



Mary Taylor, CPA
Auditor of State

**CITY OF MASSILLON
STARK COUNTY**

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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, 2008, 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, 2008, 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, 2008, the City restated net assets of the governmental activities to properly report the payment in lieu of taxes receivable and the related intergovernmental payable as of January 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 1, 2009, 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.

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Managements 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 Expenditure 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 Expenditure 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 cursive script that reads "Mary Taylor".

Mary Taylor, CPA
Auditor of State

September 1, 2009

City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2008
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, 2008. 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 2008 are as follows:

- The total net assets of the City decreased \$1,410,699. Net assets of governmental activities decreased by \$1,785,003, which represents a 5.87 percent decrease from year 2007. Net assets of business-type activities increased \$374,304, or 2.46 percent from year 2007.
- General revenues from governmental activities accounted for \$18,650,713, or 72.24 percent of total governmental activities revenue. Program specific revenues accounted for \$7,166,884, or 27.76 percent of total governmental activities revenue.
- Governmental activities capital assets decreased \$1,310,121, primarily due to current year depreciation.
- The general fund, the City's largest major fund, had revenues of \$17,381,002 in 2008, or 66.75 percent of total governmental funds. Expenditures of the general fund were \$16,382,988, or 61.36 percent of total governmental funds. The general fund balance decreased \$395,817 in 2008, or 24.15 percent over 2007.

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 are two major governmental funds and three major business-type 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 2008?" 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 account all of the current year's revenues and expenses regardless of when the cash is received or paid.

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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.

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 funds are the general fund and the Marketplace Infrastructure TIF capital projects 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 fiscal 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.

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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.

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 2008 compared to 2007.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	Restated		2008	2007	2008	Restated
	2008	2007				
Assets						
Current and Other Assets	\$22,319,171	\$23,313,061	\$5,630,710	\$5,858,881	\$27,949,881	\$29,171,942
Capital Assets, Net	38,274,876	39,584,997	52,261,826	53,920,115	90,536,702	93,505,112
<i>Total Assets</i>	<i>60,594,047</i>	<i>62,898,058</i>	<i>57,892,536</i>	<i>59,778,996</i>	<i>118,486,583</i>	<i>122,677,054</i>
Liabilities						
Current and Other Liabilities	3,438,004	3,842,787	654,209	1,034,716	4,092,213	4,877,503
Long-Term Liabilities:						
Due Within One Year	1,312,657	1,299,367	2,401,728	2,585,963	3,714,385	3,885,330
Due in More than One Year	27,206,906	27,334,421	39,234,473	40,930,495	66,441,379	68,264,916
<i>Total Liabilities</i>	<i>31,957,567</i>	<i>32,476,575</i>	<i>42,290,410</i>	<i>44,551,174</i>	<i>74,247,977</i>	<i>77,027,749</i>
Net Assets						
Invested in Capital Assets, Net of Related Debt	19,174,699	19,761,541	11,416,303	11,110,286	30,591,002	30,871,827
Restricted:						
Capital Projects	3,657,564	3,857,867	0	0	3,657,564	3,857,867
Debt Service	3,277,949	3,527,765	0	0	3,277,949	3,527,765
Transportation	968,584	1,103,206	0	0	968,584	1,103,206
Economic Development	1,760,144	3,487,194	0	0	1,760,144	3,487,194
Parks and Recreation	31,034	26,366	0	0	31,034	26,366
Other Purposes	914,939	721,905	0	0	914,939	721,905
Unrestricted (Deficit)	(1,148,433)	(2,064,361)	4,185,823	4,117,536	3,037,390	2,053,175
<i>Total Net Assets</i>	<i>\$28,636,480</i>	<i>\$30,421,483</i>	<i>\$15,602,126</i>	<i>\$15,227,822</i>	<i>\$44,238,606</i>	<i>\$45,649,305</i>

Over time, net assets can serve as a useful indicator of a government's financial position. At December 31, 2008, the City's assets exceeded liabilities by \$44,238,606. This amounts to \$28,636,480 in governmental activities and \$15,602,126 in business-type activities. Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 77.43 percent of total governmental and business-type assets. 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, 2008, were \$30,591,002. These capital assets are used to provide services to citizens and are not available for future spending. Although the

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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. A portion of the City's net assets, \$10,610,214 or 23.97 percent, represent resources that are subject to external restrictions on how they may be used. The largest portion of the total restricted net assets consists of \$3,657,564 and \$3,277,949, which are restricted for capital projects and debt services, respectively.

Table 2 shows the changes in net assets for the year ended December 31, 2008 compared to 2007.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues:						
Charges for Services	\$4,318,780	\$3,733,000	\$9,804,527	\$9,571,065	\$14,123,307	\$13,304,065
Operating Grants and Contributions	2,580,098	3,661,285	0	0	2,580,098	3,661,285
Capital Grants	268,006	582,290	52,306	134,286	320,312	716,576
Total Program Revenues	7,166,884	7,976,575	9,856,833	9,705,351	17,023,717	17,681,926
General Revenues:						
Property Taxes	1,344,489	2,573,130	0	0	1,344,489	2,573,130
Income Taxes	13,441,252	12,774,960	205,000	195,000	13,646,252	12,969,960
Intergovernmental	2,398,840	1,267,005	0	0	2,398,840	1,267,005
Interest	688,048	454,885	0	0	688,048	454,885
Other	778,084	823,536	85,710	61,507	863,794	885,043
Total General Revenues	18,650,713	17,893,516	290,710	256,507	18,941,423	18,150,023
Total Revenues	25,817,597	25,870,091	10,147,543	9,961,858	35,965,140	35,831,949
Program Expenses						
Governmental Activities:						
General Government	6,838,678	6,509,920	0	0	6,838,678	6,509,920
Security of Persons and Property	10,456,531	9,640,662	0	0	10,456,531	9,640,662
Transportation	4,003,056	3,841,256	0	0	4,003,056	3,841,256
Public Health and Welfare	621,374	598,937	0	0	621,374	598,937
Leisure/Time Activities	3,167,858	3,120,281	0	0	3,167,858	3,120,281
Basic Utilities Service	81,980	104,718	0	0	81,980	104,718
Economic Development and Assistance	921,318	759,047	0	0	921,318	759,047
Urban Redevelopment and Housing	145,989	260,164	0	0	145,989	260,164
Interest and Fiscal Charges	1,365,816	1,350,141	0	0	1,365,816	1,350,141
Wastewater	0	0	7,939,982	7,314,299	7,939,982	7,314,299
Solid Waste	0	0	1,011,951	989,610	1,011,951	989,610
Golf Course	0	0	821,306	887,125	821,306	887,125
Total Expenses	27,602,600	26,185,126	9,773,239	9,191,034	37,375,839	35,376,160
Increase (Decrease) in Net Assets	(1,785,003)	(315,035)	374,304	770,824	(1,410,699)	455,789
Net Assets Beginning of Year - Restated (See Note 3)						
	30,421,483	30,736,518	15,227,822	14,456,998	45,649,305	45,193,516
Net Assets End of Year	\$28,636,480	\$30,421,483	\$15,602,126	\$15,227,822	\$44,238,606	\$45,649,305

City of Massillon
Management's Discussion and Analysis
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Governmental Activities

Governmental activities net assets decreased \$1,785,003 in 2008. The funding for governmental activities comes from several different sources, with municipal income tax being the largest contributor. Income tax revenues increased by \$666,292 or 5.22 percent. The City's governmental expenses increased \$1,417,474 or 5.41 percent.

Security of persons and property, which primarily supports the operations of the City's police, fire and emergency medical services, accounted for \$10,456,531 of expenses, or 37.88 percent of total governmental expenses of the City. These expenses were funded by \$1,175,273 in charges to users of services and operating grants. General government expenses, which primarily include legislative, executive, and financial management, totaled \$6,838,678, or 24.78 percent of total governmental expenses. General government expenses were covered by \$1,422,569 of direct charges to users, grants and entitlements, contributions and interest.

