12,980,575	13,646,252
Intergovernmental	2,104,995	2,398,840	0	0	2,104,995	2,398,840
Payment in Lieu of taxes	465,315	0	0	0	465,315	0
Interest	336,463	688,048	0	0	336,463	688,048
Other	436,577	778,084	274,584	85,710	711,161	863,794
<b>Total General Revenues</b>	<b>17,780,145</b>	<b>18,650,713</b>	<b>529,584</b>	<b>290,710</b>	<b>18,309,729</b>	<b>18,941,423</b>
<b>Total Revenues</b>	<b>24,867,530</b>	<b>25,817,597</b>	<b>10,618,690</b>	<b>10,147,543</b>	<b>35,486,220</b>	<b>35,965,140</b>
<b>Program Expenses</b>						
Governmental Activities:						
General Government	6,931,542	6,838,678	0	0	6,931,542	6,838,678
Security of Persons and Property	10,443,478	10,456,531	0	0	10,443,478	10,456,531
Transportation	3,533,134	4,003,056	0	0	3,533,134	4,003,056
Public Health and Welfare	508,663	621,374	0	0	508,663	621,374
LeisureTime Activities	2,492,171	3,167,858	0	0	2,492,171	3,167,858
Basic Utilities Service	27,893	81,980	0	0	27,893	81,980
Economic Development and Assistance	1,041,530	921,318	0	0	1,041,530	921,318
Urban Redevelopment and Housing	128,738	145,989	0	0	128,738	145,989
Interest and Fiscal Charges	1,420,093	1,365,816	0	0	1,420,093	1,365,816
Wastewater	0	0	7,510,935	7,939,982	7,510,935	7,939,982
Solid Waste	0	0	1,109,340	1,011,951	1,109,340	1,011,951
Golf Course	0	0	1,011,905	821,306	1,011,905	821,306
<b>Total Expenses</b>	<b>26,527,242</b>	<b>27,602,600</b>	<b>9,632,180</b>	<b>9,773,239</b>	<b>36,159,422</b>	<b>37,375,839</b>
<b>Increase (Decrease) in Net Assets</b>	<b>(1,659,712)</b>	<b>(1,785,003)</b>	<b>986,510</b>	<b>374,304</b>	<b>(673,202)</b>	<b>(1,410,699)</b>
Net Assets Beginning of Year (Restated)	24,035,921	25,820,924	15,602,126	15,227,822	39,638,047	41,048,746
<b>Net Assets End of Year</b>	<b>\$22,376,209</b>	<b>\$24,035,921</b>	<b>\$16,588,636</b>	<b>\$15,602,126</b>	<b>\$38,964,845</b>	<b>\$39,638,047</b>

**City of Massillon**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

---

**Governmental Activities**

Governmental activities net assets increased in 2009. The funding for governmental activities comes from several different sources, with municipal income tax being the largest contributor. Income tax revenues decreased slightly from 2008 to 2009 due to less delinquent income tax being collected in 2010. The City's governmental expenses decreased due to the City's salary and benefits cuts in 2009.

Security of persons and property represents the highest program expense for the City by a large margin. This expense category is made up of all of the expenses and related activities of the City's Police and Fire Departments. Both departments are efficient and operated within their operating budget. The Police Department consists of a full-time police chief who oversees full-time and part-time police officers and communication specialists. The Police Department is funded primarily from revenues generated through the City's income tax, fines and forfeitures and is presented within the general fund. The police and fire departments made significant cuts in hours and benefits through the end of the 2009. Both the police department and fire department cut overtime and comp time and the police department also made all full time detectives regular officers which reduced their salaries.

Charges for services represents revenues from community development, municipal court fees, law enforcement, parking fees, waste management fees, indigent drivers fees, clerk or courts fees, special assessments, and parks and recreation fees. Operating and capital grants and contributions are represented mainly of revenues received from other governments for a specific purpose.

General revenues accounted for a large portion of total governmental revenues. These revenues primarily consist of property and income tax revenue. The other primary source of general revenues is grants and entitlements not restricted to specific programs, with local government, and local government revenue assistance making up a majority of the total general revenues.

**Business-Type Activities**

The wastewater, solid waste, and golf course funds are the City's enterprise funds. These programs had program revenues in excess of expenditures for 2009. Business-type activities reported an increase in total net assets from 2008. This increase was due to higher charges for services revenues and a decrease in expenditures.

**The City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The general fund is the operating fund of the City. At the end of the year, the fund balance of the general fund was \$849,004, a 31.71 percent decrease from prior year. The primary reason for the decrease of the general fund balance in 2009 was attributed an overall decrease in revenues and an increase in transfers out to support the operations of other funds. The overall decrease in revenues as compared to 2008 was \$1,260,408.

**General Fund Budgeting Highlights**

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially, the budget is the City's appropriations that are restricted by the amounts of anticipated revenues certified by the County Budget Commission in accordance with the ORC. Therefore, the City's plans or desires cannot be totally reflected in the original budget. If budgeted revenues are adjusted due to actual activity, then the appropriations can be adjusted accordingly.

**City of Massillon**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

The most significant budgeted governmental fund is the general fund. The final budget (estimated) revenue exceeded the original estimated revenue by \$891,096. The most significant variance between original budgeted revenue and final budgeted revenue amounts was to income taxes revenue. Overall, total actual revenues came in less than estimated revenues by \$179,903. During the year, these estimates were changed as new information was made available.

Final budgeted expenditures increased \$773,899 or 5.38 percent over the original budgeted amounts. This increase was adjusted along with the estimated resources that were anticipated to be available. Budgeted expenditures are not allowed to exceed estimated resources that are certified by the County Auditor. As additional resources are identified the certification is amended and budgeted expenditures can be adjusted accordingly. The final budget exceeded actual expenditures and encumbrances by \$209,530.

**Capital Assets and Debt Administration**

*Capital Assets*

Table 3 shows the changes in capital assets for the year ended December 31, 2009 compared to 2008.

Table 3  
 Capital Assets at December 31  
 (Net of Depreciation)

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$7,771,396	\$8,566,375	\$3,052,637	\$3,052,637	\$10,824,033	\$11,619,012
Construction in Progress	243,932	99,020	0	0	243,932	99,020
Land Improvements	2,399,620	2,484,635	534,946	638,354	2,934,566	3,122,989
Buildings and Improvements	8,485,403	8,840,201	2,266,326	2,463,774	10,751,729	11,303,975
Vehicles	977,443	1,022,994	582,284	671,637	1,559,727	1,694,631
Machinery and Equipment	1,043,876	1,129,669	339,160	389,279	1,383,036	1,518,948
Infrastructure	15,907,293	16,131,982	43,761,647	45,046,145	59,668,940	61,178,127
<b>Total Capital Assets</b>	<b>\$36,828,963</b>	<b>\$38,274,876</b>	<b>\$50,537,000</b>	<b>\$52,261,826</b>	<b>\$87,365,963</b>	<b>\$90,536,702</b>

At the end of year 2009, the City had \$87,365,963 in capital assets (net of accumulated depreciation). Of this total, \$36,828,963 was reported in governmental activities and \$50,537,000 was reported in business-type activities.

For governmental activities, the decrease in total capital assets was due to annual depreciation exceeding additions. The City was engaged in seven construction projects during the year with the most significant additions to infrastructure coming from work on the Keuper Boulevard storm sewer relocation project.

For business-type activities, the decrease in total capital assets was due primarily from current year depreciation expense. See Note 11 to the basic financial statements for detail on governmental and business-type activities capital assets.

**City of Massillon**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2009*  
*Unaudited*

**Debt**

At December 31, 2009, the City had total long-term obligations outstanding of \$64,820,737. Of this total, \$3,541,207 is due within one year and \$61,279,530 is due in more than one year.

Table 4 below summarizes the long-term obligations outstanding:

Table 4  
 Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2009	2008	2009	2008	2009	2008
General Obligation Bonds	\$17,852,082	\$18,449,472	\$6,340,765	\$6,535,454	\$24,192,847	\$24,984,926
Special Obligation Debt	0	0	0	1,939	0	1,939
Loans Payable	2,202,499	2,292,131	32,360,411	34,438,289	34,562,910	36,730,420
Police and Fire Pension	1,437,909	1,468,802	0	0	1,437,909	1,468,802
Compensated Absences	3,147,414	3,010,070	501,497	507,429	3,648,911	3,517,499
Judgement Payable	700,000	0	0	0	700,000	0
Capital Leases	237,708	293,049	40,452	153,090	278,160	446,139
<b>Total</b>	<b>\$25,577,612</b>	<b>\$25,513,524</b>	<b>\$39,243,125</b>	<b>\$41,636,201</b>	<b>\$64,820,737</b>	<b>\$67,149,725</b>

All governmental long-term debt will be repaid by the general fund, street construction, state highway, community development, WIC program, parks and recreation and police and fire pension special revenue funds, debt retirement debt service fund and marketplace infrastructure TIF and income tax capital improvements capital projects funds. All business-type long-term debt will be repaid by the solid waste, wastewater and golf course enterprise funds.

At December 31, 2009, the City's overall legal debt margin was \$39,789,482 with an unvoted debt margin of \$11,056,607. The City's credit rating remained unchanged in 2009 as compared to 2008. See Note 15 to the basic financial statements for details on the City's long-term obligations.

**Current Financial Related Activities**

During 2009, the City of Massillon explored options for controlling expenses as a nation-wide recession impacted the City's citizens, businesses, and the City itself. These efforts continue into 2010; all cuts in work hours have been removed while the City still has restricted overtime and comp time. The City has also left some positions vacant in attempts to continue to monitor and control costs. The City Administration continues in an attempt to foster economic development; currently there are several projects in various stages of completion.

**Contacting the City's Finance Department**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Jayne Ferrero, City of Massillon Auditor, One James Duncan Plaza, Massillon, Ohio 44646, (330) 830-1708, or visit our web site at [www.massillonohio.com](http://www.massillonohio.com).

