

**MASSILLON MUSEUM  
STARK COUNTY, OHIO**

**AUDIT REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 2006**

**Charles E. Harris and Associates, Inc.**  
**Certified Public Accountants and Government Consultants**





Mary Taylor, CPA  
Auditor of State

Board of Trustees  
Massillon Museum  
121 Lincoln Way East  
Massillon, Ohio 44646-6633

We have reviewed the *Independent Auditor's Report* of the Massillon Museum, Stark County, prepared by Charles E. Harris & Associates, Inc., for the audit period January 1, 2006 through December 31, 2006. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The Massillon Museum is responsible for compliance with these laws and regulations.

*Mary Taylor*

Mary Taylor, CPA  
Auditor of State

November 5, 2007

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**MASSILLON MUSEUM  
STARK COUNTY, OHIO  
Audit Report  
For the Year Ended December 31, 2006**

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*Charles E. Harris & Associates, Inc.*  
*Certified Public Accountants*

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**REPORT OF INDEPENDENT ACCOUNTANTS**

**Massillon Museum  
Stark County  
121 Lincoln Way East  
Massillon, Ohio 44646-6633**

**To the Board of Trustees:**

**We have audited the accompanying statement of financial position of the Massillon Museum, Stark County (Museum) (a nonprofit organization) as of December 31, 2006 and the related statements of activities, and cash flows for the year then ended. These financial statements are the responsibility of the Museum's management. Our responsibility is to express an opinion 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.**

**In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Museum as of December 31, 2006, and the changes in its net assets and in its cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.**

**In accordance with *Government Auditing Standards*, we have also issued our report dated August 29, 2007 on our consideration of the Museum'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. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.**

***Charles E. Harris & Associates, Inc.*  
August 29, 2007**

**MASSILLON MUSEUM  
STARK COUNTY, OHIO**

**STATEMENT OF FINANCIAL POSITION  
AS OF DECEMBER 31, 2006**

**ASSETS**

**Current Assets**

Cash and Cash Equivalents	\$ 131,953
Government Appropriations Receivable	308,000
Inventory for Sale	3,270
Prepaid Assets	6,978
	6,978

**Total Current Assets** 450,201

**Fixed Assets**

Land	7,093
Building and Improvements	2,182,789
Furniture and Fixtures	150,291
Total Fixed Assets	2,340,173
Less Accumulated Depreciation	(637,639)

**Net Fixed Assets** 1,702,534

**Other Assets**

Workers' Compensation Deposit	97
Collections	1,925
Investments:	
Cash and Cash Equivalents - Restricted	26,999
Investments - Restricted	101,039
Investments - Unrestricted	160,608
	160,608

**Total Other Assets** 290,668

**TOTAL ASSETS** \$ 2,443,403

**LIABILITIES:**

Accounts Payable	\$ 8,959
Payroll Liability	12,548
Accrued Sales Taxes	52
Long Term Liability-Due within one year	55,058
Compensated Absences	9,011
	9,011

**TOTAL LIABILITIES** 85,628

**NET ASSETS**

Unrestricted	2,218,262
Permanently Restricted	98,156
Temporarily Restricted	41,357
	41,357

**TOTAL NET ASSETS** 2,357,775

**TOTAL LIABILITIES AND NET ASSETS** \$ 2,443,403

The notes to the financial statements are an integral part of this statement.