Charges for services program revenues contributed to the City's governmental revenues with \$4,318,780 or 15.65 percent of program expenses. All program revenues covered 25.96 percent of program expenses with general revenues being less than adequate and leaving a decrease in net assets of \$1,785,003.

General revenues totaled \$18,650,713, and amounted to 72.24 percent of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$14,785,741, or 79.28 percent of these total general revenues. 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 \$2,398,840, or 12.86 percent 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 of \$9,856,833 and expenses of \$9,773,239 for 2008. Business-type activities reported a change in net assets of \$374,304, which was an increase of 2.46 percent from 2007. This increase was due to higher charges for services revenues.

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 fiscal year, the fund balance of the general fund was \$1,243,246, a 24.15 percent decrease from prior year. The primary reason for the decrease of the general fund balance in 2008 was attributed an overall increase in expenditures and an increase in transfers out to support the operations of other funds. The overall increase in expenditures as compared to 2007 was \$964,512. The marketplace infrastructure TIF major fund had revenues that exceeded expenses, increasing the fund balance by \$152,201. The fund had payment in lieu of taxes revenue which exceeded the small amount of expenditures.

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
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The most significant budgeted governmental fund is the general fund. The final budget (estimated) revenue exceeded the original estimated revenue by \$997,759. The most significant variance between original budgeted revenue and final budgeted revenue amounts was to income taxes revenue. Overall, total actual revenues exceeded the final estimated revenue by \$53,863. During the year, these estimates were changed as new information was made available.

Final budgeted expenditures increased \$1,110,428 or 7.35 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. Actual expenditures and encumbrances were under the final budget by \$81,348.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows the changes in capital assets for the year ended December 31, 2008 compared to 2007.

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

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$8,566,375	\$8,539,291	\$3,052,637	\$3,052,637	\$11,619,012	\$11,591,928
Construction in Progress	99,020	0	0	0	99,020	0
Land Improvements	2,484,635	2,570,336	638,354	740,348	3,122,989	3,310,684
Buildings and Improvements	8,840,201	9,198,093	2,463,774	2,667,745	11,303,975	11,865,838
Vehicles	1,022,994	1,225,990	671,637	600,053	1,694,631	1,826,043
Machinery and Equipment	1,129,669	1,049,196	389,279	512,413	1,518,948	1,561,609
Infrastructure	16,131,982	17,002,091	45,046,145	46,346,919	61,178,127	63,349,010
Total Capital Assets	\$38,274,876	\$39,584,997	\$52,261,826	\$53,920,115	\$90,536,702	\$93,505,112

At the end of fiscal year 2008, the City had \$90,536,702 in capital assets (net of accumulated depreciation). Of this total, \$38,274,876 was reported in governmental activities and \$52,261,826 was reported in business-type activities.

For both governmental and 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
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Debt

At December 31, 2008, the City had total long-term obligations outstanding of \$70,155,764. Of this total, \$3,714,385 is due within one year and \$66,441,379 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	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds	\$18,449,472	\$19,019,544	\$6,535,454	\$6,839,136	\$24,984,926	\$25,858,680
Special Obligation Debt	0	69,750	1,939	14,069	1,939	83,819
Loans Payable	2,292,131	2,376,762	34,438,289	35,897,658	36,730,420	38,274,420
Police and Fire Pension	1,468,802	1,498,423	0	0	1,468,802	1,498,423
Compensated Absences	3,010,070	2,152,703	507,429	456,876	3,517,499	2,609,579
Capital Leases	293,049	321,947	153,090	308,719	446,139	630,666
TIF Related						
Intergovernmental Payable	3,006,039	3,194,659	0	0	3,006,039	3,194,659
Total	\$28,519,563	\$28,633,788	\$41,636,201	\$43,516,458	\$70,155,764	\$72,150,246

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 wastewater and golf course enterprise funds.

At December 31, 2008, the City's overall legal debt margin was \$37,464,873 with an unvoted debt margin of \$10,942,876. The City's credit rating remained unchanged in 2008 as compared to 2007. See Note 16 to the basic financial statements for details on the City's long-term obligations.

Current Financial Related Activities

During 2008, 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 2009, as negotiations are ongoing with the City's various bargaining units. Reductions in local government revenue, an increase in minimum wage (for seasonal employees) and a four percent wage increase for most full-time employees in 2008 have reduced the City's cash balances. The City Administration continues attempts 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.

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City of Massillon, Ohio

Statement of Net Assets

December 31, 2008

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$3,288,545	\$3,204,809	\$6,493,354
Materials and Supplies Inventory	135,219	7,098	142,317
Accrued Interest Receivable	759,604	0	759,604
Accounts Receivable	765,123	2,489,807	3,254,930
Loans Receivable	3,353,545	0	3,353,545
Internal Balances	175,000	(175,000)	0
Intergovernmental Receivable	1,725,152	0	1,725,152
Prepaid Items	5,252	0	5,252
Deferred Charges	0	103,996	103,996
Income Taxes Receivable	2,706,065	0	2,706,065
Property Taxes Receivable	1,799,068	0	1,799,068
Payment in Lieu of Taxes Receivable	7,606,598	0	7,606,598
Nondepreciable Capital Assets	8,665,395	3,052,637	11,718,032
Depreciable Capital Assets, Net	29,609,481	49,209,189	78,818,670
<i>Total Assets</i>	<u>60,594,047</u>	<u>57,892,536</u>	<u>118,486,583</u>
Liabilities			
Accounts Payable	261,283	215,045	476,328
Accrued Wages	398,455	80,414	478,869
Contracts Payable	150,546	178,594	329,140
Intergovernmental Payable	1,027,873	157,152	1,185,025
Accrued Interest Payable	74,282	23,004	97,286
Claims Payable	666	0	666
Deferred Revenue	1,524,899	0	1,524,899
Long-Term Liabilities:			
Due Within One Year	1,312,657	2,401,728	3,714,385
Due In More Than One Year	27,206,906	39,234,473	66,441,379
<i>Total Liabilities</i>	<u>31,957,567</u>	<u>42,290,410</u>	<u>74,247,977</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	19,174,699	11,416,303	30,591,002
Restricted for:			
Capital Projects	3,657,564	0	3,657,564
Debt Service	3,277,949	0	3,277,949
Transportation	968,584	0	968,584
Economic Development	1,760,144	0	1,760,144
Parks and Recreation	31,034	0	31,034
Other Purposes	914,939	0	914,939
Unrestricted (Deficit)	(1,148,433)	4,185,823	3,037,390
<i>Total Net Assets</i>	<u>\$28,636,480</u>	<u>\$15,602,126</u>	<u>\$44,238,606</u>

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Statement of Activities
For the Year Ended December 31, 2008

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Governmental Activities:				
General Government	\$6,838,678	\$1,389,922	\$32,647	\$0
Security of Persons and Property	10,456,531	1,145,576	29,697	0
Transportation	4,003,056	185,191	1,595,178	268,006
Public Health and Welfare	621,374	165,622	129,200	0
Leisure Time Activities	3,167,858	839,358	408,260	0
Basic Utility Service	81,980	0	98,127	0
Economic Development and Assistance	921,318	593,111	112,132	0
Urban Redevelopment and Housing	145,989	0	174,857	0
Interest and Fiscal Charges	1,365,816	0	0	0
<i>Total Governmental Activities</i>	27,602,600	4,318,780	2,580,098	268,006
Business-Type Activities:				
Waste Water	7,939,982	8,275,934	0	52,306
Solid Waste	1,011,951	999,925	0	0
Golf Course	821,306	528,668	0	0
<i>Total Business-Type Activities</i>	9,773,239	9,804,527	0	52,306
<i>Total</i>	<u>\$37,375,839</u>	<u>\$14,123,307</u>	<u>\$2,580,098</u>	<u>\$320,312</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