---

## **Basic Financial Statements**

---

**City of Massillon, Ohio**

*Statement of Net Assets*

*December 31, 2009*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$3,486,145	\$3,471,454	\$6,957,599
Cash Equivalents in Segregated Accounts	130,768	0	130,768
Materials and Supplies Inventory	110,093	14,398	124,491
Accrued Interest Receivable	831,419	0	831,419
Accounts Receivable	877,545	2,461,890	3,339,435
Loans Receivable	3,341,983	0	3,341,983
Internal Balances	195,000	(195,000)	0
Intergovernmental Receivable	1,784,637	0	1,784,637
Deferred Charges	0	103,996	103,996
Income Taxes Receivable	2,135,361	0	2,135,361
Property Taxes Receivable	1,832,347	0	1,832,347
Payment in Lieu of Taxes Receivable	245,578	0	245,578
Nondepreciable Capital Assets	8,015,328	3,052,637	11,067,965
Depreciable Capital Assets, Net	28,813,635	47,484,363	76,297,998
<i>Total Assets</i>	<u>51,799,839</u>	<u>56,393,738</u>	<u>108,193,577</u>
<b>Liabilities</b>			
Accounts Payable	322,008	256,620	578,628
Accrued Wages	419,279	85,754	505,033
Contracts Payable	6,191	47,020	53,211
Intergovernmental Payable	1,216,904	150,259	1,367,163
Accrued Interest Payable	72,346	22,324	94,670
Claims Payable	589	0	589
Deferred Revenue	1,808,701	0	1,808,701
Long-Term Liabilities:			
Due Within One Year	1,155,479	2,385,728	3,541,207
Due In More Than One Year	24,422,133	36,857,397	61,279,530
<i>Total Liabilities</i>	<u>29,423,630</u>	<u>39,805,102</u>	<u>69,228,732</u>
<b>Net Assets</b>			
Invested in Capital Assets, Net of Related Debt	18,438,759	12,113,760	30,552,519
Restricted for:			
Capital Projects	850,934	0	850,934
Debt Service	1,388,545	0	1,388,545
Transportation	838,311	0	838,311
Economic Development	1,813,984	0	1,813,984
Parks and Recreation	181,083	0	181,083
Other Purposes	1,067,765	0	1,067,765
Unrestricted (Deficit)	(2,203,172)	4,474,876	2,271,704
<i>Total Net Assets</i>	<u>\$22,376,209</u>	<u>\$16,588,636</u>	<u>\$38,964,845</u>

See accompanying notes to the basic financial statements - 11 -

**City of Massillon, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2009

	Expenses	Program Revenues		
		Charges for Services, Sales and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$6,931,542	\$1,234,106	\$48,754	\$0
Security of Persons and Property	10,443,478	920,418	141,322	0
Transportation	3,533,134	35,642	1,568,972	497,878
Public Health and Welfare	508,663	161,970	95,400	0
Leisure Time Activities	2,492,171	992,284	111,937	0
Basic Utility Service	27,893	12,502	5,628	0
Economic Development and Assistance	1,041,530	665,997	476,663	0
Urban Redevelopment and Housing	128,738	0	117,912	0
Interest and Fiscal Charges	1,420,093	0	0	0
<i>Total Governmental Activities</i>	<u>26,527,242</u>	<u>4,022,919</u>	<u>2,566,588</u>	<u>497,878</u>
<b>Business-Type Activities:</b>				
Waste Water	7,510,935	8,242,223	0	0
Solid Waste	1,109,340	1,049,542	0	0
Golf Course	1,011,905	793,341	0	4,000
<i>Total Business-Type Activities</i>	<u>9,632,180</u>	<u>10,085,106</u>	<u>0</u>	<u>4,000</u>
<i>Total</i>	<u>\$36,159,422</u>	<u>\$14,108,025</u>	<u>\$2,566,588</u>	<u>\$501,878</u>

**General Revenues**

Property Taxes Levied for:

General Purposes

Police and Fire Pension

Income Tax Levied for:

General Purposes

Debt Services

Capital Improvements

Leisure Time Activities

Golf Course

Grants and Entitlements not Restricted to Specific Programs

Payment in Lieu of Taxes

Interest

Other

*Total General Revenues*

Change in Net Assets

*Net Assets Beginning of Year - Restated (See Note 3)*

*Net Assets End of Year*

See accompanying notes to the basic financial statements

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
(\$5,648,682)	\$0	(\$5,648,682)
(9,381,738)	0	(9,381,738)
(1,430,642)	0	(1,430,642)
(251,293)	0	(251,293)
(1,387,950)	0	(1,387,950)
(9,763)	0	(9,763)
101,130	0	101,130
(10,826)	0	(10,826)
(1,420,093)	0	(1,420,093)
<u>(19,439,857)</u>	<u>0</u>	<u>(19,439,857)</u>
0	731,288	731,288
0	(59,798)	(59,798)
0	(214,564)	(214,564)
<u>0</u>	<u>456,926</u>	<u>456,926</u>
<u>(19,439,857)</u>	<u>456,926</u>	<u>(18,982,931)</u>
1,402,917	0	1,402,917
308,303	0	308,303
10,601,681	0	10,601,681
711,056	0	711,056
207,280	0	207,280
1,205,558	0	1,205,558
0	255,000	255,000
2,104,995	0	2,104,995
465,315	0	465,315
336,463	0	336,463
436,577	274,584	711,161
<u>17,780,145</u>	<u>529,584</u>	<u>18,309,729</u>
(1,659,712)	986,510	(673,202)
<u>24,035,921</u>	<u>15,602,126</u>	<u>39,638,047</u>
<u>\$22,376,209</u>	<u>\$16,588,636</u>	<u>\$38,964,845</u>

**City of Massillon, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2009*

	General	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$373,558	\$3,083,497	\$3,457,055
Cash and Cash Equivalents:			
In Segregated Accounts	88,973	41,795	130,768
Materials and Supplies Inventory	101,732	8,361	110,093
Accrued Interest Receivable	2,804	828,615	831,419
Accounts Receivable	173,529	704,016	877,545
Loans Receivable	0	3,341,983	3,341,983
Interfund Receivable	140,000	125,000	265,000
Intergovernmental Receivable	838,274	946,363	1,784,637
Income Taxes Receivable	1,736,903	398,458	2,135,361
Property Taxes Receivable	1,499,911	332,436	1,832,347
Payment in Lieu of Taxes Receivable	0	245,578	245,578
Restricted Assets:			
Equity in Pooled Cash and Cash Equivalents	24,814	0	24,814
<i>Total Assets</i>	<u>\$4,980,498</u>	<u>\$10,056,102</u>	<u>\$15,036,600</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts Payable	\$150,173	\$171,835	\$322,008
Accrued Wages	342,465	76,814	419,279
Contracts Payable	0	6,191	6,191
Intergovernmental Payable	1,073,086	143,818	1,216,904
Interfund Payable	0	70,000	70,000
Deferred Revenue	2,565,770	2,914,574	5,480,344
<i>Total Liabilities</i>	<u>4,131,494</u>	<u>3,383,232</u>	<u>7,514,726</u>
<b>Fund Balances</b>			
Reserved for Encumbrances	134,696	1,815,651	1,950,347
Reserved for Loans Receivable	0	3,341,983	3,341,983
Reserved for Unclaimed Monies	24,814	0	24,814
Unreserved, Undesignated, Reported in:			
General Fund	689,494	0	689,494
Special Revenue Funds	0	1,165,397	1,165,397
Debt Service Fund	0	216,937	216,937
Capital Projects Funds	0	132,902	132,902
<i>Total Fund Balances</i>	<u>849,004</u>	<u>6,672,870</u>	<u>7,521,874</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,980,498</u>	<u>\$10,056,102</u>	<u>\$15,036,600</u>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Reconciliation of Total Governmental Fund Balances to  
 Net Assets of Governmental Activities  
 December 31, 2009*

<b>Total Governmental Fund Balances</b>	<b>\$7,521,874</b>
 <i>Amounts reported for governmental activities in the statement of net assets are different because</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	36,828,963
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
Property Taxes	259,767
Income Tax	723,879
Grants	1,176,666
Accrued Interest	828,615
Charges for Services	682,716
Total	3,671,643
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	3,687
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(72,346)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(17,455,000)
Accretion	(107,085)
Capital Appreciation Bonds	(289,997)
Capital Leases	(237,708)
Police and Fire Pension	(1,437,909)
Loans Payable	(2,202,499)
Compensated Absences	(3,147,414)
Claims and Judgements	(700,000)
Total	(25,577,612)
 <i>Net Assets of Governmental Activities</i>	 <b>\$22,376,209</b>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Statement of Revenues, Expenditures and Changes in Fund Balances*  
*Governmental Funds*  
*For the Year Ended December 31, 2009*

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>			
Property Taxes	\$1,402,917	\$308,303	\$1,711,220
Income Taxes	10,748,573	2,155,063	12,903,636
Payment in Lieu of Taxes	0	465,315	465,315
Special Assessments	0	701	701
Intergovernmental	2,003,468	3,024,372	5,027,840
Interest	2,804	221,191	223,995
Licenses and Permits	162,273	131,745	294,018
Fines and Forfeitures	1,146,347	630,223	1,776,570
Charges for Services	371,612	1,494,997	1,866,609
Contributions and Donations	0	61,265	61,265
Other	282,600	148,752	431,352
<i>Total Revenues</i>	<u>16,120,594</u>	<u>8,641,927</u>	<u>24,762,521</u>
<b>Expenditures</b>			
Current:			
General Government	5,365,520	500,514	5,866,034
Security of Persons and Property	8,271,266	911,131	9,182,397
Transportation	1,105,330	1,716,681	2,822,011
Public Health and Welfare	267,324	269,606	536,930
Leisure Time Activities	0	2,042,798	2,042,798
Basic Utility Service	0	27,893	27,893
Economic Development and Assistance	0	1,037,344	1,037,344
Urban Redevelopment and Housing	0	128,738	128,738
Capital Outlay	0	1,158,673	1,158,673
Debt Service:			
Principal Retirement	0	963,191	963,191
Interest and Fiscal Charges	0	1,389,419	1,389,419
<i>Total Expenditures</i>	<u>15,009,440</u>	<u>10,145,988</u>	<u>25,155,428</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>1,111,154</u>	<u>(1,504,061)</u>	<u>(392,907)</u>
<b>Other Financing Sources (Uses)</b>			
Inception of Capital Lease	0	157,325	157,325
Transfers In	0	1,505,396	1,505,396
Transfers Out	(1,505,396)	0	(1,505,396)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,505,396)</u>	<u>1,662,721</u>	<u>157,325</u>
<i>Net Change in Fund Balances</i>	(394,242)	158,660	(235,582)
<i>Fund Balances Beginning of Year</i>	<u>1,243,246</u>	<u>6,514,210</u>	<u>7,757,456</u>
<i>Fund Balances End of Year</i>	<u>\$849,004</u>	<u>\$6,672,870</u>	<u>\$7,521,874</u>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**

*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2009*

---

---

**Net Change in Fund Balances - Total Governmental Funds** (235,582)

***Amounts reported for governmental activities in the  
statement of activities are different because***

Governmental funds report capital outlays as expenditures. However, in the statements of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays and capital contributions exceeded depreciation in the current period.