**MASSILLON MUSEUM  
STARK COUNTY, OHIO**

**STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2006**

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTALS
<b>Support and Revenue:</b>				
Governmental Appropriation Tax	\$ 317,891	\$ -	\$ -	\$ 317,891
Grants	63,957	39,250	-	103,207
Exhibitions	24,712	-	-	24,712
Members of Museum	20,185	-	-	20,185
Museum Gift Shop	11,467	-	-	11,467
Special Events and Fundraising Events	25,752	-	-	25,752
Education	9,977	-	-	9,977
Collections	5,491	-	-	5,491
Photo Lab Income	3,256	-	-	3,256
Contributions, Gifts and Bequests	2,064	-	-	2,064
Health Insurance - Employee Contribution	1,845	-	-	1,845
Interest Income on Investments	1,277	-	-	1,277
Lobby and Silk Room Rental	1,205	-	-	1,205
Café - Share of Utilities	975	-	-	975
Museum Gift Shop Sales Tax	676	-	-	676
Miscellaneous	604	-	-	604
Unrealized Gains on Investments	18,740	-	-	18,740
Realized Gains on Investments	7,627	-	4,108	11,735
Dividend Income on Investments	5,717	544	-	6,261
	<u>523,418</u>	<u>39,794</u>	<u>4,108</u>	<u>567,320</u>
Total Support and Revenue	523,418	39,794	4,108	567,320
<b>Expenses:</b>				
Grant Expenditures:				
Website	10,225	-	-	10,225
Contract Services	8,222	-	-	8,222
Travel and Expenses	5,425	-	-	5,425
Shipping Collection	2,369	-	-	2,369
Stipends	1,550	-	-	1,550
Employee Wages	158,785	-	-	158,785
Payroll Taxes	17,716	-	-	17,716
Retirement	3,729	-	-	3,729
Employee Welfare	1,334	-	-	1,334
Depreciation	72,334	-	-	72,334
Exhibitions	59,775	-	-	59,775
Utilities	51,993	-	-	51,993
Outside Services	36,195	-	-	36,195
Printing and Publishing	32,049	-	-	32,049
Special Events	23,045	-	-	23,045
Museum Shop	18,507	-	-	18,507
Repairs and Maintenance	13,424	-	-	13,424
Postage	12,913	-	-	12,913
Insurance - Health	9,244	-	-	9,244
Insurance - General	8,378	-	-	8,378
Insurance - Director	2,530	-	-	2,530
Insurance - Industrial	423	-	-	423
Travel and Entertainment	8,144	-	-	8,144
Office Supplies	7,245	-	-	7,245
Supplies	7,134	-	-	7,134
Conference Registration Fees	5,195	-	-	5,195
Auditing	4,900	-	-	4,900
Debt - Interest	4,405	-	-	4,405
Fundraising Expenses	3,319	-	-	3,319
Equipment Rental	3,266	-	-	3,266
Educational Expenses	3,268	-	-	3,268
Auto Expense	2,806	-	-	2,806
Care of Collection	2,622	-	-	2,622
Telephone	2,627	-	-	2,627
Dues and Subscriptions	1,829	-	-	1,829
Internet Expenses	1,461	-	-	1,461
Research	1,439	-	-	1,439
Banking Fees	1,436	-	-	1,436
Photo Lab	1,034	-	-	1,034
Advertising	1,004	-	-	1,004
Sales and Other Taxes	932	-	-	932
Legal Fees	956	-	-	956
Meeting Expenses	518	-	-	518
Donations	158	-	-	158
Volunteer Expenses	643	-	-	643
Miscellaneous	200	-	-	200
	<u>616,706</u>	<u>-</u>	<u>-</u>	<u>616,706</u>
Total Expenses	616,706	-	-	616,706
Changes in Net Assets	(93,288)	39,794	4,108	(49,386)
Net Assets at the Beginning of Year (See Note 4)	2,311,550	\$ 1,563	\$ 94,048	2,407,161
Net Assets at the End of the Year	<u>\$ 2,218,262</u>	<u>\$ 41,357</u>	<u>\$ 98,156</u>	<u>\$ 2,357,775</u>

The notes to the financial statements are an integral part of this statement.



