



Dave Yost • Auditor of State

**CITY OF MASSILLON
STARK COUNTY**

TABLE OF CONTENTS

TITLE	PAGE
Independent Accountants' Report.....	1
Management's Discussion and Analysis.....	4
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets.....	11
Statement of Activities.....	12
Fund Financial Statements:	
Balance Sheet - Governmental Funds.....	14
Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds.....	16
Statement of Revenues, Expenditures and Changes In Fund Balance – Budget (Non-GAAP Basis) and Actual General Fund.....	18
Statement of Fund Net Assets – Proprietary Funds.....	19
Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Funds.....	20
Statement of Cash Flows – Proprietary Funds.....	21
Statement of Fiduciary Net Assets – Agency Funds.....	23
Notes to the Basic Financial Statements.....	24
Federal Awards Expenditures Schedule.....	57
Notes to the Federal Awards Expenditures Schedule.....	58
Independent Accountants' Report on Internal Control Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	59
Independent Accountants' Report on Compliance with Requirements Applicable to Each Major Federal Program and on Internal Control Over Compliance Required by OMB Circular A-133.....	61
Schedule of Findings.....	63

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Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT

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

To the 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, 2011, 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, 2011, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparisons for the General and Parks and Recreation Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 24, 2012, 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.

As described in Note 3, during the year ended December 31, 2011 the City adopted the provisions of Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions.

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis* as listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any other assurance.

We conducted our audit to opine on the financial statements that collectively comprise the City's basic financial statements taken as a whole. The federal awards expenditure schedule provides additional information 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. The federal awards expenditure schedule is management's responsibility, and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This schedule was subject to the auditing procedures we applied to the basic financial statements. We also applied certain additional procedures, including comparing and reconciling this information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Dave Yost
Auditor of State

August 24, 2012

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City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2011
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, 2011. 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 2011 are as follows:

- During 2011, the City started several new construction projects. Overall, the City had eight ongoing construction projects. Five of these projects were started and completed in 2011.
- Expenditures exceeded revenues mostly due to a 25 percent increase in insurance premiums, higher materials costs, and a four percent wage increase for all contractual employees. Liabilities increased mostly due to OPERS and OP&F pension programs outstanding bills at the end of 2011. These bills will be paid in full in 2012. This increase in expenditures was offset by an increase in income tax and miscellaneous revenue.
- The City's intergovernmental revenue decreased significantly due to less local government, personal property tax reimbursement, and inheritance tax revenue.
- Despite the increase in expenses, the City continued to monitor its costs through wage freezes for all non-contractual employees and cuts in overtime and compensated time. The Auditor's office continues to monitor the approval of all purchases.

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 enterprise funds.

Reporting the City of Massillon as a Whole

Statement of Net Assets and the Statement of Activities

While this document contains information about the funds used by the City to provide services to our citizens, the view of the City as a whole considers all financial transactions and asks the question, "How did we do financially during 2011?" 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.

City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

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 parks and recreation special revenue fund. An analysis of the City's major governmental funds begins on page 8.

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

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

City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

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 2011 compared to 2010.

Table 1
Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Assets						
Current and Other Assets	\$14,532,873	\$15,118,231	\$7,457,143	\$6,232,027	\$21,990,016	\$21,350,258
Capital Assets, Net	34,888,695	35,841,331	47,311,335	48,854,650	82,200,030	84,695,981
<i>Total Assets</i>	<u>49,421,568</u>	<u>50,959,562</u>	<u>54,768,478</u>	<u>55,086,677</u>	<u>104,190,046</u>	<u>106,046,239</u>
Liabilities						
Current and Other Liabilities	5,620,654	4,451,841	932,221	649,308	6,552,875	5,101,149
Long-Term Liabilities:						
Due Within One Year	1,572,894	1,313,023	2,328,304	2,322,080	3,901,198	3,635,103
Due in More than One Year	22,183,381	23,292,503	32,212,495	34,613,332	54,395,876	57,905,835
<i>Total Liabilities</i>	<u>29,376,929</u>	<u>29,057,367</u>	<u>35,473,020</u>	<u>37,584,720</u>	<u>64,849,949</u>	<u>66,642,087</u>
Net Assets						
Invested in Capital Assets, Net of Related Debt	18,254,740	18,286,420	13,548,958	12,800,991	31,803,698	31,087,411
Restricted:						
Capital Projects	664,144	1,085,134	0	0	664,144	1,085,134
Debt Service	1,231,852	1,426,558	0	0	1,231,852	1,426,558
Transportation	556,940	600,464	0	0	556,940	600,464
Economic Development	1,961,849	2,074,210	0	0	1,961,849	2,074,210
Other Purposes	769,853	854,689	0	0	769,853	854,689
Unclaimed Monies	22,251	0	0	0	22,251	0
Unrestricted (Deficit)	(3,416,990)	(2,425,280)	5,746,500	4,700,966	2,329,510	2,275,686
<i>Total Net Assets</i>	<u>\$20,044,639</u>	<u>\$21,902,195</u>	<u>\$19,295,458</u>	<u>\$17,501,957</u>	<u>\$39,340,097</u>	<u>\$39,404,152</u>