Capital Asset Additions		
Capital Outlay	272,994	
Current Year Depreciation	<u>(1,705,760)</u>	
Total		(1,432,766)

Government Funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. (13,147)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Income Tax	(178,061)	
Charges for Services	85,021	
Grants	80,356	
Accrued Interest	<u>112,468</u>	
Total		99,784

Repayment of debt and other long-term liabilities is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net assets. 963,191

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued Interest	1,936	
Bond Accretion	<u>(32,610)</u>	
Total		(30,674)

Other financing sources, such as an inception of capital lease, in the governmental funds increase long-term liabilities in the statement of net assets. (157,325)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds.

Compensated Absences	(137,344)	
Judgment Payable	<u>(700,000)</u>	
Total		(837,344)

The internal service funds used by management to charge the cost of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year. (15,849)

*Change in Net Assets of Governmental Activities* (\$1,659,712)

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Statement of Revenues, Expenditures and Changes*  
*In Fund Balance - Budget (Non-GAAP Basis) and Actual*  
*General Fund*  
*For the Year Ended December 31, 2009*

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
<b>Revenues</b>				
Property Taxes	\$1,345,013	\$1,421,119	\$1,405,735	(\$15,384)
Income Taxes	10,565,038	11,164,263	11,043,431	(120,832)
Intergovernmental	1,898,749	2,007,718	1,985,946	(21,772)
Interest	34,609	36,120	35,740	(380)
Licenses and Permits	155,738	164,028	162,273	(1,755)
Fines and Forfeitures	1,104,328	1,166,100	1,153,497	(12,603)
Charges for Services	349,231	369,413	365,401	(4,012)
Other	278,441	293,482	290,317	(3,165)
<i>Total Revenues</i>	<u>15,731,147</u>	<u>16,622,243</u>	<u>16,442,340</u>	<u>(179,903)</u>
<b>Expenditures</b>				
Current:				
General Government	5,202,316	5,481,597	5,389,368	92,229
Security of Persons and Property	7,807,790	8,227,936	8,129,350	98,586
Transportation	1,106,355	1,166,368	1,151,640	14,728
Public Health and Welfare	270,474	284,933	280,946	3,987
<i>Total Expenditures</i>	<u>14,386,935</u>	<u>15,160,834</u>	<u>14,951,304</u>	<u>209,530</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,344,212</u>	<u>1,461,409</u>	<u>1,491,036</u>	<u>29,627</u>
<b>Other Financing Sources (Uses)</b>				
Advances In	70,000	70,000	70,000	0
Advances Out	(15)	(15)	0	15
Transfers Out	(1,505,396)	(1,505,396)	(1,505,396)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,435,411)</u>	<u>(1,435,411)</u>	<u>(1,435,396)</u>	<u>15</u>
<i>Net Change in Fund Balance</i>	(91,199)	25,998	55,640	29,642
<i>Fund Balance Beginning of Year</i>	21,109	21,109	21,109	0
Prior Year Encumbrances Appropriated	<u>153,666</u>	<u>153,666</u>	<u>153,666</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u><u>\$83,576</u></u>	<u><u>\$200,773</u></u>	<u><u>\$230,415</u></u>	<u><u>\$29,642</u></u>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Statement of Fund Net Assets*  
*Proprietary Funds*  
*December 31, 2009*

	Wastewater	Solid Waste	Golf Course	Total	Governmental Activities- Internal Service Fund
<b>Assets</b>					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$3,167,436	\$258,104	\$45,914	\$3,471,454	\$4,276
Accounts Receivable	2,430,270	31,620	0	2,461,890	0
Materials and Supplies Inventory	6,406	0	7,992	14,398	0
<i>Total Current Assets</i>	<u>5,604,112</u>	<u>289,724</u>	<u>53,906</u>	<u>5,947,742</u>	<u>4,276</u>
<i>Non-Current Assets:</i>					
Deferred Charges	0	0	103,996	103,996	0
Land	59,400	0	2,993,237	3,052,637	0
Depreciable Capital Assets, Net	45,762,809	320,489	1,401,065	47,484,363	0
<i>Total Non-Current Assets</i>	<u>45,822,209</u>	<u>320,489</u>	<u>4,498,298</u>	<u>50,640,996</u>	<u>0</u>
<i>Total Assets</i>	<u>51,426,321</u>	<u>610,213</u>	<u>4,552,204</u>	<u>56,588,738</u>	<u>4,276</u>
<b>Liabilities</b>					
<i>Current Liabilities:</i>					
Accounts Payable	243,919	11,283	1,418	256,620	0
Accrued Wages	62,632	19,918	3,204	85,754	0
Contracts Payable	0	47,020	0	47,020	0
Intergovernmental Payable	104,065	32,820	13,374	150,259	0
Interfund Payable	0	0	195,000	195,000	0
Accrued Interest Payable	0	0	22,324	22,324	0
Compensated Absences Payable	27,679	223	4,819	32,721	0
OWDA Loans Payable	2,061,500	0	0	2,061,500	0
Capital Leases Payable	0	0	31,507	31,507	0
General Obligation Bonds Payable	0	0	260,000	260,000	0
Claims Payable	0	0	0	0	589
<i>Total Current Liabilities</i>	<u>2,499,795</u>	<u>111,264</u>	<u>531,646</u>	<u>3,142,705</u>	<u>589</u>
<i>Long-Term Liabilities (net of current portion):</i>					
Compensated Absences Payable	365,132	98,559	5,085	468,776	0
Capital Leases Payable	0	0	8,945	8,945	0
OWDA Loans Payable	30,298,911	0	0	30,298,911	0
General Obligation Bonds Payable	0	0	6,080,765	6,080,765	0
<i>Total Long-Term Liabilities</i>	<u>30,664,043</u>	<u>98,559</u>	<u>6,094,795</u>	<u>36,857,397</u>	<u>0</u>
<i>Total Liabilities</i>	<u>33,163,838</u>	<u>209,823</u>	<u>6,626,441</u>	<u>40,000,102</u>	<u>589</u>
<b>Net Assets</b>					
Invested in Capital Assets, Net of Related Debt	13,461,798	320,489	(1,668,527)	12,113,760	0
Unrestricted (Deficit)	4,800,685	79,901	(405,710)	4,474,876	3,687
<i>Total Net Assets (Deficit)</i>	<u>\$18,262,483</u>	<u>\$400,390</u>	<u>(\$2,074,237)</u>	<u>\$16,588,636</u>	<u>\$3,687</u>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended December 31, 2009*

	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
<b>Operating Revenues</b>					
Charges for Services	\$8,242,223	\$1,049,542	\$793,341	\$10,085,106	\$3,320
Other	234,211	349	40,024	274,584	5,225
<i>Total Operating Revenues</i>	<u>8,476,434</u>	<u>1,049,891</u>	<u>833,365</u>	<u>10,359,690</u>	<u>8,545</u>
<b>Operating Expenses</b>					
Personal Services	1,829,990	554,398	308,546	2,692,934	0
Fringe Benefits	655,226	229,193	75,368	959,787	0
Contractual Services	1,764,940	215,665	66,810	2,047,415	0
Materials and Supplies	1,275,328	56,334	297,728	1,629,390	0
Depreciation	1,511,413	53,750	199,103	1,764,266	0
Claims	0	0	0	0	24,394
<i>Total Operating Expenses</i>	<u>7,036,897</u>	<u>1,109,340</u>	<u>947,555</u>	<u>9,093,792</u>	<u>24,394</u>
<i>Operating Income (Loss)</i>	<u>1,439,537</u>	<u>(59,449)</u>	<u>(114,190)</u>	<u>1,265,898</u>	<u>(15,849)</u>
<b>Non-Operating Revenues (Expenses)</b>					
Income Taxes	0	0	255,000	255,000	0
Interest and Fiscal Charges	(474,038)	0	(64,350)	(538,388)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(474,038)</u>	<u>0</u>	<u>190,650</u>	<u>(283,388)</u>	<u>0</u>
<i>Income (Loss) before Capital Contributions</i>	965,499	(59,449)	76,460	982,510	(15,849)
Capital Contributions	0	0	4,000	4,000	0
<i>Change in Net Assets</i>	965,499	(59,449)	80,460	986,510	(15,849)
<i>Net Assets (Deficit) Beginning of Year</i>	<u>17,296,984</u>	<u>459,839</u>	<u>(2,154,697)</u>	<u>15,602,126</u>	<u>19,536</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$18,262,483</u>	<u>\$400,390</u>	<u>(\$2,074,237)</u>	<u>\$16,588,636</u>	<u>\$3,687</u>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2009

	Wastewater	Solid Waste	Golf Course	Total	Governmental Activities - Internal Service Fund
<b>Increase (Decrease) in Cash and Cash Equivalents</b>					
<b>Cash Flows from Operating Activities</b>					
Cash received from customers	\$8,274,977	\$1,043,128	\$794,918	\$10,113,023	\$3,320
Cash received from other operating sources	234,211	349	40,024	274,584	5,225
Cash payments for employee services and benefits	(2,512,911)	(760,134)	(385,126)	(3,658,171)	0
Cash payments to suppliers for goods and services	(3,159,143)	(241,905)	(375,091)	(3,776,139)	(24,471)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>2,837,134</u>	<u>41,438</u>	<u>74,725</u>	<u>2,953,297</u>	<u>(15,926)</u>
<b>Cash Flows from Noncapital Financing Activities</b>					
Capital grants received	0	0	4,000	4,000	0
Advances in	0	20,000	0	20,000	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>0</u>	<u>20,000</u>	<u>4,000</u>	<u>24,000</u>	<u>0</u>
<b>Cash Flows from Capital and Related Financing Activities</b>					
Cash received from income taxes	0	0	255,000	255,000	0
Principal paid on bonds	0	0	(255,000)	(255,000)	0
Principal paid on capital leases	(56,090)	0	(56,548)	(112,638)	0
Interest paid on capital leases	(2,523)	0	(4,719)	(7,242)	0
Principal paid on loans	(2,077,878)	0	(1,939)	(2,079,817)	0
Interest paid on loans	(471,515)	0	0	(471,515)	0
Payments for capital acquisitions	(33,355)	(6,085)	0	(39,440)	0
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(2,641,361)</u>	<u>(6,085)</u>	<u>(63,206)</u>	<u>(2,710,652)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	195,773	55,353	15,519	266,645	(15,926)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>2,971,663</u>	<u>202,751</u>	<u>30,395</u>	<u>3,204,809</u>	<u>20,202</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$3,167,436</u></u>	<u><u>\$258,104</u></u>	<u><u>\$45,914</u></u>	<u><u>\$3,471,454</u></u>	<u><u>\$4,276</u></u>