**MASSILLON MUSEUM  
STARK COUNTY, OHIO**

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED DECEMBER 31, 2006**

<b>Cash Flows From Operating Activities</b>	
Increase/Decrease in Net Assets:	\$ (49,386)
Adjustments necessary to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	72,334
Net changes in:	
Accounts Receivable	18
Government Receivable	128
Museum Shop Inventory for Sale	8,180
Prepaid Assets	(517)
Accounts Payable and Accrued Liabilities	<u>3,855</u>
Net Cash Provided by Operating Activities	34,612
<b>Cash Flows From Investing Activities</b>	
Purchase of Fixed Assets	(4,954)
Investment income	<u>(20,945)</u>
Net Cash From Investment Activities	(25,899)
<b>Net Increase in Cash and Cash Equivalents</b>	8,713
<b>Cash and Cash Equivalents as of Beginning of Year</b>	<u>150,239</u>
<b>Cash and Cash Equivalents as End of Year</b>	<u><u>\$ 158,952</u></u>

The notes to the financial statements are an integral part of this statement.

**MASSILLON MUSEUM  
STARK COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Organization**

The Massillon Museum (the Museum) is a not-for-profit organization exempt from income tax under Section 501(c) (3) of the U.S. Internal Revenue Code.

The Museum engages in the traditional museum functions of collecting, exhibiting, conserving, and educating. The Museum collects and exhibits local and regional art, including local historical artifacts.

Fifty-six percent of the Museum's supported is funded by property tax money (Government Appropriations) from the citizens of the community which is voted on by the citizens of the City of Massillon for a five year period to provide for a free museum of art and history that is maintained and operated by a private, not-for-profit organization as authorized by Section 5709.19(A)(A) of the Ohio Revised Code. The Board of Trustees formulates and adopts the by-laws and policies that govern the operations of the Museum. The Board may consist of as many as twenty-five voluntary trustees who may serve two consecutive three-year terms.

**Public Support and Revenue**

Grant and other contributions of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions. Grants and contributions whose restrictions are met in the same reporting period as receipt of the grant or contribution are reported as unrestricted in the statement of activities.

Some donors permanently restrict endowment contributions and investments. Investment earnings available for distribution are recorded in unrestricted net assets. Investment earnings with donor restrictions are recorded in temporarily or permanently restricted net assets based on the nature of the restriction.

**Permanently Restricted Endowments**

The Museum has three permanently restricted endowments; the Gar Fund, the Nursing Collection Fund and the Stark Community Foundation Fund which was added to the financial statements this year with a prior period adjustment (See Note 4). Incomes from these funds are either unrestricted or temporarily restricted.

**MASSILLON MUSEUM  
STARK COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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

**Temporarily Restricted Funds**

During 2006 the Museum received funds for a construction project on the third floor, but no construction work was done during the year, so the money is temporarily restricted. Income from the Stark Community Foundation is temporarily restricted. Income earned prior to 2006 from the Stark Community Foundation was added in a prior period adjustment (See Note 4).

**Art Collections**

In conformity with the practice followed by many museums, the value of art objects acquired by gift is not reflected in these statements.

**Contributed Services**

Many individuals volunteer their time and perform a variety of tasks that assist the Museum, but these services do not meet the criteria for recognition as contributed services.

**Property and Equipment**

It is the Museum's policy to capitalize property and equipment over \$500. Lesser amounts are expended. Purchased property and equipment is capitalized at cost. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment are depreciated using the straight-line method.

The collections, which are acquired through purchases and contributions since the Museum's inception, are not recognized as assets on the statement of financial position. Purchases of collection items are recorded as decreases in unrestricted net assets in the year in which the items are acquired, or donors restrict temporarily or permanently restricted net assets if the assets are used to purchase the items. Contributed collection items are not reflected on the financial statements. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes.

**Compensated Absences**

Vacation benefits are accrued as a liability as the benefits are earned if the employee's rights to receive compensation are attributable to services already rendered and it is probable that the Museum will compensate the employees for the benefits through paid time off or some other means. The Museum records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued using the vesting method. The liability includes the employees who are identified by the Museum as probable of receiving termination benefits in the future. The amount is based on accumulated sick leave maximum of thirty (30) days and employees' wage rates at year end, taking into consideration any limits specified in the Museum's termination policy. The Museum records accumulated unused sick leave for all employees.