Total governmental activities assets, liabilities and net assets decreased from 2010 to 2011. Although 2011 was a tough economic year, income tax revenues increased slightly, the City implemented decisions to help control costs and made an effort to maintain net assets relatively constant. Capital assets reported on the government-wide statements represent the largest portion of the City's assets. A decrease in capital assets was the main cause of the decrease in overall net assets, due to annual depreciation on capital assets, partially offset by current year additions. Capital assets include land, construction in progress, land improvements, buildings and improvements, vehicles, machinery and equipment and infrastructure. Capital assets, net of related debt to acquire the assets at December 31, 2011, were \$31,803,698. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Total net assets for the business-type activity increased in 2011 from 2010. The business-type activities had an increase in the investments in capital assets net of related debt due to the decrease in outstanding debt.

Table 2 shows the changes in net assets for the year ended December 31, 2011 compared to 2010.

Table 2
Changes in Net Assets

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues:						
Charges for Services, Sales and Assessments	\$5,183,095	\$3,905,772	\$9,624,178	\$10,088,782	\$14,807,273	\$13,994,554
Operating Grants and Contributions	2,666,861	3,736,455	576,455	0	3,243,316	3,736,455
Capital Grants and Contributions	925,021	1,081,786	0	0	925,021	1,081,786
Total Program Revenues	8,774,977	8,724,013	10,200,633	10,088,782	18,975,610	18,812,795
General Revenues:						
Property Taxes	1,598,384	1,760,943	0	0	1,598,384	1,760,943
Income Taxes	13,696,092	13,162,713	300,534	260,000	13,996,626	13,422,713
Intergovernmental	1,522,894	1,850,546	0	0	1,522,894	1,850,546
Payment in Lieu of Taxes	255,712	127,455	0	0	255,712	127,455
Interest	179,216	462,880	0	0	179,216	462,880
Gain on Sale of Capital Assets	24,940	0	0	0	24,940	0
Other	1,020,568	535,118	156,471	269,384	1,177,039	804,502
Total General Revenues	18,297,806	17,899,655	457,005	529,384	18,754,811	18,429,039
Total Revenues	27,072,783	26,623,668	10,657,638	10,618,166	37,730,421	37,241,834
Program Expenses						
Governmental Activities:						
General Government	6,720,984	6,675,097	0	0	6,720,984	6,675,097
Security of Persons and Property	11,405,711	9,834,554	0	0	11,405,711	9,834,554
Transportation	3,765,281	3,880,026	0	0	3,765,281	3,880,026
Public Health and Welfare	637,525	589,508	0	0	637,525	589,508
Leisure/Time Activities	3,923,149	2,752,294	0	0	3,923,149	2,752,294
Basic Utility Service	10,077	18,660	0	0	10,077	18,660
Economic Development and Assistance	1,019,754	1,829,931	0	0	1,019,754	1,829,931
Urban Redevelopment and Housing	182,610	134,308	0	0	182,610	134,308
Interest and Fiscal Charges	1,265,248	1,383,304	0	0	1,265,248	1,383,304
Wastewater	0	0	7,469,457	7,257,677	7,469,457	7,257,677
Solid Waste	0	0	1,050,452	1,188,150	1,050,452	1,188,150
Golf Course	0	0	344,228	1,259,018	344,228	1,259,018
Total Expenses	28,930,339	27,097,682	8,864,137	9,704,845	37,794,476	36,802,527
Increase (Decrease) in Net Assets	(1,857,556)	(474,014)	1,793,501	913,321	(64,055)	439,307
Net Assets Beginning of Year	21,902,195	22,376,209	17,501,957	16,588,636	39,404,152	38,964,845
Net Assets End of Year	\$20,044,639	\$21,902,195	\$19,295,458	\$17,501,957	\$39,340,097	\$39,404,152

City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Governmental Activities

Governmental activities net assets decreased in 2011. The funding for governmental activities comes from several different sources, with municipal income tax being the largest contributor. Income tax revenues increased slightly from 2010 to 2011 due to more delinquent income tax being collected for 2011. The City's governmental expenses increased primarily to additional leisure time activities expenditures related to the parks and recreation fund taking over the majority of the activity for the Legends Golf Course.