(continued)

**City of Massillon, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds (continued)*  
*For the Year Ended December 31, 2009*

	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total</u>	<u>Governmental Activities- Internal Service Fund</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities</b>					
Operating Income (Loss)	\$1,439,537	(\$59,449)	(\$114,190)	\$1,265,898	(\$15,849)
Adjustments:					
Depreciation	1,511,413	53,750	199,103	1,764,266	0
(Increase) Decrease in Assets:					
Accounts Receivable	32,754	(6,414)	1,577	27,917	0
Materials and Supplies Inventory	692	0	(7,992)	(7,300)	0
Increase (Decrease) in Liabilities:					
Accounts Payable	32,076	10,330	(831)	41,575	0
Contracts Payable	(151,338)	19,764	0	(131,574)	0
Accrued Wages	996	3,839	505	5,340	0
Compensated Absences Payable	(33,465)	29,802	(2,269)	(5,932)	0
Intergovernmental Payable	4,469	(10,184)	(1,178)	(6,893)	0
Claims Payable	0	0	0	0	(77)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$2,837,134</u>	<u>\$41,438</u>	<u>\$74,725</u>	<u>\$2,953,297</u>	<u>(\$15,926)</u>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**

*Statement of Fiduciary Assets and Liabilities*

*Agency Funds*

*December 31, 2009*

---

---

<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$167,826
Cash and Cash Equivalents In Segregated Accounts	182,478
Intergovernmental Receivable	65,242
Property Taxes Receivable	<u>525,340</u>
<i>Total Assets</i>	<u><u>\$940,886</u></u>
<b>Liabilities</b>	
Undistributed Monies	\$350,304
Due to Other Governments	<u>590,582</u>
<i>Total Liabilities</i>	<u><u>\$940,886</u></u>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

**Note 1 – Description of the City and Reporting Entity**

The City of Massillon (the “City”) was first incorporated by the Act of the State Legislature (the Act) 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 18.709 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.

***Reporting Entity***

A reporting entity is comprised of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Massillon this includes police, fire, emergency service, street construction, parks and recreation, wastewater and solid waste utilities, general administrative services and a City council.

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; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or 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 Notes 9 and 10 to the basic financial statements.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of 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 (FASB) Statements and Interpretations issued on or before November 30, 1989, to its governmental and business-type activities and to its proprietary funds unless these pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply FASB statements and interpretations issued after November 30, 1989, to its business-type activities and enterprise funds. The more significant of the City's accounting policies are described below.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

***Basis of Presentation***

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

***Government-wide Financial Statements*** The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The activity of the internal service fund is eliminated to avoid "doubling up" revenues and expenses. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

***Fund Accounting***

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts. The City's funds are classified as either governmental, proprietary or fiduciary.

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

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

The other governmental funds of the City account for grants and other resources whose use is restricted to a particular purpose.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

**Proprietary Funds** Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

**Enterprise Funds** Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following are the City's major enterprise funds:

**Wastewater Fund** The wastewater fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

**Solid Waste Fund** The solid waste fund accounts for the provision of solid waste removal for its residential and commercial customers located within the City.

**Golf Course Fund** The golf course fund accounts for the operations, maintenance and debt financing of the City's Legends of Massillon Golf Course.

**Internal Service Fund** The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on a self-insurance program for employee dental and vision benefits.

**Fiduciary Funds** Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private purpose trust funds and agency funds. Trust funds are used to account for assets held by the City under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The City's agency funds account for property tax and court fine and forfeiture collections held for other entities and deposits held for the repair of fire damaged structures.

**Measurement Focus**

**Government-wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus. All assets and liabilities associated with the operation of the City are included on the Statement of Net Assets. The Statement of Activities presents increases (i.e. revenues) and decreases (i.e. expenses) in total net assets.

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net assets. The statement of revenues, expenses and changes in fund net assets presents increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

---

***Basis of Accounting***

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

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

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes is recognized in the year for which the taxes are levied. (See Note 7.) 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.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year-end: income tax, state-levied locally shared taxes (including gasoline tax and motor vehicle license fees), fines and forfeitures, interest, grants and rentals.

***Deferred Revenue*** Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Property taxes for which there is an enforceable legal claim as of December 31, 2009, but which were levied to finance year 2010 operations, have been recorded as deferred revenue. Grants and entitlements received before the eligibility requirements are met are also recorded as deferred revenue.

On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred revenue.

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

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

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

---

***Cash and Cash Equivalents***

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents". The Massillon Municipal Court agency fund maintains separate accounts and is reported as "cash in segregated accounts" in the financial statements. The City had investments limited to repurchase agreements, reported at cost, during the year, but no investments at year end.

Interest revenue credited to the section 108 loan repayment special revenue fund during 2009 amounted to \$210,852, which includes \$210,851 assigned from other City funds.

For presentation on the financial statements, funds included within the City's cash management pool and investments with original maturities of three months or less are considered to be cash equivalents.

***Inventory***

On the government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

***Restricted Assets***

Assets are reported as restricted when limitations on their use change in nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets in the general fund represent money set aside for unclaimed monies.

***Capital Assets***

General capital assets are capital assets which are associated with and generally arise from governmental activities. They generally result from expenditures in the governmental funds. General capital assets are reported in the governmental activities column of the government-wide statements of net assets but are not reported in the fund financial statements. Capital assets utilized by the enterprise funds are reported both in the business-type activities column of the government-wide statement of net assets and in the respective funds.

All capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. The City was able to estimate the historical cost for the initial reporting of infrastructure by backtrending (i.e. estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

All capital assets are depreciated except for land and construction in progress. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the City's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

---

<u>Description</u>	<u>Estimated Usuful Life</u>
Land Improvements	20 to 40 years
Buildings and Improvements	10 to 40 years
Vehicles	5 to 20 years
Machinery and Equipment	5 to 15 years
Infrastructure	10 to 100 years

The City's infrastructure consists of sanitary sewers, roads, storm sewers and includes infrastructure used in business-type activities acquired prior to December 31, 1980.

***Bond Issuance Costs***

Bond issuance costs for underwriting fees and bond insurance for the golf course construction refunding bonds are being amortized using the straight-line method over the life of the obligations in the City's enterprise funds. The straight-line method of amortization is not materially different from the effective-interest method.

As permitted by State statute, the City paid bond issuance costs from the bond proceeds and therefore does not consider that portion of the debt to be capital-related debt. That portion of the debt was offset against the unamortized bond issuance costs which were included in the determination of unrestricted net assets. Reporting both within the same element of net assets prevents one classification from being overstated while another is understated by the same amount.

***Deferred Loss on Refunding***

The difference between the reacquisition price (funds required to refund the old debt) of refunding loans and bonds and the net carrying amount of the old debt, the deferred amount (loss) on refunding, is being amortized as a component of interest expense. This accounting loss is amortized over the remaining life of the old debt or the life of the new debt, whichever is shorter, and is presented as a decrease of the face amount of the golf course construction refunding bonds.

***Bond Discounts***

On the financial statements, bond discounts are deferred and amortized over the term of the bonds using the straight line method. On the financial statements, bond discounts are presented as a decrease of the face amount of the general obligation bonds payable. On fund financial statements, bond discounts are expended in the year the bonds are issued.

***Contributions of Capital***

Contributions of capital in proprietary fund financial statements arise from grants restricted to capital acquisition and construction.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

***Interfund Balances***

On the fund financial statements, receivables and payables resulting from transactions between funds are for services provided or goods received and from short-term interfund loans are classified as “interfund receivables/payables.” Interfund loans, which do not represent available expendable resources, are offset by a fund balance reserve account. Interfund balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

***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.

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, but not on December 31.

***Accrued Liabilities and Long-term Obligations***

All payables, accrued liabilities and long-term obligations are reported in the government-wide financial statements, and all payables, accrued liabilities and long-term obligations payable from proprietary funds are reported on the proprietary fund financial statements.

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

***Fund Balance Reserves***

The City reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent expendable resources and therefore are not available for appropriation or expenditures. Fund balances are reserved for encumbrances, loans receivable and unclaimed monies. The reserve for unclaimed monies represents cash that, under Ohio law, must remain unclaimed for five years before it becomes available for appropriation.

***Net Assets***

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

---

laws or regulations of other governments. Net assets restricted for other purposes includes funds for federal emergency grant programs, police law enforcement, enforcement and education programs, and fire prevention and awareness programs.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

***Operating Revenues and Expenses***

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for wastewater treatment, solid waste removal, golf course fees and self-insurance programs. Operating expenses are necessary costs that have been incurred in order to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as non-operating.

***Internal Activity***

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues. Transfers between governmental activities are eliminated on the government-wide financial statements. Internal allocations of overhead expenses from one function to another or within the same function are eliminated on the statement of activities. Interfund payments for services provided and used are not eliminated.

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

***Extraordinary and Special Items***

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence.

***Estimates***

The preparation of the 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.

***Budgetary Process***

All funds, except agency funds, are legally required to be budgeted and appropriated. The major documents prepared are the tax budget, the certificate of estimated resources, and the appropriations resolution, all of which are prepared on the budgetary basis of accounting. The tax budget demonstrates a need for existing or increased tax rates. The certificate of estimated resources establishes a limit on the amount Council may appropriate. The appropriations resolution is Council's authorization to spend resources and sets annual limits on expenditures plus encumbrances at the level of control selected by Council. The legal level of control has been established by Council at the object level within each fund.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

---

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time original and final appropriations were passed by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts on the budgetary statements reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

### **Note 3 – Change in Accounting Principles and Restatement of Prior Year Net Assets**

#### ***Change in Accounting Principles***

For fiscal year 2009, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 52, “Land and Other Real Estate Held as Investments by Endowments”, Statement No. 53, “Accounting and Financial Reporting for Derivative Instruments”, Statement No. 55, “The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,” Statement No. 56, “Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards”, Statement No. 57, “OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans”, and Statement No. 58, “Accounting and Financial Reporting for Chapter 9 Bankruptcies”.

GASB Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments are also required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value. The implementation of this statement did not result in any change in the City’s financial statements.

GASB Statement No. 53 addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. It requires governments to measure derivative instruments, with the exception of synthetic guaranteed investment contracts that are fully benefit-responsive, at fair value in their economic resources measurement focus financial statements. The implementation of this statement did not result in any change in the City’s financial statements.

GASB Statement No. 55 incorporates the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The GAAP hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The implementation of this statement did not result in any change in the City’s financial statements.