**MASSILLON MUSEUM  
STARK COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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

**Financial Statement Presentation**

The Museum has adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organization." Under SFAS No. 117, the Museum is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, the Museum is required to present a statement of cash flows.

**Investments**

The Museum has adopted SFAS No. 124, "Accounting for Certain Investments Held by Not-for-Profit Organizations." Under SFAS No. 124, investments in marketable securities with readily determinable fair values and all investment in debt securities are reported at their fair values in the statement of financial position. Unrealized gains and losses are included in the change in net assets. Investment restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

**Advertising Costs**

Advertising costs are expensed as incurred.

**Inventory**

Inventories are stated at cost on a first-in, first-out basis and are expensed when used. Inventories consist of supplies held for resale within the Museum Shop.

**Simple IRA Retirement Plan**

The Museum has a Simple IRA Retirement Plan to provide retirement for its employees. Employees may contribute a percentage of their annual compensation to the Plan, limited to a maximum annual amount as set periodically by the Internal Revenue Service. The Museum matches employee contributions dollar for dollar up to a 3% ceiling. All matching contributions vest immediately. The Museum's matching contributions to the Plan totaled \$3,623 in 2006, \$2,868 in 2005 and \$403 in 2004.

**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.

**2. FUNDING AGREEMENTS**

The Museum receives fifty-six percent of its funding from a 1 mill tax levy which is paid to the City of Massillon and then paid to the Museum. If the tax levy collection drop, it would have a significant effect on the Museum's activities. The Museum has requested a 1 Mill replacement levy for the November 2007 ballot.

MASSILLON MUSEUM  
STARK COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006

3. DEPOSITS AND INVESTMENTS

The Museum's carrying value of its cash and cash equivalents which include cash in investments reported on the Statement of Financial Position as of December 31, 2006 was:

	<b>Cash Equivalents</b>
<b>Demand Deposits</b>	<b>\$ 154,912</b>
<b>Cash on Hand</b>	<b>200</b>
<b>U.S. Government Money Market Funds</b>	<b>3,840</b>
 <b>Total Cash and Cash Equivalents</b>	<b>\$ 158,952</b>

Long-term investments are stated at fair value and consist of mutual funds, treasury obligations, certificates of deposits and common stock. Fair values and unrealized appreciation at December 31, 2006 are summarized as follows:

	<b>Cost</b>	<b>Fair Value</b>	<b>Unrealized Appreciation (Depreciation)</b>
<b><u>Permanently Restricted:</u></b>			
<b>Gar Funds</b>	<b>\$ 38,262</b>	<b>\$ 44,779</b>	<b>\$ 6,517</b>
<b>Certificates of Deposit</b>	<b>12,047</b>	<b>12,047</b>	<b>-</b>
<b>Stark Community Foundation</b>	<b>42,106</b>	<b>42,106</b>	<b>-</b>
<b>Total Permanently Restricted</b>	<b>92,415</b>	<b>98,932</b>	<b>6,517</b>
 <b><u>Temporarily Restricted:</u></b>			
<b>Stark Foundation</b>	<b>2,107</b>	<b>2,107</b>	<b>-</b>
<b>Total Temporarily Restricted</b>	<b>2,107</b>	<b>2,107</b>	<b>-</b>
 <b><u>Unrestricted:</u></b>			
<b>General Endowment Fund</b>	<b>148,385</b>	<b>160,608</b>	<b>12,223</b>
<b>Total Unrestricted</b>	<b>148,385</b>	<b>160,608</b>	<b>12,223</b>
 <b>Totals</b>	<b>\$ 242,907</b>	<b>\$ 261,647</b>	<b>\$ 18,740</b>

The endowment totaling \$56,050 as of December 31, 2006 allows current income to be used. The principal is restricted and is reported as restricted. The Museum reports the income and expenses on the \$56,050 as Unrestricted since the current income can be used.