Security of persons and property represents the highest program expense for the City by a large margin. This expense category is made up of all of the expenses and related activities of the City's police and fire departments. The police department consists of a full-time police chief who oversees full-time and part-time police officers and communication specialists. The police department is funded primarily from revenues generated through the City's income tax, fines, and forfeitures and is presented within the general fund. The police and fire departments expenditures increased in 2011 due to pension payments owed for 2011 that will not be paid until 2012 and are a liability at year end.

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

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

Business-Type Activities

The wastewater, solid waste, and golf course funds are the City's enterprise funds. Collectively, these programs had revenues in excess of expenditures for 2011. Business-type activities reported an increase in total net assets from 2010. This increase was due to total revenues exceeding total expenditures; overall revenues remained consistent with the prior year and expenditures decreased due to a majority of the Legends Golf Course activity accounted for in the parks and recreation fund.

The City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The general fund is the operating fund of the City. At the end of the year, the fund balance deficit of the general fund was \$1,183,067, a significant decrease from prior year restated fund balance of \$442,799. The primary reason for the decrease of the general fund balance in 2011 was attributed to an overall increase in expenditures. The overall increase in expenditures compared to 2010 was \$2,185,275.

General Fund Budgeting Highlights

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

City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

The most significant budgeted governmental fund is the general fund. The final budget (estimated) revenue exceeded the original estimated revenue by \$1,003,293. The most significant variance between original budgeted revenue and final budgeted revenue amounts was to income taxes revenue. Overall, total actual revenues came in higher than estimated revenues by \$16,232. During the year, these estimates were changed as new information was made available.

Final budgeted expenditures increased \$990,251 or 6.0 percent over the original budgeted amounts. This increase was adjusted along with the estimated resources that were anticipated to be available. Budgeted expenditures are not allowed to exceed estimated resources that are certified by the County Auditor. As additional resources are identified the certification is amended and budgeted expenditures can be adjusted accordingly. The actual expenditures exceeded final budget expenditures and encumbrances by \$866,550.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows the changes in capital assets for the year ended December 31, 2011 compared to 2010.

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

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$7,895,466	\$7,821,766	\$3,052,637	\$3,052,637	\$10,948,103	\$10,874,403
Construction in Progress	497,158	0	37,773	0	534,931	0
Land Improvements	2,229,590	2,314,605	342,520	436,806	2,572,110	2,751,411
Buildings and Improvements	7,796,922	8,141,023	1,871,854	2,069,090	9,668,776	10,210,113
Vehicles	816,904	882,551	564,717	525,829	1,381,621	1,408,380
Machinery and Equipment	818,362	942,601	234,334	288,566	1,052,696	1,231,167
Infrastructure	14,834,293	15,738,785	41,207,500	42,481,722	56,041,793	58,220,507
Total Capital Assets	\$34,888,695	\$35,841,331	\$47,311,335	\$48,854,650	\$82,200,030	\$84,695,981

At the end of 2011, the City had \$82,200,030 in capital assets (net of accumulated depreciation). Of this total, \$34,888,695 was reported in governmental activities and \$47,311,335 was reported in business-type activities.

For governmental activities, the decrease in total capital assets was due to annual depreciation exceeding additions. The City was engaged in eight construction projects during the year with the most significant additions to construction in progress coming from work on the Bar Screen and Grit Screw Replacement Project.

For business-type activities, the decrease in total capital assets was due primarily from current year depreciation expense. See Note 13 to the basic financial statements for detail on governmental and business-type activities capital assets.

City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2011
Unaudited

Debt

At December 31, 2011, the City had total long-term obligations outstanding of \$58,297,074. Of this total, \$3,901,198 is due within one year and \$54,395,876 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	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds	\$16,416,329	\$17,182,615	\$6,015,118	\$6,140,008	\$22,431,447	\$23,322,623
Loans Payable	2,008,235	2,107,867	28,118,628	30,254,006	30,126,863	32,361,873
Police and Fire Pension	1,372,084	1,405,688	0	0	1,372,084	1,405,688
Compensated Absences	3,288,904	3,077,309	407,053	532,453	3,695,957	3,609,762
Judgement Payable	630,000	700,000	0	0	630,000	700,000
Capital Leases	40,723	132,047	0	8,945	40,723	140,992
Total	\$23,756,275	\$24,605,526	\$34,540,799	\$36,935,412	\$58,297,074	\$61,540,938

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, the debt retirement debt service fund, and the marketplace infrastructure TIF and income tax capital improvements capital projects funds. All business-type long-term debt will be repaid by the solid waste, wastewater, and golf course enterprise funds.