GASB Statement No. 56 incorporates accounting and financial reporting guidance previously only contained in the American Institute of Certified Public Accountants’ and auditing literature into the GASB’s accounting and financial reporting literature for state and local governments. The statement’s guidance addresses related party transactions, going concern considerations, and subsequent events from the AICPA literature. The implementation of this statement did not result in any change in the City’s financial statements.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

GASB Statement No. 57 addresses issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). The requirements in this Statement will allow more agent employers to use the alternative measurement method to produce actuarially based information for purposes of financial reporting and clarify that OPEB measures reported by agent multiple-employer OPEB plans and their participating employers should be determined at the same minimum frequency and as of a common date to improve the consistency of reporting with regard to funded status and funding progress information. The implementation of this statement did not result in any change in the City's financial statements.

GASB Statement No. 58 provides accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The requirements in this Statement will provide more consistent recognition, measurement, display, and disclosure guidance for governments that file for Chapter 9 bankruptcy. The implementation of this statement did not result in any change in the City's financial statements.

***Restatement of Prior Year Net Assets***

During 2009, it was determined that the payment in lieu of taxes receivable and the intergovernmental payable to Massillon City School District were overstated in 2008. This restatement decreased the governmental activities net assets in the amount of \$4,600,559, from \$28,636,480 to \$24,035,921.

**Note 4 – Accountability**

As of December 31, 2009, the community development block grant special revenue fund had a deficit fund balance of \$31,118 and the Legends Golf Course enterprise fund had a deficit net asset balance of \$2,074,237.

These deficits were 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.

**Note 5 - Budgetary Basis of Accounting**

While the City is reporting financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual presented for the general fund, 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:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

---

4. Advances-In and out are operating transactions (budget) as opposed to balance sheet transactions (GAAP).

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund.

Net Change in Fund Balance	
GAAP Basis	(\$394,242)
Adjustment for Revenue Accruals	321,746
Advances In	70,000
Adjustment for Expenditure Accruals	226,093
Adjustment for Encumbrances	<u>(167,957)</u>
Budget Basis	<u><u>\$55,640</u></u>

**Note 6 - Deposits and Investments**

The City has elected to follow the provisions of State statute. State statutes classify monies held by the City into three categories.

Active monies are public monies determined to be necessary to meet current demands upon the City treasury. Active 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 the Council has identified as not required for use within the current five year period of designation of depositories. Inactive deposits must either be evidenced by certificates of deposit maturing not later than the end of the current period of designation of depositories, or by savings or deposit accounts including, but not limited to, passbook accounts.

Interim deposits are deposits of interim monies. Interim monies are those 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 held by the City can be deposited or invested in the following securities:

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

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and banker's acceptances if training requirements have been met.

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. Investments may only be made through specified dealers and institutions.

### ***Deposits***

***Custodial Credit Risk.*** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$6,117,374 of the City's bank balance of \$6,914,241 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

### **Note 7 - Receivables**

Receivables at December 31, 2009, consisted primarily of municipal income taxes, property and other taxes, payments in lieu of taxes, accounts, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

All receivables except for delinquent property taxes are expected to be collected in one year. Property taxes, although ultimately collectible, include some portions of delinquencies that will not be collected within one year.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

---

***Property Taxes***

Property taxes include amounts levied against all real, public utility, and tangible personal property located in the City. Property tax revenue received during 2009 for real and public utility property taxes represents collections of 2008 taxes. Property tax payments received during 2009 for tangible personal property (other than public utility property) are for 2009 taxes.

2009 real property taxes are levied after October 1, 2009, on the assessed value as of January 1, 2009, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2009 real property taxes are collected in and intended to finance 2010.

Real 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 later payments dates to be established.

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2009 public utility property taxes became a lien December 31, 2008, are levied after October 1, 2009, and are collected in 2010 with real property taxes.

Tangible personal property tax revenue received during 2009 (other than public utility property tax) represents the collection of 2009 taxes levied against local and inter-exchange telephone companies. Tangible personal property tax on business inventory, manufacturing machinery and equipment, furniture and fixtures is no longer levied and collected. Tangible personal property taxes received from telephone companies in 2009 were levied after October 1, 2008, on the value as of December 31, 2008. Payments 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 full tax rate for all City operations for the year ended December 31, 2009, was \$4.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2009 property tax receipts were based are as follows:

Real Estate	
Residential/Agricultural	\$371,749,410
Other Real Estate	153,305,560
Tangible Personal Property	
Public Utility	20,256,850
General	587,504
Total	<u>\$545,899,324</u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City of Massillon. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivables represent real and tangible personal property taxes, public utility taxes and outstanding delinquencies which are measurable as of December 31, 2009 and for which there is an enforceable legal claim. In the general fund, the entire receivable has been offset by deferred revenue since the current taxes were not levied to finance 2009 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue. While on the modified basis the revenue is deferred.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

---

***Municipal Income Taxes***

The City levies and collects an income tax of 1.8 percent 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 percent 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 based on Council's discretion and can change during the year. Currently the tax revenues are distributed between the general fund, 81.67 percent, income tax capital improvements fund, 1.67 percent, and parks and recreation fund, 16.66 percent. The parks and recreation fund also allocates income tax revenues to the parks and recreation debt service bond retirement fund as needed.

***Intergovernmental Receivable***

A summary of the governmental activities' principal item of intergovernmental receivables follows:

Governmental Activities	
Gasoline Tax	\$657,259
Local Government	454,815
Homestead and Rollback	212,547
Estate Tax	175,081
32nd Street Northwest Bridge Project Grant	120,150
Motor Vehicle License Tax	115,326
Miscellaneous Grants	14,422
Other	35,037
	<hr/>
Total	\$1,784,637
	<hr/> <hr/>

***Payments in Lieu of Taxes***

According to State Law, the City has established several tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners' contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever comes first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes may therefore spread the costs of the improvements to a larger number of property owners.

**Note 8 - 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 (PEP), 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

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

---

necessary to fund the administrative expenses and reinsurance expenses of PEP. PEP is a member of the American Public Entity Excess Pool (APEEP). The following information is as of December 31, 2008 (the latest information available).

***Casualty Coverage***

For an occurrence prior to January 1, 2006 PEP retains casualty risks up to \$250,000 per occurrence, including claim adjustment expenses. PEP pays a percentage of its contributions to APEEP. APEEP reinsures claims exceeding \$250,000, up to \$1,750,000 per claim and \$10,000,000 in the aggregate per year. For an occurrence on or subsequent to January 1, 2006, the Pool retains casualty risk up to \$350,000 per occurrence, including loss adjustment expenses. Claims exceeding \$350,000 are reinsured with APEEP in an amount not to exceed \$2,650,000 for each claim and \$10,000,000 in the aggregate per year. Governments can elect up to \$10,000,000 in additional coverage with the General Reinsurance Corporation, through contracts with PEP.

If losses exhaust PEP's retained earnings, APEEP provides excess of funds available coverage up to \$5,000,000 per year, subject to a per-claim limit of \$2,000,000 or \$3,000,000 as noted above.

***Property Coverage***

Travelers reinsures specific losses exceeding \$250,000 up to \$600 million per occurrence. APEEP reinsures members for specific losses exceeding \$100,000 up to \$250,000 per occurrence, subject to an annual aggregate loss payment. Travelers provides aggregate stop-loss coverage based upon the combined members' total insurable values. If the stop loss is reached by payment of losses between \$100,000 and \$250,000, Travelers will reinsure specific losses exceeding \$100,000 up to their \$600 million per occurrence limit. The aggregate stop-loss limit for 2007 was \$2,014,548.

The aforementioned casualty and property reinsurance agreements do not discharge PEP's primary liability for claims payments on covered losses. Claims exceeding coverage limits are the obligation of the respective government.

Property and casualty settlements did not exceed insurance coverage for the past three fiscal years.

***Financial Position***

The Pool's Financial Statements (audited by other accountants) conform to generally accepted accounting principles, and report the following (with 2008 being the latest available information):

	<u>2008</u>	<u>2007</u>
Assets	\$35,769,535	\$37,560,071
Liabilities	<u>15,310,206</u>	<u>17,340,825</u>
Retained Earnings	<u>\$20,459,329</u>	<u>\$20,219,246</u>

At December 31, 2008, casualty coverage liabilities noted above include approximately \$12.9 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$12.9 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2008. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$110,000. This payable includes the subsequent year's contribution due if the City terminates participation, as described in the last paragraph below.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to determine the historical contributions required to be made to PEP for each year of membership are as follows:

<u>Contributions to PEP</u>	
2007	\$50,445
2008	49,464
2009	52,784

After completing one year of membership, members may withdraw on each anniversary date of the date they joined PEP, provided they give written notice to PEP 60 days in advance of the anniversary date. Upon withdrawal, members are eligible for a full or partial refund of their capital contributions, minus the subsequent year's budgetary contribution. Withdrawing members have no other future obligations to the pool. Also upon withdrawal, payments for all casualty claims and claim expenses become the sole responsibility of the withdrawing member, regardless of whether a claim occurred or was reported prior to withdrawal.

Settled claims have not exceeded this coverage in any of the past three years and there has been no significant reduction in commercial coverage in any of the past three years.

The City uses an internal service fund to record and report its self-funded insurance program for vision and dental coverage for employees. The claims liability of \$589 reported in the fund at December 31, 2009, 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 2008 and 2009 were:

Changes in the internal services funds' claims liability amounts in the last two years follows:

	<u>Balance at Beginning of Year</u>	<u>Current Year Claims</u>	<u>Claim Payments</u>	<u>Balance at End of Year</u>
2008	\$3,887	\$23,253	\$26,474	\$666
2009	666	24,394	24,471	589

The City pays the State Workers' Compensation System a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**Note 9 - Jointly Governed Organizations**

***Stark Council of Governments***

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, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

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.

***Stark Area Regional Transit Authority***

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 (the Board) 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 contributed \$5,838 during the year and 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.

***Stark County Tax Incentive Review Council***

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.

***Stark County Regional Planning Commission***

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 2009, the City contributed \$17,500 to the Commission, which represented less than 1 percent of total contributions. Complete financial statements may be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2009

**Note 10 – 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 2009, the City made contributions of \$426,293, but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.