Grants and Entitlements not Restricted to Specific Programs

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

Net (Expense) Revenue and Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
(\$5,416,109)	\$0	(\$5,416,109)
(9,281,258)	0	(9,281,258)
(1,954,681)	0	(1,954,681)
(326,552)	0	(326,552)
(1,920,240)	0	(1,920,240)
16,147	0	16,147
(216,075)	0	(216,075)
28,868	0	28,868
(1,365,816)	0	(1,365,816)
(20,435,716)	0	(20,435,716)
0	388,258	388,258
0	(12,026)	(12,026)
0	(292,638)	(292,638)
0	83,594	83,594
(20,435,716)	83,594	(20,352,122)
1,055,753	0	1,055,753
288,736	0	288,736
11,062,258	0	11,062,258
708,422	0	708,422
380,362	0	380,362
1,290,210	205,000	1,495,210
2,398,840	0	2,398,840
688,048	0	688,048
778,084	85,710	863,794
18,650,713	290,710	18,941,423
(1,785,003)	374,304	(1,410,699)
30,421,483	15,227,822	45,649,305
\$28,636,480	\$15,602,126	\$44,238,606

City of Massillon, Ohio

Balance Sheet

Governmental Funds

December 31, 2008

	General	Marketplace Infrastructure TIF	Other Governmental Funds	Total Governmental Funds
Assets				
Equity in Pooled Cash and Cash Equivalents	\$249,789	\$368,461	\$2,628,984	\$3,247,234
Materials and Supplies Inventory	130,837	0	4,382	135,219
Accrued Interest Receivable	43,457	0	716,147	759,604
Accounts Receivable	167,318	0	597,805	765,123
Loans Receivable	0	0	3,353,545	3,353,545
Interfund Receivable	210,000	0	125,000	335,000
Intergovernmental Receivable	719,225	0	1,005,927	1,725,152
Prepaid Items	5,252	0	0	5,252
Income Taxes Receivable	2,178,653	0	527,412	2,706,065
Property Taxes Receivable	1,473,458	0	325,610	1,799,068
Payment in Lieu of Taxes Receivable	0	5,629,038	1,977,560	7,606,598
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	21,109	0	0	21,109
<i>Total Assets</i>	<u>\$5,199,098</u>	<u>\$5,997,499</u>	<u>\$11,262,372</u>	<u>\$22,458,969</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$154,154	\$0	\$107,129	\$261,283
Accrued Wages	333,731	0	64,724	398,455
Contracts Payable	32,194	0	118,352	150,546
Intergovernmental Payable	853,909	0	173,964	1,027,873
Interfund Payable	0	0	160,000	160,000
Deferred Revenue	2,581,864	5,629,038	4,492,454	12,703,356
<i>Total Liabilities</i>	<u>3,955,852</u>	<u>5,629,038</u>	<u>5,116,623</u>	<u>14,701,513</u>
Fund Balances				
Reserved for Encumbrances	47,627	0	652,975	700,602
Reserved for Loans Receivable	0	0	3,353,545	3,353,545
Reserved for Unclaimed Monies	21,109	0	0	21,109
Unreserved, Undesignated, Reported in:				
General Fund	1,174,510	0	0	1,174,510
Special Revenue Funds	0	0	1,710,764	1,710,764
Debt Service Fund	0	0	145,568	145,568
Capital Projects Funds	0	368,461	282,897	651,358
<i>Total Fund Balances</i>	<u>1,243,246</u>	<u>368,461</u>	<u>6,145,749</u>	<u>7,757,456</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$5,199,098</u>	<u>\$5,997,499</u>	<u>\$11,262,372</u>	<u>\$22,458,969</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, 2008*

Total Governmental Fund Balances \$7,757,456

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

Capital assets used in governmental activities are not financial
 resources and therefore are not reported in the funds. 38,274,876

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	899,813	
Grants	1,096,310	
Payment in Lieu of Taxes	7,606,598	
Accrued Interest	716,147	
Charges for Services	599,822	
Total		11,178,457

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. 19,536

Accrued interest payable is not due and payable in the current
 period and therefore is not reported in the funds. (74,282)

Long-term liabilities are not due and payable in the current
 period and therefore are not reported in the funds:

General Obligation Bonds	(18,085,000)	
Accretion	(74,475)	
Capital Appreciation Bonds	(289,997)	
Capital Leases	(293,049)	
Police and Fire Pension	(1,468,802)	
Loans Payable	(2,292,131)	
TIF Related Intergovernmental Payable	(3,006,039)	
Compensated Absences	(3,010,070)	
Total		(28,519,563)

Net Assets of Governmental Activities \$28,636,480

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, 2008

	General	Marketplace Infrastructure TIF	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,285,255	\$0	\$71,966	\$1,357,221
Income Taxes	10,980,472	0	2,372,705	13,353,177
Payment in Lieu of Taxes	0	346,019	132,970	478,989
Intergovernmental	2,321,526	0	3,248,017	5,569,543
Interest	321,657	0	319,376	641,033
Licenses and Permits	193,162	0	123,959	317,121
Fines and Forfeitures	1,279,858	0	642,413	1,922,271
Charges for Services	454,169	0	1,034,442	1,488,611
Contributions and Donations	0	0	111,558	111,558
Other	544,903	0	252,615	797,518
<i>Total Revenues</i>	<u>17,381,002</u>	<u>346,019</u>	<u>8,310,021</u>	<u>26,037,042</u>
Expenditures				
Current:				
General Government	5,921,896	0	458,692	6,380,588
Security of Persons and Property	8,651,579	0	911,719	9,563,298
Transportation	1,392,313	0	1,790,778	3,183,091
Public Health and Welfare	396,249	0	243,487	639,736
Leisure Time Activities	0	0	2,690,946	2,690,946
Basic Utility Service	0	0	81,980	81,980
Economic Development and Assistance	0	188,620	863,840	1,052,460
Urban Redevelopment and Housing	0	0	145,989	145,989
Capital Outlay	0	5,198	518,827	524,025
Debt Service:				
Principal Retirement	20,487	0	987,487	1,007,974
Interest and Fiscal Charges	464	0	1,429,530	1,429,994
<i>Total Expenditures</i>	<u>16,382,988</u>	<u>193,818</u>	<u>10,123,275</u>	<u>26,700,081</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>998,014</u>	<u>152,201</u>	<u>(1,813,254)</u>	<u>(663,039)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	0	0	195,074	195,074
Transfers In	0	0	1,417,831	1,417,831
Transfers Out	<u>(1,393,831)</u>	<u>0</u>	<u>(24,000)</u>	<u>(1,417,831)</u>
<i>Total Other Financing Sources (Uses)</i>	<u>(1,393,831)</u>	<u>0</u>	<u>1,588,905</u>	<u>195,074</u>
<i>Net Change in Fund Balances</i>	(395,817)	152,201	(224,349)	(467,965)
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>1,639,063</u>	<u>216,260</u>	<u>6,370,098</u>	<u>8,225,421</u>
<i>Fund Balances End of Year</i>	<u>\$1,243,246</u>	<u>\$368,461</u>	<u>\$6,145,749</u>	<u>\$7,757,456</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, 2008*

Net Change in Fund Balances - Total Governmental Funds (467,965)

*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 depreciation exceeded capital outlays in the current period.