At December 31, 2011, the City's overall legal debt margin was \$40,419,302 with an unvoted debt margin of \$12,152,636. The City's credit rating remained unchanged in 2011 as compared to 2010. See Note 16 to the basic financial statements for details on the City's long-term obligations.

Current Financial Related Activities

During 2011, the City of Massillon explored options for controlling expenses as a nation-wide recession impacted the City's citizens, businesses, and the City itself. Efforts to minimize its effect continue into 2012. The City continued furlough days and laid off 27 employees. Health insurance premiums will increase by 20 percent in 2012. The City will continue pay and hiring freezes throughout the year and will continue to monitor expenditures.

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.

City of Massillon, Ohio

Statement of Net Assets

December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Equity in Pooled Cash and Cash Equivalents	\$2,825,395	\$4,577,005	\$7,402,400
Cash Equivalents in Segregated Accounts	121,670	0	121,670
Materials and Supplies Inventory	87,383	59,742	147,125
Accrued Interest Receivable	1,099,193	0	1,099,193
Accounts Receivable	848,170	2,357,512	3,205,682
Loans Receivable	3,312,407	0	3,312,407
Internal Balances	195,000	(195,000)	0
Intergovernmental Receivable	1,719,483	576,455	2,295,938
Deferred Charges	0	81,429	81,429
Income Taxes Receivable	2,255,535	0	2,255,535
Property Taxes Receivable	1,814,131	0	1,814,131
Payment in Lieu of Taxes Receivable	254,506	0	254,506
Nondepreciable Capital Assets	8,392,624	3,090,410	11,483,034
Depreciable Capital Assets, Net	26,496,071	44,220,925	70,716,996
<i>Total Assets</i>	<u>49,421,568</u>	<u>54,768,478</u>	<u>104,190,046</u>
Liabilities			
Accounts Payable	979,680	259,165	1,238,845
Accrued Wages	507,585	90,113	597,698
Contracts Payable	365,488	372,279	737,767
Intergovernmental Payable	1,880,108	181,209	2,061,317
Accrued Interest Payable	81,838	29,455	111,293
Claims Payable	8,222	0	8,222
Deferred Revenue	1,797,733	0	1,797,733
Long-Term Liabilities:			
Due Within One Year	1,572,894	2,328,304	3,901,198
Due In More Than One Year	22,183,381	32,212,495	54,395,876
<i>Total Liabilities</i>	<u>29,376,929</u>	<u>35,473,020</u>	<u>64,849,949</u>
Net Assets			
Invested in Capital Assets, Net of Related Debt	18,254,740	13,548,958	31,803,698
Restricted for:			
Capital Projects	664,144	0	664,144
Debt Service	1,231,852	0	1,231,852
Transportation	556,940	0	556,940
Economic Development	1,961,849	0	1,961,849
Other Purposes	769,853	0	769,853
Unclaimed Monies	22,251	0	22,251
Unrestricted (Deficit)	(3,416,990)	5,746,500	2,329,510
<i>Total Net Assets</i>	<u>\$20,044,639</u>	<u>\$19,295,458</u>	<u>\$39,340,097</u>

See accompanying notes to the basic financial statements - 11 -

City of Massillon, Ohio
Statement of Activities
For the Year Ended December 31, 2011

	Expenses	Program Revenues		
		Charges for Services, Sales and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$6,720,984	\$1,394,877	\$68,078	\$0
Security of Persons and Property	11,405,711	1,281,008	67,874	0
Transportation	3,765,281	334,843	1,537,911	925,021
Public Health and Welfare	637,525	332,233	4,336	0
Leisure Time Activities	3,923,149	1,725,689	64,349	0
Basic Utility Service	10,077	0	11,963	0
Economic Development and Assistance	1,019,754	114,445	762,546	0
Urban Redevelopment and Housing	182,610	0	149,804	0
Interest and Fiscal Charges	1,265,248	0	0	0
<i>Total Governmental Activities</i>	<u>28,930,339</u>	<u>5,183,095</u>	<u>2,666,861</u>	<u>925,021</u>
Business-Type Activities:				
Waste Water	7,469,457	8,618,806	576,455	0
Solid Waste	1,050,452	1,005,372	0	0
Golf Course	344,228	0	0	0
<i>Total Business-Type Activities</i>	<u>8,864,137</u>	<u>9,624,178</u>	<u>576,455</u>	<u>0</u>
<i>Total</i>	<u>\$37,794,476</u>	<u>\$14,807,273</u>	<u>\$3,243,316</u>	<u>\$925,021</u>