**Note 11 – Capital Assets**

Capital asset activity for the year ended December 31, 2009, was as follows:

	Balance 12/31/2008	Additions	Deductions	Balance 12/31/2009
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$8,566,375	\$39,435	(\$834,414)	\$7,771,396
Construction in Progress	99,020	144,912	0	243,932
<i>Total Capital Assets, not being depreciated</i>	<u>8,665,395</u>	<u>184,347</u>	<u>(834,414)</u>	<u>8,015,328</u>
<i>Capital Assets, being depreciated</i>				
Land Improvements	3,337,952	0	0	3,337,952
Buildings and Improvements	14,584,600	0	0	14,584,600
Vehicles	4,536,531	206,602	(151,398)	4,591,735
Machinery and Equipment	2,941,852	54,288	0	2,996,140
Infrastructure	23,669,712	662,171	0	24,331,883
<i>Total Capital Assets, being depreciated</i>	<u>49,070,647</u>	<u>923,061</u>	<u>(151,398)</u>	<u>49,842,310</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(853,317)	(85,015)	0	(938,332)
Buildings and Improvements	(5,744,399)	(354,798)	0	(6,099,197)
Vehicles	(3,513,537)	(239,006)	138,251	(3,614,292)
Machinery and Equipment	(1,812,183)	(140,081)	0	(1,952,264)
Infrastructure	(7,537,730)	(886,860)	0	(8,424,590)
<i>Total Accumulated Depreciation</i>	<u>(19,461,166)</u>	<u>(1,705,760) *</u>	<u>138,251</u>	<u>(21,028,675)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>29,609,481</u>	<u>(782,699)</u>	<u>(13,147)</u>	<u>28,813,635</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$38,274,876</u>	<u>(\$598,352)</u>	<u>(\$847,561)</u>	<u>\$36,828,963</u>

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2009

	Balance 12/31/2008	Additions	Deductions	Balance 12/31/2009
<b>Buiness-Type Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$3,052,637	\$0	\$0	\$3,052,637
<i>Capital Assets, being depreciated</i>				
Land Improvements	2,117,426	0	0	2,117,426
Buildings and Improvements	8,313,414	0	0	8,313,414
Vehicles	1,428,908	0	0	1,428,908
Machinery and Equipment	2,383,059	39,440	(31,700)	2,390,799
Infrastructure	56,437,842	0	0	56,437,842
<i>Total Capital Assets, being depreciated</i>	<u>70,680,649</u>	<u>39,440</u>	<u>(31,700)</u>	<u>70,688,389</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,479,072)	(103,408)	0	(1,582,480)
Buildings and Improvements	(5,849,640)	(197,448)	0	(6,047,088)
Vehicles	(757,271)	(89,353)	0	(846,624)
Machinery and Equipment	(1,993,780)	(89,559)	31,700	(2,051,639)
Infrastructure	(11,391,697)	(1,284,498)	0	(12,676,195)
<i>Total Accumulated Depreciation</i>	<u>(21,471,460)</u>	<u>(1,764,266)</u>	<u>31,700</u>	<u>(23,204,026)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>49,209,189</u>	<u>(1,724,826)</u>	<u>0</u>	<u>47,484,363</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$52,261,826</u>	<u>(\$1,724,826)</u>	<u>\$0</u>	<u>\$50,537,000</u>

\* Depreciation expense was charged to governmental activities as follows:

General Government	\$139,882
Security of Persons and Property	233,408
Public Health and Welfare	567
Leisure Time Activities	476,530
Transportation	855,373
<b>Total Depreciation Expense</b>	<u>\$1,705,760</u>

The Ohio Department of Transportation paid \$4,299,243 for work completed on the Tremont Avenue bridge project. The City has recorded this as a capital contribution.

## **Note 12 – Contingencies**

### ***Grants***

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.

### ***Litigation***

Several claims and lawsuits are pending against the City. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2009.

## **Note 13 - Defined Benefit Pension Plans**

### ***Ohio Public Employees Retirement System (OPERS)***

Plan Description - The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administer three separate pension plans. The Traditional Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to the Traditional Pension Plan benefit. Member contributions, whose investment is self-directed by the member, accumulate retirement assets in a manner similar to the Member Directed Plan.

OPERS provides retirement, disability, survivor and death benefits and annual cost of living adjustments to members of the Traditional Pension and Combined Plans. Members of the Member-Directed Plan do not qualify for ancillary benefits. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report. Interested parties may obtain a copy by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 614-222-5601 or 800-222-7377.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions. For the year ended December 31, 2009, members in state and local classifications contributed 10 percent of covered payroll while public safety and law enforcement members contributed 10.1 percent.

The City's 2009 contribution rate was 14.0 percent. For the period January 1 through March 31, a portion of the City's contribution equal to 7.0 percent of covered payroll was allocated to fund the post-employment health care plan; for the period April 1 through December 31, 2009 this amount was decreased to 5.5 percent. Employer contribution rates are actuarially determined. State statute sets a maximum contribution rate for the City of 14.0 percent.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2009, 2008, and 2007 were \$571,626, \$583,776, and \$452,598, respectively; 15.09 percent has been contributed for 2009 and 100 percent for 2008 and 2007. Contributions to the Member-Directed Plan for 2009 were \$8,786 made by the City and \$6,276 made by the plan members.

***Ohio Police and Fire Pension Fund***

Plan Description - The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. 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 are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy - Plan members are required to contribute 10.0 percent of their annual covered salary to fund pension obligations. The City's contribution was 19.5 percent for police officers and 24 percent for firefighters. The City's pension contributions to OP&F for police and firefighters were \$365,749 and \$471,366 for the year ended December 31, 2009, \$369,103, and \$480,305 for the year ended December 31, 2008, and \$348,364 and \$453,394 for the year ended December 31, 2007. 53.11 percent for police and 54.16 percent for firefighters has been contributed for 2009. The full amount has been contributed for 2008 and 2007.

In addition to current contributions, the City pays installments on the accrued liability incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2009, the unfunded liability of the City was \$1,437,909 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

**Note 14- Postemployment Benefits**

***Ohio Public Employees Retirement System***

Plan Description - Ohio Public Employees Retirement System (OPERS) maintains a cost sharing multiple employer defined benefit post-employment health care plan for qualifying members of both the Traditional Pension and Combined Plans. Members of the Member-Directed plan do not qualify for ancillary benefits, including post-employment health care. The plan includes a medical plan, a prescription drug program and Medicare Part B premium reimbursement.

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The Ohio Revised Code permits, but does not require, OPERS to provide health care benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report which may be obtained by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

Funding Policy – The post-employment health care plan was established under, and is administered in accordance with, Internal Revenue Code 401(h). State statute requires that public employers fund post-employment health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2009, state and local employers contributed at a rate of 14.0 percent of covered payroll. Each year, the OPERS retirement board determines the portion of the employer contribution rate that will be set aside for funding post-employment health care benefits. The amount of employer contributions which was allocated to fund post-employment health care was 7.0 percent from January 1 through March 31, 2009, and 5.5 percent from April 1 through December 31, 2009.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment health care plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2009, 2008, and 2007 were \$571,626, \$583,776, and \$298,118, respectively; 15.09 percent has been contributed for 2009 and 100 percent for 2008 and 2007.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contribution rates increased on January 1, of each year from 2006 to 2008. Rates for law and public safety employees increased over a six year period beginning on January 1, 2006, with a final rate increase on January 1, 2011. These rate increases allowed additional funds to be allocated to the health care plan.

***Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing multiple-employer defined post-employment healthcare plan administered by OP&F. OP&F provides healthcare benefits including coverage for medical, prescription drugs, dental, vision, Medicare Part B premium reimbursement and long-term care to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to post-retirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit check or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an Other Post-Employment Benefit (OPEB) as described in GASB Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

employers, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24.0 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. One for health care benefits under an IRS Code Section 115 trust and one for Medicare Part B reimbursements administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2009, the employer contribution allocated to the healthcare plan was 6.75 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and also is limited by the provisions of Section 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents, or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions to OP&F which were allocated to fund post-employment health care benefits for police and firefighters were \$193,632 and \$184,448 for the year ended December 31, 2009, \$195,407 and \$187,945 for the year ended December 31, 2008, and \$184,778 and \$177,746 for the year ended December 31, 2007. 53.11 percent has been contributed for police and 54.16 percent has been contributed for firefighters for 2009. The full amount has been contributed for 2008 and 2007.

**Note 15 - Long-Term Obligations**

Original issue amounts and interest rates of the City's debt issues were as follows:

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities</b>			
Lincoln Center Phase III Bonds - 2007	4.09%	\$2,569,998	December 1, 2027
Lincoln Center Phase II Refunding Bonds - 2002	1.50-4.00	3,065,000	December 1, 2014
Senior Center Bonds - 1994	8.00-8.50	1,300,000	December 1, 2014
Park and Recreation Bonds - 2002	5.20	12,340,000	December 1, 2031
Marketplace Infrastructure TIF Bonds - 2004	1.5-4.2	1,774,999	December 1, 2023
Ohio Public Works Commission Loan - 2006	0.00	492,629	July 1, 2026
Housing and Urban Development Section 108 Loan - 1999	6.75	2,250,000	August 1, 2019
<b>Business-Type Activities</b>			
Golf Course Construction Refunding Bonds - 2002	1.5-7.16	7,281,233	December 1, 2031
Water Pollution Control Loan Fothergill - 1999	3.81	1,407,776	July 1, 2020
Ohio Water Development Authority Loans	1.26	42,932,048	July 1, 2024
State Hospital - 2001	0	154,272	July 1, 2009

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

The changes in long-term obligations during the year were as follows:

	Balance 12/31/2008	Issued	Retired	Balance 12/31/2009	Amounts Due In One Year
<b>Governmental Activities</b>					
<u>General Obligation Bonds</u>					
Lincoln Center Phase III					
Serial Bonds	\$835,000	\$0	(\$100,000)	\$735,000	\$110,000
Term Bonds	1,455,000	0	0	1,455,000	0
Capital Appreciation Bonds	179,998	0	0	179,998	0
Accretion on Bonds	16,650	17,045	0	33,695	0
Lincoln Center					
Phase II Refunding	1,670,000	0	(255,000)	1,415,000	265,000
Senior Center Serial Bonds	1,050,000	0	(30,000)	1,020,000	35,000
Park and Recreation Serial Bonds	11,830,000	0	(160,000)	11,670,000	205,000
Marketplace Infrastructure TIF Bonds					
Serial Bonds	1,245,000	0	(85,000)	1,160,000	90,000
Capital Appreciation Bonds	109,999	0	0	109,999	0
Accretion on Bonds	57,825	15,565	0	73,390	0
Total General Obligation Bonds	<u>18,449,472</u>	<u>32,610</u>	<u>(630,000)</u>	<u>17,852,082</u>	<u>705,000</u>
<u>Loans Payable</u>					
OPWC Loan	432,131	0	(24,632)	407,499	24,632
HUD Section 108	1,860,000	0	(65,000)	1,795,000	70,000
Total Loans Payable	<u>2,292,131</u>	<u>0</u>	<u>(89,632)</u>	<u>2,202,499</u>	<u>94,632</u>
<u>Other Long-Term Obligations</u>					
Police and Fireman's					
Pension Liability	1,468,802	0	(30,893)	1,437,909	32,221
Compensated Absences	3,010,070	220,423	(83,079)	3,147,414	217,965
Judgement Payable	0	700,000	0	700,000	0
Capital Leases Payable	293,049	157,325	(212,666)	237,708	105,661
Total Other Long-Term Obligations	<u>4,771,921</u>	<u>1,077,748</u>	<u>(326,638)</u>	<u>5,523,031</u>	<u>355,847</u>
Total Governmental Activities	<u>\$25,513,524</u>	<u>\$1,110,358</u>	<u>(\$1,046,270)</u>	<u>\$25,577,612</u>	<u>\$1,155,479</u>