**MASSILLON MUSEUM  
STARK COUNTY, OHIO**

**NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006**

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

The Museum entered into an agreement in 1997 with the Stark Community Foundation, Inc. (the Foundation), a legally separate charitable organization to create a permanent endowment fund (the Fund) as a component fund of the Foundation into which the Museum itself and other persons or corporations may make contributions of cash and other property from time to time for the support of the Museum. The Foundation administers the endowment fund for the benefit of the Museum in accordance with the terms of the agreement. Income from the Fund, after payment of all expenses, is distributed to the Museum in quarterly installments based upon the level of need as presented by the Museum to the Foundation in accordance with the terms of the agreement. At December 31, 2006, the total value of the fund was \$44,213. The Fund is to be used for educational purposes including teacher salaries, equipment and supplies. The Stark Foundation endowment's principal is restricted while the income is temporarily restricted. See Note 4 for the restatement.

**4. PRIOR PERIOD ADJUSTMENT**

In prior years the Stark Community Foundation Endowment was only reported in the notes to the financial statements. The Museum added this Endowment to their books this year, because they have a beneficial interest as defined under FASB 136. Therefore a prior period adjustment must be made to report the restricted principal and temporarily restricted income earned prior to December 31, 2005.

<u>Permanently Restricted</u>		
Balance 12/31/05	\$	56,050
Principal		37,998
Restated Beginning Balance 1/1/06		\$ 94,048
 <u>Temporarily Restricted</u>		
Balance 12/31/05	\$	-
Income		1,563
Restated Beginning Balance 1/1/06		\$ 1,563

**5. GOVERNMENT APPROPRIATIONS TAX**

The taxing authority of the Council of the City of Massillon, Stark County, Ohio certifies a copy of Council's resolution requesting the Stark County Auditor to certify to the City of Massillon the total current tax valuation of the subdivision and the amount of revenue that would be provided by one (1) mill, to levy a tax outside the ten-mill limitation for the purpose of providing a free Museum of Art and History that is maintained and operated by a private, not-for-profit organization as authorized by the Ohio Revised Code Section 5709.19(A)(A). The City of Massillon was requested to place a (1) mill replacement levy on the November of 2007 ballot.

MASSILLON MUSEUM  
STARK COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006

5. GOVERNMENT APPROPRIATIONS TAX

The County Treasurer collects property tax on behalf of all taxing districts within the County, including the Massillon Museum. The County Auditor periodically remits to the City of Massillon its portion of the taxes along with the Museum's taxes. Subsequently, the City periodically remits to the Museum its portion of taxes. Government Appropriations receivable represents real and tangible personal property taxes, public utility taxes and delinquencies, which are measurable as of December 31, 2006 and for which there is an enforceable legal claim.

6. FIXED ASSETS

Fixed assets reflected on the Statement of Financial Position are stated at historical costs (or estimated historical costs) and are updated for the cost of additions and retirements during the year. Depreciation has been provided on a straight-line basis over the following estimated useful lives.

<u>Depreciation</u>	<u>Estimated</u>
Buildings and Improvements	4 to 50 years
Equipment, Furniture and Fixtures	3 to 10 years

The Museum's fixed assets values were determined using original acquisition costs when such information was available. In cases when original costs were not practicable determinable, estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition. Contributions of works of art, historical treasures, and similar assets, which meets the conditions of SFAS No. 117, were not capitalized.

The Museum's collections are made up of artifacts of historical significance and art objects that are held for educational, research and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed continuously. The collections are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections.

7. OPERATING LEASE

The museum has entered a 63 month copier lease in November 2005. The lease expense for the year ended December 31, 2006 was \$3,204.