Capital Asset Additions:

Capital Outlay	371,244	
Current Year Depreciation	<u>(1,681,365)</u>	
Total		(1,310,121)

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

Property Taxes	(12,732)	
Income Tax	88,075	
Charges for Services	590,777	
Grants	(434,157)	
Payment in Lieu of Taxes	(477,292)	
Accrued Interest	45,318	
Other	<u>(28,226)</u>	
Total		(228,237)

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. 1,196,594

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	94,106	
Bond Accretion	<u>(29,928)</u>	
Total		64,178

Other financing sources, such as an inception of capital lease, in the governmental funds increase long-term liabilities in the statement of net assets. (195,074)

Some expenses, such as compensated absences, 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. (857,367)

The internal service funds used by management to charge the 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. 12,989

Change in Net Assets of Governmental Activities (\$1,785,003)

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, 2008

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues				
Property Taxes	\$1,264,955	\$1,343,493	\$1,338,138	(\$5,355)
Income Taxes	10,134,498	10,763,723	10,801,161	37,438
Intergovernmental	2,062,597	2,190,658	2,220,893	30,235
Interest	362,471	384,976	308,280	(76,696)
Licenses and Permits	172,964	183,703	200,740	17,037
Fines and Forfeitures	1,177,072	1,250,153	1,268,310	18,157
Charges for Services	311,884	331,248	324,884	(6,364)
Other	642,399	678,645	718,056	39,411
<i>Total Revenues</i>	<u>16,128,840</u>	<u>17,126,599</u>	<u>17,180,462</u>	<u>53,863</u>
Expenditures				
Current:				
General Government	5,612,865	6,013,514	5,987,950	25,564
Security of Persons and Property	7,790,626	8,436,511	8,425,759	10,752
Transportation	1,377,988	1,416,573	1,371,959	44,614
Public Health and Welfare	333,255	358,564	358,146	418
<i>Total Expenditures</i>	<u>15,114,734</u>	<u>16,225,162</u>	<u>16,143,814</u>	<u>81,348</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,014,106</u>	<u>901,437</u>	<u>1,036,648</u>	<u>135,211</u>
Other Financing Sources (Uses)				
Advances In	140,000	140,000	0	(140,000)
Transfers Out	(1,394,751)	(1,394,751)	(1,393,831)	920
<i>Total Other Financing Sources (Uses)</i>	<u>(1,254,751)</u>	<u>(1,254,751)</u>	<u>(1,393,831)</u>	<u>(139,080)</u>
<i>Net Change in Fund Balance</i>	(240,645)	(353,314)	(357,183)	(3,869)
<i>Fund Balance Beginning of Year</i>	166,823	166,823	166,823	0
Prior Year Encumbrances Appropriated	<u>211,469</u>	<u>211,469</u>	<u>211,469</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$137,647</u>	<u>\$24,978</u>	<u>\$21,109</u>	<u>(\$3,869)</u>

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2008

	Wastewater	Solid Waste	Golf Course	Total	Governmental Activities- Internal Service Fund
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$2,971,663	\$202,751	\$30,395	\$3,204,809	\$20,202
Accounts Receivable	2,463,024	25,206	1,577	2,489,807	0
Interfund Receivable	0	20,000	0	20,000	0
Materials and Supplies Inventory	7,098	0	0	7,098	0
<i>Total Current Assets</i>	<u>5,441,785</u>	<u>247,957</u>	<u>31,972</u>	<u>5,721,714</u>	<u>20,202</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	47,240,867	368,154	1,600,168	49,209,189	0
<i>Total Non-Current Assets</i>	<u>47,300,267</u>	<u>368,154</u>	<u>4,697,401</u>	<u>52,365,822</u>	<u>0</u>
<i>Total Assets</i>	<u>52,742,052</u>	<u>616,111</u>	<u>4,729,373</u>	<u>58,087,536</u>	<u>20,202</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	211,843	953	2,249	215,045	0
Accrued Wages	61,636	16,079	2,699	80,414	0
Contracts Payable	151,338	27,256	0	178,594	0
Intergovernmental Payable	99,596	43,004	14,552	157,152	0
Interfund Payable	0	0	195,000	195,000	0
Accrued Interest Payable	0	0	23,004	23,004	0
Compensated Absences Payable	29,015	343	7,584	36,942	0
OWDA Loans Payable	1,997,148	0	0	1,997,148	0
Capital Leases Payable	56,090	0	56,548	112,638	0
General Obligation Bonds Payable	0	0	255,000	255,000	0
Claims Payable	0	0	0	0	666
<i>Total Current Liabilities</i>	<u>2,606,666</u>	<u>87,635</u>	<u>556,636</u>	<u>3,250,937</u>	<u>666</u>
<i>Long-Term Liabilities (net of current portion):</i>					
Compensated Absences Payable	397,261	68,637	4,589	470,487	0
Capital Leases Payable	0	0	40,452	40,452	0
State Hospital Loan Payable	0	0	1,939	1,939	0
OWDA Loans Payable	32,441,141	0	0	32,441,141	0
General Obligation Bonds Payable	0	0	6,280,454	6,280,454	0
<i>Total Long-Term Liabilities</i>	<u>32,838,402</u>	<u>68,637</u>	<u>6,327,434</u>	<u>39,234,473</u>	<u>0</u>
<i>Total Liabilities</i>	<u>35,445,068</u>	<u>156,272</u>	<u>6,884,070</u>	<u>42,485,410</u>	<u>666</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	12,805,889	368,154	(1,757,740)	11,416,303	0
Unrestricted (Deficit)	4,491,095	91,685	(396,957)	4,185,823	19,536
<i>Total Net Assets (Deficit)</i>	<u>\$17,296,984</u>	<u>\$459,839</u>	<u>(\$2,154,697)</u>	<u>\$15,602,126</u>	<u>\$19,536</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, 2008*

	Wastewater	Solid Waste	Golf Course	Total	Governmental Activities - Internal Service Fund
Operating Revenues					
Charges for Services	\$8,275,934	\$999,925	\$528,668	\$9,804,527	\$27,450
Other	3,105	395	82,210	85,710	8,792
<i>Total Operating Revenues</i>	<u>8,279,039</u>	<u>1,000,320</u>	<u>610,878</u>	<u>9,890,237</u>	<u>36,242</u>
Operating Expenses					
Personal Services	1,398,574	433,344	232,595	2,064,513	0
Fringe Benefits	1,084,740	275,353	79,017	1,439,110	0
Contractual Services	1,912,089	249,813	28,322	2,190,224	0
Materials and Supplies	1,406,043	300	193,563	1,599,906	0
Depreciation	1,587,034	53,141	196,431	1,836,606	0
Claims	0	0	0	0	23,253
<i>Total Operating Expenses</i>	<u>7,388,480</u>	<u>1,011,951</u>	<u>729,928</u>	<u>9,130,359</u>	<u>23,253</u>
<i>Operating Income (Loss)</i>	<u>890,559</u>	<u>(11,631)</u>	<u>(119,050)</u>	<u>759,878</u>	<u>12,989</u>
Non-Operating Revenues (Expenses)					
Income Taxes	0	0	205,000	205,000	0
Interest and Fiscal Charges	(551,502)	0	(91,378)	(642,880)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>(551,502)</u>	<u>0</u>	<u>113,622</u>	<u>(437,880)</u>	<u>0</u>
<i>Income (Loss) before Capital Contributions</i>	339,057	(11,631)	(5,428)	321,998	12,989
Capital Contributions	52,306	0	0	52,306	0
<i>Change in Net Assets</i>	391,363	(11,631)	(5,428)	374,304	12,989
<i>Net Assets (Deficit) Beginning of Year</i>	<u>16,905,621</u>	<u>471,470</u>	<u>(2,149,269)</u>	<u>15,227,822</u>	<u>6,547</u>
<i>Net Assets (Deficit) End 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>