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2009

	Balance 12/31/2008	Issued	Retired	Balance 12/31/2009	Amounts Due In One Year
<b>Business-Type Activities</b>					
<u>General Obligation Bonds</u>					
Golf Course Construction Refunding					
Serial Bonds	\$5,265,000	\$0	(\$255,000)	\$5,010,000	\$260,000
Unamortized Discount	(46,246)	0	3,618	(42,628)	0
Unamortized Accounting Loss	(88,786)	0	21,553	(67,233)	0
Capital Appreciation Bonds	1,226,233	0	0	1,226,233	0
Accretion on Bonds	179,253	35,140	0	214,393	0
Total General Obligation	<u>6,535,454</u>	<u>35,140</u>	<u>(229,829)</u>	<u>6,340,765</u>	<u>260,000</u>
<u>OWDA Loans Payable</u>					
WPCL Fothergill Loan	935,403	0	(66,202)	869,201	68,748
WWTP Upgrade OWDA Phase I Loan	4,723,806	0	(323,769)	4,400,037	0
WWTP Upgrade OWDA Phase II Loan	28,779,080	0	(1,687,907)	27,091,173	1,992,752
Total OWDA Loans Payable	<u>34,438,289</u>	<u>0</u>	<u>(2,077,878)</u>	<u>32,360,411</u>	<u>2,061,500</u>
<u>Other Long-Term Obligations</u>					
State Hospital Loan	1,939	0	(1,939)	0	0
Compensated Absences	507,429	96,329	(102,261)	501,497	32,721
Capital Leases	153,090	0	(112,638)	40,452	31,507
Total Other Long-Term Obligations	<u>662,458</u>	<u>96,329</u>	<u>(216,838)</u>	<u>541,949</u>	<u>64,228</u>
Total Business-Type Activities	<u>\$41,636,201</u>	<u>\$131,469</u>	<u>(\$2,524,545)</u>	<u>\$39,243,125</u>	<u>\$2,385,728</u>

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 bond retirement funds.

***Lincoln Center Phase III Bonds***

The capital appreciation bonds were originally sold at a discount of \$235,002, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2016 through 2018. The maturity amount of outstanding capital appreciation bonds at December 31, 2009 is \$415,000. The accretion recorded for 2009 was \$17,045, for a total outstanding bond liability of \$213,693.

*Optional Redemption* The Current Interest Bonds Maturing after December 1, 2017 are subject to redemption at the option of the City, on or after December 1, 2017, in whole or in part on any date, in the integral multiples of \$5,000, at a redemption price equal to 100 percent of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

Redemption Dates (Dates Inclusive)	Redemption Prices
December 1, 2017	100%

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2009

---

*Mandatory Sinking Fund Redemption* The current interest term bonds maturing on December 1, 2021 are subject to mandatory sinking fund redemption price of 100 percent of the principal amounts to be redeemed as accrued interest to the date of redemption (with the balance of \$150,000 to be paid at the stated maturity in December 1, 2021):

Year	Prinicpal Amount
2019	\$135,000
2020	145,000

*Mandatory Sinking Fund Redemption* The current interest term bonds maturing on December 1, 2024 are subject to mandatory sinking fund redemption price of 100 percent of the principal amounts to be redeemed as accrued interest to the date of redemption (with the balance of \$165,000 to be paid at the stated maturity in December 1, 2024):

Year	Prinicpal Amount
2022	\$155,000
2023	160,000

*Mandatory Sinking Fund Redemption* The current interest term bonds maturing on December 1, 2027 are subject to mandatory sinking fund redemption price of 100 percent of the principal amounts to be redeemed as accrued interest to the date of redemption (with the balance of \$190,000 to be paid at the stated maturity in December 1, 2027):

Year	Prinicpal Amount
2025	\$175,000
2026	180,000

On November 1, 2002, the City issued \$3,065,000 in Lincoln Center phase II refunding bonds with an average interest rate of 2.75 percent to advance refund \$2,805,000 of outstanding Lincoln Center 1994 Series bonds with an average interest rate of 5 percent. The net proceeds were used to purchase U.S. government 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 financial statements.

The Marketplace Infrastructure TIF capital appreciation bonds were originally sold at a discount of \$175,001, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2013 through 2015. The maturity amount of outstanding capital appreciation bonds at December 31, 2009 is \$285,000. The accretion recorded for 2009 was \$15,565, for a total outstanding bond liability of \$183,389.

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 (Developer). 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 funds from the City and apply funds to the repayment of the City's obligations, if not met. The HUD Section 108 loan will be paid from the HUD section 108 loan repayment special revenue fund.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

---

The general obligation bonds reported as business-type fund obligations are payable from unvoted property tax revenues to the extent operating resources of the enterprise funds are not available to meet the annual debt service requirements.

On November 1, 2002, the City issued \$920,000 and \$7,281,233 in general obligation Bonds with an average interest rate of 2 percent and 4.3 percent to advance refund \$910,000 and \$2,510,000 of outstanding wastewater refunding series bonds and golf course construction refunding series bonds with an average interest rate of 6.94 percent and 5.2 percent, respectively. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments on the wastewater refunding series bonds and the golf course refunding series bonds. As a result, the wastewater refunding series bonds and golf course refunding series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The golf course construction refunding capital appreciation bonds were originally sold at a discount of \$353,767, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2011 through 2016. The maturity amount of outstanding capital appreciation bonds at December 31, 2009 is \$1,580,000. The accretion recorded for 2009 was \$35,140, for a total outstanding bond liability of \$1,440,626.

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 percent 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, 2009, the City owes \$31,491,210. Since these loans have not been finalized, a repayment schedule is not included in the schedule of debt service requirements.

The City has pledged future revenues, net of operating expenses, to repay the WPCL Fothergill loan in the wastewater fund. The debt is payable solely from net revenues and are payable through 2020. Annual principal and interest payments on the debt issues are expected to require 6 percent of net revenues. The total principal and interest remaining to be paid on the debt is \$1,062,770. Principal and interest paid from the current year and net revenues available were \$101,216 and \$2,950,950, respectively.

In 2001, the City acquired a piece of land for a value of \$579,000 of which \$300,000 of this value was paid during 2005. In 2009, \$1,939 was repaid from the Legends golf course enterprise fund from user charges.

Compensated absences will be paid from the general fund and the street construction, state highway, community development, WIC program fund and parks and recreation special revenue funds, waste water treatment, solid waste, and legends golf course enterprise funds which are the funds from which the employees' salaries are paid. The capital lease payable will be paid from the income tax capital improvement capital projects fund, waste water treatment, and Legends golf course enterprise funds. The police and fire fireman's pension liability loan will be paid from the police and fire pension special revenue funds.

On December 7, 2009, the City of Massillon authorized the Director of Public Service and Safety to enter into a settlement agreement with the Stark County Commissioners resolving all claims resulting from the issue of the costs associated with the housing of prisoners charged with violations of Massillon Municipal ordinances at the Stark County jail from January 1, 2003 to the present. The City shall pay the Stark County Commissioners \$700,000 in 20 semi-annual consecutive installments of \$35,000, beginning January 1, 2011.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2009

The City's overall debt margin was \$39,789,482 and the unvoted legal debt margin was \$11,056,607 at December 31, 2009. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2009, are as follows:

	Governmental Activities					
	General Obligation Bonds					
	Capital Appreciation		Serial Bonds		Term Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$0	\$0	\$705,000	\$844,435	\$0	\$23,720
2011	0	0	805,000	817,137	0	23,720
2012	0	0	1,035,000	782,224	0	23,720
2013	39,962	90,708	1,010,000	693,571	0	23,720
2014	36,570	94,100	1,090,000	637,110	0	23,721
2015-2019	213,465	508,849	2,795,000	2,633,107	135,000	58,881
2020-2024	0	0	3,275,000	1,822,830	775,000	207,406
2025-2029	0	0	3,585,000	980,250	545,000	45,581
2030-2034	0	0	1,700,000	128,500	0	0
Totals	<u>\$289,997</u>	<u>\$693,657</u>	<u>\$16,000,000</u>	<u>\$9,339,164</u>	<u>\$1,455,000</u>	<u>\$430,469</u>

	Governmental Activities		
	HUD Section 108 Loan		OPWC Loan
	Principal	Interest	Principal
2010	\$70,000	\$141,174	\$24,632
2011	75,000	135,960	24,632
2012	80,000	130,337	24,632
2013	85,000	124,218	24,632
2014	90,000	117,658	24,632
2015-2019	1,395,000	472,044	123,160
2020-2024	0	0	123,160
2025-2029	0	0	38,019
Totals	<u>\$1,795,000</u>	<u>\$1,121,391</u>	<u>\$407,499</u>

	Business Type Activities					
	General Obligation Bonds					
	Capital Appreciation		Serial Bonds		Water Pollution Control Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2010	\$0	\$0	\$260,000	\$267,885	\$68,748	\$32,468
2011	179,633	85,367	0	259,045	71,393	29,824
2012	170,583	94,417	0	259,045	74,139	27,078
2013	160,593	104,407	0	259,046	76,990	24,226
2014	247,887	17,113	0	259,046	79,951	21,265
2015-2019	467,537	52,463	905,000	1,133,302	448,319	57,762
2020-2024	0	0	1,345,000	792,577	49,661	946
2025-2029	0	0	1,700,000	439,376	0	0
2030-2034	0	0	800,000	57,475	0	0
Totals	<u>\$1,226,233</u>	<u>\$353,767</u>	<u>\$5,010,000</u>	<u>\$3,726,797</u>	<u>\$869,201</u>	<u>\$193,569</u>

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

**Note 16 – Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn two to six weeks of vacation per year, depending upon length of service. Vacation leave is not accrued, because the City has a “use it or lose it” policy. All employees must use their vacation leave by the end of the year or it is forfeited.