The future minimum rental payments related to the above-mentioned lease is:

<u>Year</u>	<u>Amount</u>
2007	3,204
2008	3,204
2009	3,204
2010	3,204
2011	534
<b>Total</b>	<b><u>\$ 13,350</u></b>

MASSILLON MUSEUM  
STARK COUNTY, OHIO

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2006

8. DEBT

Massillon Museum obtained a line of credit totaling \$175,000 on June 9, 2005 with a maturity date of December 9, 2006, which was extended to December 9, 2007.

The amount drawn down as of December 31, 2006 is as follows:

<u>Line of Credit</u>	<u>Balance 12/31/05</u>	<u>Added</u>	<u>Retired</u>	<u>Balance 12/31/06</u>
Huntington National Bank	\$ 55,058	\$ -	\$ -	\$ 55,058

The amount of interest charged varies each month, and the Museum pays the amount of interest due each month.



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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH GOVERNMENT AUDITING STANDARDS**

Massillon Museum  
Stark County  
121 Lincoln Way East  
Massillon, Ohio 44646-6633

To the Board of Trustees:

We have audited the statement of financial position of Massillon Museum, Stark County (Museum) (a nonprofit organization) as of and for the year ended December 31, 2006, and the related statements of activities and cash flows for the year then ended, and have issued our report thereon dated August 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Museum's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Museum's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Museum's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as described below, we identified certain deficiencies in internal control over financial reporting that we considered to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Museum's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Museum's financial statements that is more than inconsequential will not be prevented or detected by the Museum's internal control. We consider the deficiencies described in the accompanying schedule of findings, items 2006-MM-001 through 003 to be significant deficiencies in the internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Museum's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above to be material weaknesses.

#### **Compliance and Other Matters**

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

The Museum's responses to the findings identified in our audit are described in the accompanying schedule of findings. We did not audit the Museum's responses and accordingly, we express no opinion on them.

We noted certain matters that we have reported to management of the Museum in a separate letter dated August 29, 2007.

This report is intended solely for the information and use of management, the audit committee and the Board of Trustees, and is not intended to be and should not be used by anyone other than these specified parties.

*Charles E. Harris & Associates, Inc.*  
August 29, 2007

MASSILLON MUSEUM  
STARK COUNTY, OHIO

SCHEDULE OF FINDINGS  
DECEMBER 31, 2006

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

FINDING NUMBER 2006 - MM - 001

Material Weakness

*Financial Statements*

While reviewing the initial profit and loss statement and balance sheet from the Museum's financial records, we noted several errors, including the profit and loss statement not balancing to the net assets on the balance sheet. This was caused by the bookkeeper posting the realized and unrealized gains on investments with the counter entry to an equity account and no entry to the profit and loss statement. This should have been corrected with the year-end adjustments, but was not. The year-end adjustments for 2006 were not made or posted until August of 2007, and several were not properly recorded. The errors were found during the audit, but had prior review been done by management and the Board Treasurer, these problems could have been eliminated and the Museum could have provided accurate financial statements in a timely manner.

We recommend that when all financial statements are prepared in the future, the beginning and ending net assets be included to ensure agreement with the net assets section of the balance sheet. Then, when the statement of financial position and the statement of activities are prepared, they will be accurate. Also, the financial statements should be prepared in a timely manner to facilitate the timely completion of any audit and to give management the proper tools to make financial decisions.

Museum's Course of Action

The bookkeeper and the Treasurer will properly post the realized and unrealized gains or losses each month. The Treasurer will review the financial statements after the year end adjustment are made to ensure accurate financial statement presentation.

FINDING NUMBER 2006 - MM - 002

Material Weakness

*Unrecorded Financial Interest*

Upon review of the financial statements after year-end, the Museum determined that the contributions received by the Stark Community Foundation on behalf of the Museum should be recorded on the books in accordance with FASB Statement Number 136. These amounts were not recorded on the books in prior years, but were disclosed in the notes to the financial statements. These amounts were included as a prior period adjustment to the beginning net assets.