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2008

	Wastewater	Solid Waste	Golf Course	Total	Governmental Activities - Internal Service Fund
Increase (Decrease) in Cash and Cash Equivalents					
Cash Flows from Operating Activities					
Cash received from customers	\$7,922,056	\$1,002,885	\$528,925	\$9,453,866	\$36,242
Cash received from other operating sources	3,105	395	82,210	85,710	0
Cash payments for employee services and benefits	(2,382,766)	(720,717)	(317,252)	(3,420,735)	0
Cash payments to suppliers for goods and services	(3,784,396)	(236,479)	(368,434)	(4,389,309)	(26,474)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>1,757,999</u>	<u>46,084</u>	<u>(74,551)</u>	<u>1,729,532</u>	<u>9,768</u>
Cash Flows from Noncapital Financing Activities					
Capital grants received	52,306	0	0	52,306	0
Advances in	0	9,000	105,000	114,000	0
<i>Net Cash Provided by Noncapital Financing Activities</i>	<u>52,306</u>	<u>9,000</u>	<u>105,000</u>	<u>166,306</u>	<u>0</u>
Cash Flows from Capital and Related Financing Activities					
Cash received from income taxes	0	0	205,000	205,000	0
Proceeds of OWDA loans	525,000	0	0	525,000	0
Principal paid on bonds	(160,000)	0	(205,000)	(365,000)	0
Principal paid on loans	(1,984,369)	0	(12,130)	(1,996,499)	0
Interest paid on loans	(540,780)	0	0	(540,780)	0
Interest paid on bonds	(4,800)	0	0	(4,800)	0
Payments for capital acquisitions	(56,506)	(121,811)	0	(178,317)	0
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(2,221,455)</u>	<u>(121,811)</u>	<u>(12,130)</u>	<u>(2,355,396)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	(411,150)	(66,727)	18,319	(459,558)	9,768
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>3,382,813</u>	<u>269,478</u>	<u>12,076</u>	<u>3,664,367</u>	<u>10,434</u>
<i>Cash and Cash Equivalents End 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>

(continued)

City of Massillon, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2008

	Wastewater	Solid Waste	Golf Course	Total	Governmental Activities- Internal Service Fund
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$890,559	(\$11,631)	(\$119,050)	\$759,878	\$12,989
Adjustments:					
Depreciation	1,587,034	53,141	196,431	1,836,606	0
(Increase) Decrease in Assets:					
Accounts Receivable	(552,275)	2,960	257	(549,058)	0
Prepaid Items	1,577	0	1,577	3,154	0
Materials and Supplies Inventory	2,120	0	0	2,120	0
Special Assessment	198,397	0	0	198,397	0
Increase (Decrease) in Liabilities:					
Accounts Payable	(621,786)	(13,622)	(149,856)	(785,264)	0
Contracts Payable	151,338	27,256	0	178,594	0
Accrued Wages	21,223	4,504	897	26,624	0
Compensated Absences Payable	80,498	(25,038)	(4,907)	50,553	0
Intergovernmental Payable	(686)	8,514	100	7,928	0
Claims Payable	0	0	0	0	(3,221)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$1,757,999</u>	<u>\$46,084</u>	<u>(\$74,551)</u>	<u>\$1,729,532</u>	<u>\$9,768</u>

See accompanying notes to the basic financial statements

City of Massillon, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Funds

December 31, 2008

Assets	
Equity in Pooled Cash and Cash Equivalents	\$61,856
Cash and Cash Equivalents In Segregated Accounts	138,391
Intergovernmental Receivable	61,261
Property Taxes Receivable	514,717
	<hr/>
<i>Total Assets</i>	<i>\$776,225</i>
	<hr/> <hr/>
Liabilities	
Undistributed Monies	\$200,247
Due to Other Governments	575,978
	<hr/>
<i>Total Liabilities</i>	<i>\$776,225</i>
	<hr/> <hr/>

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, 2008

A. 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.

B. 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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Marketplace Infrastructure Tax Increment Financing (TIF) Fund The marketplace infrastructure TIF fund accounts for payments in lieu of taxes used to improve the marketplace TIF area.

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

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.

C. 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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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.

D. 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, 2008, but which were levied to finance year 2009 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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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.

E. 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.

During fiscal year 2008, investments were limited to repurchase agreements, reported at cost.

Investment procedures are restricted by the provisions of the Ohio Revised Code. Interest revenue credited to the general fund during 2008 amounted to \$321,657, which includes \$295,096 assigned from other City funds.

Investments with an original maturity of three months or less at the time of purchase and investments of the cash management pool are presented on the financial statements as cash equivalents.

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2008, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount at the time of the purchase and the expenditure/expense in the year in which services are consumed.

G. 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 consist of expendable supplies held for consumption.

H. 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.

I. 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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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:

<u>Description</u>	<u>Estimated Useful 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.

J. 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.

K. 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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

L. 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.

M. Contributions of Capital

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

N. 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.

O. 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.

P. 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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Q. 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.

R. 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 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.

S. 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.

T. 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.

U. 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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

V. 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.

W. 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.

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 Fund Balances and Net Assets

A. Change in Accounting Principles

For 2008, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations". GASB Statement No. 49 addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effect of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The implementation of this Statement did not result in any changes to the City's financial statements.

B. Restatement of Prior Year Fund Balances and Net Assets

During 2008, it was determined that in 2007 the City understated the payment in lieu of taxes receivable and the related intergovernmental payable and the balance of the unclaimed monies fund should be combined with the general fund. The restatement had the following effect on fund balance/net assets at December 31, 2007 as previously reported.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

The following table summarizes the restatement adjustment for fund balance:

	General	Marketplace Infrastructure TIF	Other Governmental Funds	Total
Fund Balances at December 31, 2007	\$1,607,042	\$216,260	\$6,370,098	\$8,193,400
Adjustment for Fund Reclassification	32,021	0	0	32,021
Restated Fund Balances at December 31, 2007	<u>\$1,639,063</u>	<u>\$216,260</u>	<u>\$6,370,098</u>	<u>\$8,225,421</u>

The following table summarizes the restatement adjustment for net assets:

	Governmental Activities
Net Assets at December 31, 2007	\$25,500,231
Adjustment for Payment in Lieu of Taxes Receivable	8,083,890
Adjustment for Intergovernmental Payable	(3,194,659)
Adjustment for Fund Reclassification	32,021
Restated Net Assets at December 31, 2007	<u>\$30,421,483</u>

Note 4 – Accountability

The following funds had a deficit fund balance as of December 31, 2008:

Special Revenue Funds:	
Community Development	\$32,291
Parks and Recreation	64,568
Capital Projects Fund:	
OPWC Hills and Dales	1,663

As of December 31, 2008, the Legends Golf Course enterprise fund had a deficit net asset balance of \$2,154,697.

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:

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 as a reservation of fund balance (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	(\$395,817)
Adjustment for Revenue Accruals	(200,540)
Adjustment for Expenditure Accruals	392,840
Adjustment for Encumbrances	<u>(153,666)</u>
Budget Basis	<u><u>(\$357,183)</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

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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;
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.

A. 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, \$5,289,672 of the City's bank balance of \$6,289,672 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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

B. Investments

As of December 31, 2008, the City has a repurchase agreement backed by Federal Home Loan Mortgage Corporation Bonds with a fair value of \$430,000 with an investment maturity of less than one year.

Interest Rate Risk. The City has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the market value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

Credit Risk. The repurchase agreements were backed by Federal Home Loan Mortgage Corporation Bonds, which carry a rating of Aaa by Moody's. The City has no investment policy that addresses credit risk.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Federal Home Loan Mortgage Corporation Bonds are exposed to custodial credit risk in that they are uninsured, unregistered, and held by the counterparty's trust department or agent but not in the City's name. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

Concentration of Credit Risk. With the exception of U.S. Treasury securities, federal government agency securities, and authorized pools, no more than 50 percent of the City's total investment portfolio will be invested in a single security type or with a single financial institution.

Note 7 - Receivables

Receivables at December 31, 2008, 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 and payments in lieu of 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. Payments in lieu of taxes are due to a tax increment financing agreement with \$7,143,196 not being collected within one year.

A. 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 2008 for real and public utility property taxes represents collections of the 2007 taxes. Property tax payments received during 2008 for tangible personal property (other than public utility property) are for 2008 taxes.