Per the City’s negotiated agreements, employees with more than 5 years of service are entitled to 40 percent of their sick balance at termination. Employees with more than 20 years of service are entitled to 107 days (or 1360 hours) of sick leave at 100 percent and then 40 percent of hours over the 1,360 hour threshold.

**Note 17 - Capital Leases**

During 2009, the City entered into a lease agreement for six Ford Crown Victoria vehicles. The City also has existing leases for the acquisition of police cars, a street sweeper, a fire pumper truck, early warning siren system, golf course maintenance equipment, and waste water equipment. These lease obligations meet the criteria of a capital lease as defined by Financial Accounting Standards Board Statement Number 13, “Accounting for Leases,” and have been recorded on the government-wide statements. The payments for these capital leases are shown on a GAAP basis as debt service expenditures in the general fund, income tax capital improvement capital projects fund and the waste water treatment and golf course enterprise funds. Payments related to lease agreements in the enterprise funds are shown as a reduction of capital leases payable and interest expense.

	<u>Governmental Activities</u>	<u>Business-Type Activites</u>
Asset:		
Machinery and Equipment	\$567,877	\$1,158,405
Vehicles	624,216	0
Historical Cost	<u>1,192,093</u>	<u>1,158,405</u>
Less: Accumulated depreciation	(270,074)	(845,651)
Current Book Value	<u><u>\$922,019</u></u>	<u><u>\$312,754</u></u>

The following is a schedule of the future long-term minimum lease payments required under the capital lease and present value of the minimum lease payments is as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
2010	\$117,721	\$33,232
2011	97,941	9,034
2012	42,592	0
Total Minimum Lease Payment	<u>258,254</u>	42,266
Less: Amount Representing Interest	(20,546)	(1,814)
Present Value of Minimum Lease Payments	<u><u>\$237,708</u></u>	<u><u>\$40,452</u></u>

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2009*

**Note 18 – Interfund Transfers and Balances**

Interfund transfers for the year ended December 31, 2009, consisted of the following:

	Transfer From
Transfer To	General
Fire Pension	\$302,182
Police Pension	233,320
OPWC Loan Payment	24,632
Bond Retirement Lincoln Center	505,854
Bond Retirement Senior Housing	49,947
Bond Retirement Parks and Recreation	389,461
<b>Total</b>	<b>\$1,505,396</b>

During the year ended December 31, 2009, the City made transfers totaling \$1,505,396 from the general fund to the police and fire pension funds and four debt service funds. These transfers represent amounts paying the employer's share of police and fire pensions and amounts for debt payments.

Interfund balances at December 31, 2009 consisted of the following

	Interfund Balances	
	December 31, 2009	
	Receivables	Payables
<b>General Fund</b>		
General	\$140,000	\$0
<b>Nonmajor Funds</b>		
<i>Special Revenue Fund:</i>		
Parks and Recreation	20,000	70,000
<i>Capital Projects Funds:</i>		
Income Tax Capital Improvements	105,000	0
<b>Total Nonmajor Funds</b>	125,000	70,000
<b>Total Governmental Funds</b>	265,000	70,000
<b>Enterprise Funds</b>		
Golf Course	0	195,000
<b>Total All Funds</b>	\$265,000	\$265,000

As of December 31, 2009, all interfund balances outstanding are anticipated to be repaid in one year. Advances were originally made to support operations in various funds.

**This page intentionally left blank.**

CITY OF MASSILLON  
STARK COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE  
FOR THE YEAR ENDED DECEMBER 31, 2009

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>			
<i>Passed Through the Ohio Department of Education and the City of Canton</i>			
Special Supplemental Nutrition Program for Women, Infants and Children	01-76201FCL389	10.557	\$112,600
Child and Adult Care Food Program	N/A	10.558	56,356
Summer Food Service Program for Children	N/A	10.559	<u>26,807</u>
Total U.S. Department of Agriculture			195,763
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: AND URBAN DEVELOPMENT:</u></b>			
<i>Direct</i>			
Community Development Block Grants/Entitlement Grants (CDBG)	None	14.218	804,351
Community Development Block Grants/Entitlement Grants (CDBG-R)	None	14.253	<u>147,074</u>
Total Community Development Block Grants Cluster			951,425
Neighborhood Stabilization Program (Recovery Act Funded)	None	14.256	55,969
<b><i>Passed Through Stark County HOME Consortium</i></b>			
HOME Investment Partnerships Program	M04DC390204	14.239	125,020
Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Governments (Recovery Act Funded)	2009RAD012203	16.804	14,010
Violence Against Women Formula Grants (Recovery Act Funded)	2009ARVA2-1251	16.588	<u>11,881</u>
Total U.S. Department of Housing and Urban Development			1,158,305
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u></b>			
<i>Passed Through the Ohio Department of Health</i>			
Centers for Disease Control and Prevention Investigations and Technical Assistance	7620012BI07	93.283	151,449
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY</u></b>			
<i>Direct</i>			
Assistance to Firefighter's Grant	None	97.044	<u>13,950</u>
<b>Totals</b>			<b><u><u>\$1,519,467</u></u></b>

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

**CITY OF MASSILLON  
STARK COUNTY**

**NOTES TO THE FEDERAL AWARDS EXPENDITURES SCHEDULE  
FISCAL YEAR ENDED DECEMBER 31, 2009**

**NOTE A - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying Federal Awards Expenditures Schedule (the Schedule) reports the City of Massillon's (the City's) federal award programs' disbursements. The schedule has been prepared on the cash basis of accounting.

**NOTE B - SUBRECIPIENTS**

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

As a subrecipient, the City has certain compliance responsibilities, such as monitoring its subrecipients to help assure they use these subawards as authorized by laws, regulations, and the provisions of contracts or grant agreements, and that subrecipients achieve the award's performance goals.

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

The City has a revolving loan fund (RLF) program to provide low-interest loans to businesses to create jobs for low to moderate income persons and also to lend money to eligible persons to rehabilitate homes, demolition, elderly care and domestic violence recovery. The federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The Schedule reports loans made and administrative costs as disbursements on the Schedule. Subsequent loans are subject to the same compliance requirements imposed by HUD as the initial loans.

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 of the City.

Activity in the CDBG revolving loan fund during 2009 is as follows:

Beginning loans receivable balance as of January 1, 2009	\$3,353,545
Loans made	0
Loan principal repaid	11,562
Ending loans receivable balance as of December 31, 2010	\$3,341,983
Cash balance on hand in the revolving loan fund as of December 31, 2009	\$0

The table above reports gross loans receivable.

**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 met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



# Mary Taylor, CPA

Auditor of State

## INDEPENDENT ACCOUNTANTS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

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

To the Honorable Mayor and City Council:

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Massillon, Stark County, Ohio, (the City) as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 20, 2010, in which we noted the City restated Governmental Activities net assets. 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 the Comptroller General of the United States' *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of opining on the effectiveness of the City's internal control over financial reporting. Accordingly, we have not opined on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in more than a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and timely corrected.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider material weaknesses, as defined above.

### **Compliance and Other Matters**

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect 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 an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

We did note certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 20, 2010.

We intend this report solely for the information and use of management, the audit committee, City Council, and federal awarding agencies and pass-through entities, and others within the City. We intend it for no one other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 20, 2010



# Mary Taylor, CPA

## Auditor of State

### **Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133**

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

To the Honorable Mayor and City Council:

#### **Compliance**

We have audited the compliance of the City of Massillon, Stark County, Ohio, (the City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133, Compliance Supplement* that apply to its major federal program for the year ended December 31, 2009. The summary of auditor's results section of the accompanying Schedule of Findings identifies the City's major federal program. The City's management is responsible for complying with the requirements of laws, regulations, contracts, and grants applicable to each major federal program. 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 included in the Comptroller General of the United States' *Government Auditing Standards*; 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 reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing other procedures we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City of Massillon, Stark County, Ohio, complied, in all material respects, with the requirements referred to above that apply to its major federal program for the year ended December 31, 2009.

#### **Internal Control Over Compliance**

The City's management is responsible for establishing and maintaining effective internal control over compliance with the 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 directly and materially affect a major federal program in order to determine our auditing procedures for the purpose of opining on compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

101 Central Plaza South / 700 Chase Tower / Canton, OH 44702-1509  
Telephone: (330) 438-0617 (800) 443-9272 Fax: (330) 471-0001  
[www.auditor.state.oh.us](http://www.auditor.state.oh.us)

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, when performing their assigned functions, to prevent, or to timely detect and correct, noncompliance with a federal program compliance requirement. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a federal program compliance requirement will not be prevented, or timely detected and corrected.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

We noted a matter involving federal compliance or internal control over federal compliance not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 20, 2010.

We intend this report solely for the information and use of the audit committee, management, City Council, federal awarding agencies, and pass-through entities. It is not intended for anyone other than these specified parties.

A handwritten signature in cursive script that reads "Mary Taylor".

**Mary Taylor, CPA**  
Auditor of State

August 20, 2010

**CITY OF MASSILLON  
STARK COUNTY**

**SCHEDULE OF FINDINGS  
OMB CIRCULAR A -133 § .505  
DECEMBER 31, 2009**

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

<i>(d)(1)(i)</i>	<b>Type of Financial Statement Opinion</b>	Unqualified
<i>(d)(1)(ii)</i>	<b>Were there any material control weaknesses reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(ii)</i>	<b>Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iii)</i>	<b>Was there any reported material noncompliance at the financial statement level (GAGAS)?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any material internal control weaknesses reported for major federal programs?</b>	No
<i>(d)(1)(iv)</i>	<b>Were there any significant deficiencies in internal control reported for major federal programs?</b>	No
<i>(d)(1)(v)</i>	<b>Type of Major Programs' Compliance Opinion</b>	Unqualified
<i>(d)(1)(vi)</i>	<b>Are there any reportable findings under § .510(a)?</b>	No
<i>(d)(1)(vii)</i>	<b>Major Programs (list):</b>	Community Development Block Grants – CFDA #14.218 and #14.253
<i>(d)(1)(viii)</i>	<b>Dollar Threshold: Type A/B Programs</b>	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	<b>Low Risk Auditee?</b>	No

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

None

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

None

**This Page is Intentionally Left Blank.**



**Mary Taylor, CPA**  
Auditor of State

**CITY OF MASSILLON**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
SEPTEMBER 30, 2010**