We recommend that on a regular basis, the Museum review its contributors and determine whether cash and investment balances held by the contributors should be recorded on the financial statements.

Museum's Course of Action

Management was proactive in determining that these amounts should be recorded on the books and will review various contributors regularly.

MASSILLON MUSEUM  
STARK COUNTY, OHIO

SCHEDULE OF FINDINGS – (continued)  
DECEMBER 31, 2006

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

FINDING NUMBER 2006 - MM - 003

Material Weakness

*Fixed Assets*

As noted the prior audits, the Museum does not have formal procedures in place for updating fixed assets. The Museum's fixed asset listing is updated annually based on the General Ledger equipment account. An addition/deletion list to reflect changes to fixed assets is not perpetually updated as assets are acquired or sold. As a result, the master fixed asset listing for year-end may have inconsistencies.

Additionally, the Museum does not have a formal policy to define management's criteria for capturing costs, capitalizing assets, the method of depreciation, and the treatment of donated or other unusual acquisitions or dispositions. Currently, the Museum has four fully depreciated assets, and for the remaining capital assets, the Museum management should periodically reevaluate asset lives. If an asset will outlive its expected life, management should increase the asset life. These changes require allocating the remaining undepreciated life over the new estimate of remaining life.

Finally, according to Statement of Financial Accounting Standards (SFAS) No. 116, contributed collection items shall be recognized as revenues or gains if collections are capitalized and shall not be recognized as revenues or gains if collections are not capitalized. Massillon Museum does not capitalize their collection. An entity that does not recognize and capitalize its collections shall disclose the additional information required within SFAS No. 116 on the face of its statement of activities. However, the additional information was not reported by the Museum.

The control deficiency described above could increase the risk that assets could be lost or stolen and not be detected in a timely manner. The accurate recording of fixed assets is not only necessary for the preparation of financial statements, but it is also essential for an effective internal control structure.

To adequately record and safeguard fixed assets, the Museum should update and thoroughly review its asset listing along with the calculations for depreciation. In addition, the Museum should establish the internal policies necessary to provide sound internal controls with regard to the recording and deleting of Museum assets at the time of their purchase or disposal (including identification numbers such as model numbers and or serial numbers, or the Museum may choose to assign and attach inventory tag numbers to all assets).

In addition, the Board should adopt a fixed asset policy that outlines the following:

- the threshold amount for fixed assets to be capitalized, including the useful life;
- whether items that are purchased which, in aggregate, exceed the threshold, but individually do not, should be capitalized;
- whether the Museum will capitalize software;
- how depreciation will be computed (straight-line, fraction of years);
- how assets will be deleted; and
- accounting procedures for fixed assets changes.

**MASSILLON MUSEUM  
STARK COUNTY, OHIO**

**SCHEDULE OF FINDINGS – (continued)  
DECEMBER 31, 2006**

<p><b>FINDINGS RELATED TO THE FINANCIAL STATEMENTS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GAGAS</b></p>
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**FINDING NUMBER 2006 - MM – 003 – (continued)**

Finally, the Museum should refer to Statement of Financial Accounting Standards (SFAS) No. 116 and ensure their financial statements report the required information.

**Museum's Course of Action**

The Museum will update the fixed asset listing on a more regular basis and consider the items related to contributed assets.

**MASSILLON MUSEUM  
STARK COUNTY, OHIO**

**SCHEDULE OF PRIOR AUDIT FINDINGS  
DECEMBER 31, 2006**

The prior audit report, for the year ending December 31, 2005 reported no material citations or recommendations.



**Mary Taylor, CPA**  
Auditor of State

**MASSILLON MUSEUM**

**STARK COUNTY**

**CLERK'S CERTIFICATION**

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

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
NOVEMBER 15, 2007**