2008 real property taxes are levied after October 1, 2008, on the assessed value as of January 1, 2008, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2008 real property taxes are collected in and intended to finance 2009.

Real property taxes are payable annually or semi-annually. If paid annually, the 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 payment dates to be established.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Public utility tangible personal property is currently assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2008 public utility property taxes became a lien December 31, 2007, are levied after October 1, 2008, and are collected in 2009 with real property taxes.

2008 tangible personal property taxes are levied after October 1, 2007, on the value as of December 31, 2007. Collections are made in 2008. Tangible personal property assessments are being phased out – the assessment percentage for all property including inventory for 2008 is 6.25 percent. This will be reduced to zero for 2009. 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, 2008, was \$4.70 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2008 property tax receipts were based are as follows:

Real Estate	
Residential/Agricultural	\$366,909,290
Other Real Estate	143,182,070
Tangible Personal Property	
Public Utility	19,184,860
General	1,163,715
Total	<u><u>\$530,439,935</u></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, 2008 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 2008 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.

B. 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, 80.83 percent, income tax capital improvements fund, 2.50 percent and parks and recreation fund, 16.67 percent. The parks and recreation fund also allocates income tax revenues to the parks and recreation capital improvement fund and parks and recreation debt service bond retirement fund as needed.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

C. Intergovernmental Receivable

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

Governmental Activities	
Gasoline Tax	644,273
Local Government	548,266
OPWC Keuper Boulevard Grant	170,822
Estate Tax	130,425
Motor Vehicle License Tax	115,229
Miscellaneous grants	87,803
Other	28,334
	<hr/>
Total	<u>\$1,725,152</u>

D. 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 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, 2007 (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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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

PEP's financial statements, audited by other accountants, are in conformity with generally accepted accounting principles, and reported the following assets, liabilities and net assets as of December 31:

Casualty and Property Coverage	2007	2006
Assets	\$37,560,071	\$36,123,194
Liabilities	(17,340,825)	(16,738,904)
Net Assets	\$20,219,246	\$19,384,290

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 \$666 reported in the fund at December 31, 2008, 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 2007 and 2008 were:

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

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Balance at End of Year
2007	\$294	\$13,232	\$9,639	\$3,887
2008	3,887	23,253	26,474	666

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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 9 - Jointly Governed Organizations

A. 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.

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.

B. 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 \$6,003 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.

C. 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.

D. 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

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 2008, the City contributed \$22,000 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.

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 2008, the City made contributions of \$424,920, 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, 2008, was as follows:

	Balance 12/31/2007	Additions	Deductions	Balance 12/31/2008
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$8,539,291	\$27,084	\$0	\$8,566,375
Construction in Progress	0	99,020	0	99,020
<i>Total Capital Assets, not being depreciated</i>	<u>8,539,291</u>	<u>126,104</u>	<u>0</u>	<u>8,665,395</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	4,549,476	11,177	(24,122)	4,536,531
Machinery and Equipment	2,707,889	233,963	0	2,941,852
Infrastructure	23,669,712	0	0	23,669,712
<i>Total Capital Assets, being depreciated</i>	<u>48,849,629</u>	<u>245,140</u>	<u>(24,122)</u>	<u>49,070,647</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(767,616)	(85,701)	0	(853,317)
Buildings and Improvements	(5,386,507)	(357,892)	0	(5,744,399)
Vehicles	(3,323,486)	(214,173)	24,122	(3,513,537)
Machinery and Equipment	(1,658,693)	(153,490)	0	(1,812,183)
Infrastructure	(6,667,621)	(870,109)	0	(7,537,730)
<i>Total Accumulated Depreciation</i>	<u>(17,803,923)</u>	<u>(1,681,365) *</u>	<u>24,122</u>	<u>(19,461,166)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>31,045,706</u>	<u>(1,436,225)</u>	<u>0</u>	<u>29,609,481</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$39,584,997</u>	<u>(\$1,310,121)</u>	<u>\$0</u>	<u>\$38,274,876</u>

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

	Balance 12/31/2007	Additions	Deductions	Balance 12/31/2008
Buiness-Type Activities				
<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	1,263,211	165,697	0	1,428,908
Machinery and Equipment	2,370,439	12,620	0	2,383,059
Infrastructure	56,437,842	0	0	56,437,842
<i>Total Capital Assets, being depreciated</i>	<u>70,502,332</u>	<u>178,317</u>	<u>0</u>	<u>70,680,649</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,377,078)	(101,994)	0	(1,479,072)
Buildings and Improvements	(5,645,669)	(203,971)	0	(5,849,640)
Vehicles	(663,158)	(94,113)	0	(757,271)
Machinery and Equipment	(1,858,026)	(135,754)	0	(1,993,780)
Infrastructure	(10,090,923)	(1,300,774)	0	(11,391,697)
<i>Total Accumulated Depreciation</i>	<u>(19,634,854)</u>	<u>(1,836,606)</u>	<u>0</u>	<u>(21,471,460)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>50,867,478</u>	<u>(1,658,289)</u>	<u>0</u>	<u>49,209,189</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$53,920,115</u>	<u>(\$1,658,289)</u>	<u>\$0</u>	<u>\$52,261,826</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$161,020
Security of Persons and Property	196,285
Public Health and Welfare	567
Leisure Time Activities	490,300
Transportation	833,193
Total Depreciation Expense	<u>\$1,681,365</u>

Note 12 - Defined Benefit Pension Plans

A. Ohio Public Employees Retirement System (OPERS)

Plan Description – The City participates in the Ohio Public Employees Retirement System (OPERS). OPERS administers 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

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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, the investment of which is self-directed by the members, 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 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, OH 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, 2008, members in state and local classifications contributed 10.0 percent of covered payroll and public safety and law enforcement members contributed 10.1 percent.

The City's contribution rate for 2008 was 14.0 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 17.4 percent of covered payroll. The Ohio Revised Code provides statutory authority for member and employer contributions.

The City's required contributions for pension obligations to the traditional and combined plans for the years ended December 31, 2008, 2007, and 2006 were \$583,776, \$452,598, and \$438,424 respectively; 97.62 percent has been contributed for 2008 and 100 percent for 2007 and 2006. Contributions to the member-directed plan for 2008 were \$8,842 made by the City and \$6,316 made by the plan members.

B. 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. Contribution rates are established by State statute. For 2008, a portion of the City's contribution equal to 6.75 percent of covered payroll was allocated to fund the post-employment health care plan. The City's pension contributions to OP&F for police and firefighters were \$369,103 and \$480,305 for the year ended December 31, 2008, \$348,364 and \$453,394 for the year ended December 31, 2007 and \$313,737 and \$408,328 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 86.50 percent has been contributed for police and 97.57 percent has been contributed for firefighters for 2008.

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, 2008, the unfunded liability of the City was \$1,468,802 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 13- Postemployment Benefits

A. Ohio Public Employees Retirement System

Plan Description – OPERS maintains a cost-sharing multiple-employer defined benefit post-employment health care plan for qualifying members of both the traditional and combined pension 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.

To qualify for post-employment health care coverage, age and service retirees under the traditional 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, OH 43215-4642 or by calling (614) 222-5601 or 800-222-7377.

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 their contributions to OPERS. A portion of each employer's contribution to the traditional or combined plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2008, state and local employers contributed 14.0 percent of covered payroll (17.40 percent for public safety and law enforcement). 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. For 2008, the amount of the employer contributions which was allocated to fund post-employment health care was 7.0 percent of covered payroll.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits by the retiree or the retiree's surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2008, 2007, and 2006 were \$583,776, \$298,118 and \$288,782 respectively; 97.62 percent has been contributed for 2008 and 100 percent for 2007 and 2006.

The Health Care Preservation Plan (HCPP) adopted by the OPERS Retirement Board on September 9, 2004, was effective January 1, 2007. Member and employer contributions rates increased as of January 1, 2006, January 1, 2007, and January 1, 2008, which allowed additional funds to be allocated to the health care plan.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

B. Police and Firemen's Disability and 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 health care 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 healthcare coverage for any person who receives or is eligible to receive a monthly service, disability, or survivor benefit or is a spouse or eligible dependent child of such person.

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 healthcare 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 OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding policy – OP&F's post-employment health care plan was established and is administered as an Internal Revenue Code 401(h) account within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the OP&F Board of Trustees. The Ohio Revised Code sets the contribution rates for participating employers and for plan members to the OP&F. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50 percent and 24.00 percent of covered payroll for police and fire employers, respectively.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made to the pension plan to the 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2008, the employer contribution allocated to the health care 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 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 \$195,407 and \$187,945 for the year ended December 31, 2008, \$184,778 and \$177,746 for the year ended December 31, 2007, and \$203,387 and \$195,645 for the year ended December 31, 2006. The full amount has been contributed for 2007 and 2006. 86.50 percent has been contributed for police and 97.57 percent has been contributed for firefighters for 2008.

Note 14 – 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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 1360 hour threshold.

Note 15 – Contingencies

A. 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.

B. 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, 2008.

Note 16 - Long-Term Obligations

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
Governmental Activities			
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
State Hospital Loan - 1993	0.00	579,000	January 1, 2010
Business-Type Activities			
Wastewater Refunding Bonds - 2002	1.5-3.00	920,000	December 1, 2008
Golf Course Construction Refunding Bonds - 2002	1.5-7.16	7,281,233	December 1, 2031
State Hospital - 2001	0	154,272	July 1, 2009
Water Pollution Control Loan Fothergill - 1999	3.81	1,407,776	July 1, 2020
Ohio Water Development Authority Loan	1.26	42,932,048	July 1, 2024

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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

	Balance 12/31/2007	Issued	Retired	Balance 12/31/2008	Amounts Due In One Year
Governmental Activities					
<u>General Obligation Bonds</u>					
Lincoln Center Phase III					
Serial Bonds	935,000	0	(100,000)	835,000	100,000
Term Bonds	1,455,000	0	0	1,455,000	0
Capital Appreciation Bonds	179,998	0	0	179,998	0
Accretion on Bonds	966	15,684	0	16,650	0
Lincoln Center					
Phase II Refunding	1,920,000	0	(250,000)	1,670,000	255,000
Senior Center Serial Bonds	1,080,000	0	(30,000)	1,050,000	30,000
Park and Recreation Serial Bonds	11,965,000	0	(135,000)	11,830,000	160,000
Marketplace Infrastructure TIF Bonds					
Serial Bonds	1,330,000	0	(85,000)	1,245,000	85,000
Capital Appreciation Bonds	109,999	0	0	109,999	0
Accretion on Bonds	43,581	14,244	0	57,825	0
Total General Obligation Bonds	19,019,544	29,928	(600,000)	18,449,472	630,000
<u>Loans Payable</u>					
OPWC Loan	456,762	0	(24,631)	432,131	24,632
HUD Section 108	1,920,000	0	(60,000)	1,860,000	65,000
State Hospital Loan	69,750	0	(69,750)	0	0
Total Loans Payable	2,446,512	0	(154,381)	2,292,131	89,632
<u>Other Long-Term Obligations</u>					
Police and Fireman's					
Pension Liability	1,498,423	0	(29,621)	1,468,802	30,893
Compensated Absences	2,152,703	1,054,622	(197,255)	3,010,070	216,194
Capital Leases Payable	321,947	195,074	(223,972)	293,049	157,318
TIF Related Intergovernmental Payable	3,194,659	0	(188,620)	3,006,039	188,620
Total Other Long-Term Obligations	7,167,732	1,249,696	(639,468)	7,777,960	593,025
Total Governmental Activities	\$28,633,788	\$1,279,624	(\$1,393,849)	\$28,519,563	\$1,312,657

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

	Balance 12/31/2007	Issued	Retired	Balance 12/31/2008	Amounts Due In One Year
Business-Type Activities					
<u>General Obligation Bonds</u>					
Wastewater Refunding Serial Bonds	\$160,000	\$0	(\$160,000)	\$0	\$0
Golf Course Construction Refunding					
Serial Bonds	5,470,000	0	(205,000)	5,265,000	255,000
Unamortized Discount	(50,012)	0	3,766	(46,246)	0
Unamortized Accounting Loss	(112,842)	0	24,056	(88,786)	0
Capital Appreciation Bonds	1,226,233	0	0	1,226,233	0
Accretion on Bonds	145,757	33,496	0	179,253	0
Total General Obligation	<u>6,839,136</u>	<u>33,496</u>	<u>(337,178)</u>	<u>6,535,454</u>	<u>255,000</u>
<u>OWDA Loans Payable</u>					
WPCL Fothergill Loan	999,153	0	(63,750)	935,403	66,203
WWTP Upgrade OWDA Phase I Loan	5,043,534	0	(319,728)	4,723,806	0
WWTP Upgrade OWDA Phase II Loan	29,854,971	525,000	(1,600,891)	28,779,080	1,930,945
Total OWDA Loans Payable	<u>35,897,658</u>	<u>525,000</u>	<u>(1,984,369)</u>	<u>34,438,289</u>	<u>1,997,148</u>
<u>Other Long-Term Obligations</u>					
State Hospital Loan	14,069	0	(12,130)	1,939	0
Compensated Absences	456,876	88,700	(38,147)	507,429	36,942
Capital Leases	308,719	0	(155,629)	153,090	112,638
Total Other Long-Term Obligations	<u>779,664</u>	<u>88,700</u>	<u>(205,906)</u>	<u>662,458</u>	<u>149,580</u>
Total Business-Type Activities	<u>\$43,516,458</u>	<u>\$647,196</u>	<u>(\$2,527,453)</u>	<u>\$41,636,201</u>	<u>\$2,401,728</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 June 30, 2008 is \$415,000. The accretion recorded for 2008 was \$15,684, for a total outstanding bond liability of \$196,648.

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% of the principal amount redeemed plus, in each case, accrued interest to the date fixed for redemption.

<u>Redemption Dates (Dates Inclusive)</u>	<u>Redemption Prices</u>
December 1, 2017	100%

Mandatory Sinking Fund Redemption The current interest bonds maturing on December 1, 2021 are subject to mandatory sinking fund redemption price of 100 percent of the principal amounts to be

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 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 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 June 30, 2008 is \$285,000. The accretion recorded for 2008 was \$14,244, for a total outstanding bond liability of \$167,824.

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.

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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

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 construction 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 June 30, 2008 is \$1,580,000. The accretion recorded for 2008 was \$33,496, for a total outstanding bond liability of \$1,405,486.

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, 2008, the City owes \$33,502,886. 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 \$1,163,986. Principal and interest paid from the current year and net revenues available were \$101,216 and \$1,597,282, respectively.

In 2001, the City acquired a piece of land from the Massillon Psychiatric Center in exchange for services and yearly payments. Remaining obligations of the 2001 State Hospital Loan agreement are expected to be satisfied in 2008. Again in 2005, the City acquired additional land for a value of \$579,000 of which \$300,000 of this value was paid during 2005. In 2008, \$12,130 was repaid. There is no repayment schedule for this loan. The state hospital loan will be paid 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 general fund, 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.

As required by the Marketplace tax increment financing (TIF) agreement, the City will make payments to the Massillon City School District from the payments in lieu of taxes received from the property owners. These payments will in effect hold the School District "harmless" as a result of the tax exemption under the TIF agreement.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

The City's overall debt margin was \$37,464,873 and the unvoted legal debt margin was \$10,942,876 at December 31, 2008. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2008, are as follows:

	Governmental Activities					
	General Obligation Bonds					
	Capital		Serial Bonds		Term Bonds	
	Appreciation					
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$0	\$0	\$630,000	\$867,660	\$0	\$23,720
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	55,038	1,010,000	693,571	0	23,720
2014-2018	250,035	354,965	3,300,000	2,712,892	0	118,605
2019-2023	0	0	3,240,000	1,990,025	745,000	237,205
2024-2028	0	0	3,415,000	1,151,000	710,000	74,663
2029-2032	0	0	2,490,000	253,000	0	0
Totals	<u>\$289,997</u>	<u>\$410,003</u>	<u>\$16,630,000</u>	<u>\$10,111,944</u>	<u>\$1,455,000</u>	<u>\$549,073</u>

	Governmental Activities		
	HUD Section 108 Loan		OPWC Loan
	Principal	Interest	Principal
2009	\$65,000	\$145,852	\$24,632
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
2014-2018	520,000	589,702	123,160
2019-2023	965,000	0	123,160
2024-2028	0	0	62,651
2029-2032	0	0	0
Totals	<u>\$1,860,000</u>	<u>\$1,267,243</u>	<u>\$432,131</u>

	Business Type Activities					
	General Obligation Bonds					
	Capital		Serial Bonds		Water Pollution Control Loans	
	Appreciation					
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$0	\$0	\$255,000	\$276,045	\$66,203	\$35,014
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
2014-2018	715,424	69,576	675,000	1,196,410	431,714	74,367
2019-2023	0	0	1,280,000	855,752	146,216	5,606
2024-2028	0	0	1,625,000	516,564	0	0
2029-2031	0	0	1,170,000	113,050	0	0
Totals	<u>\$1,226,233</u>	<u>\$353,767</u>	<u>\$5,265,000</u>	<u>\$4,002,842</u>	<u>\$935,403</u>	<u>\$228,583</u>

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 17 - Capital Leases

During 2008, the City entered into a lease agreement for an early warning siren system. The City also has existing leases for the acquisition of police cars, a street sweeper, a fire pumper truck, 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.

	Governmental Activities	Business-Type Activities
Asset:		
Machinery and Equipment	\$410,552	\$1,158,405
Vehicles	624,216	0
Historical Cost	1,034,768	1,158,405
Less: Accumulated depreciation	(174,820)	(799,397)
Current Book Value	\$859,948	\$359,008

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:

	Governmental Activities	Business-Type Activities
2009	\$171,361	\$119,880
2010	62,372	33,232
2011	42,592	9,034
2012	42,592	0
Total Minimum Lease Payment	318,917	162,146
Less: Amount Representing Interest	(25,868)	(9,056)
Present Value of Minimum Lease Payments	\$293,049	\$153,090

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

Note 18 – Interfund Transfers and Balances

Interfund transfers for the year ended December 31, 2008, consisted of the following:

Transfer To	Transfer From		Total Transfers
	General	Other Governmental Funds	
Bond Retirement Lincoln Center	\$513,958	\$0	\$513,958
Fire Pension	474,319	0	\$474,319
Police Pension	380,923	0	\$380,923
OPWC Loan Payment	24,631	0	\$24,631
Bond Retirement Parks and Recreation	0	24,000	\$24,000
Total	\$1,393,831	\$24,000	\$1,417,831

During the year ended December 31, 2008, the City made transfers totaling \$1,393,831 from the general fund to the police and fire pension funds and two debt service funds. These transfers represent amounts paying the employer’s share of police and fire pensions and amounts for debt payments. \$24,000 was transferred to the bond retirement parks and recreation fund from the parks and recreation capital projects fund for the repayment of debt.

Interfund balances at December 31, 2008 consisted of the following

	Interfund Balances	
	December 31, 2008	
	Receivables	Payables
General Fund		
General	\$210,000	\$0
Nonmajor Funds		
<i>Special Revenue Fund:</i>		
Waste Management Grant	0	20,000
Parks and Recreation	20,000	140,000
<i>Capital Projects Funds:</i>		
Income Tax Capital Improvements	105,000	0
Total Nonmajor Funds	125,000	160,000
Total Governmental Funds	335,000	160,000
Enterprise Funds		
Solid Waste	20,000	0
Golf Course	0	195,000
Total Enterprise Funds	20,000	195,000
Total All Funds	\$355,000	\$355,000

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2008

As of December 31, 2008, all interfund balances outstanding are anticipated to be repaid in one year, other than \$90,000 in the golf course fund, which will be repaid by 2015. The repayment schedule is specified in Ordinance 133-2005. The golf course fund will pay back the general and park and recreation fund as shown below:

	<u>2015</u>
General fund	\$70,000
Park and recreation fund	<u>20,000</u>
Total	<u><u>\$90,000</u></u>

**CITY OF MASSILLON
STARK COUNTY**

**FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2008**

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<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	\$120,312
Summer Food Service Program for Children and Child and Adult Care Food Program	092965-CCMO-2006	10.558	<u>121,043</u>
Total U.S. Department of Agriculture			241,355
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<i>Direct</i>			
Community Development Block Grants/Entitlement Grants	393114	14.218	870,876
<i>Passed Through Stark County HOME Consortium</i>			
HOME Investment Partnerships Program	M04DC390204	14.239	<u>155,966</u>
Total U.S. Department of Housing and Urban Development			1,026,842
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<i>Passed Through the Ohio Department of Health</i>			
Centers for Disease Control and Prevention Investigations and Technical Assistance	7620012BI07	93.283	122,480
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
<i>Direct</i>			
FEMA Assistance to Firefighters Grant	EMW-2007-FO-02169	97.044	<u>71,367</u>
Totals			<u>\$1,462,044</u>

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, 2008**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

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

The City has established a revolving loan program to provide low-interest loans to businesses to create jobs for persons from low-moderate income households. The Federal Department of Housing and Urban Development (HUD) grants money for these loans to the City. The initial loan of this money is recorded as a disbursement on the accompanying Federal Awards Expenditures Schedule. Loans repaid, including interest, are used to make additional loans. Such subsequent loans are subject to certain compliance requirements imposed by HUD, would be included as expenditures on the Schedule when made.

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. At December 31, 2008, the gross amount of loans outstanding under this program was \$3,353,545.

NOTE D - MATCHING REQUIREMENTS

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



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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 1, 2009, 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 expressing our opinion on the financial statements, but not to opine 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 control deficiency exists when the design or operation of a control does not allow management or employees, in 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 City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with its applicable accounting basis, such that there is more than a remote likelihood that the City's internal control will not prevent or detect a more-than-inconsequential financial statement misstatement.

A material weakness is a significant deficiency, or combination of significant deficiencies resulting in more than a remote likelihood that the City's internal control will not prevent or detect a material financial statement misstatement.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all internal control deficiencies that might be 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.

We noted certain matters that we reported to the City's management in a separate letter dated September 1, 2009.

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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 noncompliance or other matters that we reported to the City's management in a separate letter dated September 1, 2009.

We intend this report solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities. 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

September 1, 2009



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 IN ACCORDANCE WITH 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, 2008. 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 contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the types of 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, 2008.

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 expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

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Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in internal control over compliance exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent or detect noncompliance with a federal program compliance requirement on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to administer a federal program such that there is more than a remote likelihood that the City's internal control will not prevent or detect more-than-inconsequential noncompliance with a federal program compliance requirement.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that the City's internal control will not prevent or detect material noncompliance with a federal program's compliance requirements.

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 that might be 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 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.



Mary Taylor, CPA
Auditor of State

September 1, 2009

**CITY OF MASSILLON
STARK COUNTY**

**SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2008**

1. SUMMARY OF AUDITOR'S RESULTS

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

CITY OF MASSILLON
STARK COUNTY

SCHEDULE OF PRIOR AUDIT FINDINGS
OMB CIRCULAR A -133 § .315 (b)
DECEMBER 31, 2008

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2007-001	Various issues related to capital assets	Partially Corrected	Portions of comment repeated in the management letter



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
OCTOBER 13, 2009**