General Revenues

Property Taxes Levied for:

 General Purposes

 Police and Fire Pension

Income Tax Levied for:

 General Purposes

 Debt Services

 Capital Improvements

 Leisure Time Activities

 Golf Course

Grants and Entitlements not Restricted to Specific Programs

Gain on Sale of Capital Asset

Payment in Lieu of Taxes

Interest

Other

Total General Revenues

Change in Net Assets

Net Assets Beginning of Year

Net Assets End of Year

See accompanying notes to the basic financial statements

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
(\$5,258,029)	\$0	(\$5,258,029)
(10,056,829)	0	(10,056,829)
(967,506)	0	(967,506)
(300,956)	0	(300,956)
(2,133,111)	0	(2,133,111)
1,886	0	1,886
(142,763)	0	(142,763)
(32,806)	0	(32,806)
(1,265,248)	0	(1,265,248)
<u>(20,155,362)</u>	<u>0</u>	<u>(20,155,362)</u>
0	1,725,804	1,725,804
0	(45,080)	(45,080)
0	(344,228)	(344,228)
<u>0</u>	<u>1,336,496</u>	<u>1,336,496</u>
<u>(20,155,362)</u>	<u>1,336,496</u>	<u>(18,818,866)</u>
1,316,175	0	1,316,175
282,209	0	282,209
11,430,512	0	11,430,512
761,448	0	761,448
233,276	0	233,276
1,270,856	0	1,270,856
0	300,534	300,534
1,522,894	0	1,522,894
24,940	0	24,940
255,712	0	255,712
179,216	0	179,216
1,020,568	156,471	1,177,039
<u>18,297,806</u>	<u>457,005</u>	<u>18,754,811</u>
(1,857,556)	1,793,501	(64,055)
<u>21,902,195</u>	<u>17,501,957</u>	<u>39,404,152</u>
<u>\$20,044,639</u>	<u>\$19,295,458</u>	<u>\$39,340,097</u>

City of Massillon, Ohio

Balance Sheet

Governmental Funds

December 31, 2011

	<u>General</u>	<u>Parks and Recreation</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Equity in Pooled Cash and Cash Equivalents	\$32,962	\$305,237	\$2,453,688	\$2,791,887
Cash and Cash Equivalents:				
In Segregated Accounts	74,148	0	47,522	121,670
Materials and Supplies Inventory	75,024	11,711	648	87,383
Accrued Interest Receivable	8	0	1,099,185	1,099,193
Accounts Receivable	48,398	46,583	753,189	848,170
Loans Receivable	0	0	3,312,407	3,312,407
Interfund Receivable	70,000	20,000	105,000	195,000
Intergovernmental Receivable	921,929	0	797,554	1,719,483
Income Taxes Receivable	1,834,652	214,727	206,156	2,255,535
Property Taxes Receivable	1,484,373	0	329,758	1,814,131
Payment in Lieu of Taxes Receivable	0	0	254,506	254,506
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	22,251	0	0	22,251
<i>Total Assets</i>	<u>\$4,563,745</u>	<u>\$598,258</u>	<u>\$9,359,613</u>	<u>\$14,521,616</u>
Liabilities and Fund Balances				
Liabilities				
Accounts Payable	\$812,376	\$89,572	\$77,732	\$979,680
Accrued Wages	419,483	28,712	59,390	507,585
Contracts Payable	214,538	28,214	122,736	365,488
Intergovernmental Payable	1,689,883	82,482	107,743	1,880,108
Deferred Revenue	2,610,532	118,015	3,012,976	5,741,523
<i>Total Liabilities</i>	<u>5,746,812</u>	<u>346,995</u>	<u>3,380,577</u>	<u>9,474,384</u>
Fund Balances				
Nonspendable	167,275	11,711	648	179,634
Restricted	0	0	5,367,289	5,367,289
Committed	0	239,552	666,000	905,552
Assigned	30,984	0	71,798	102,782
Unassigned (Deficit)	(1,381,326)	0	(126,699)	(1,508,025)
<i>Total Fund Balances (Deficit)</i>	<u>(1,183,067)</u>	<u>251,263</u>	<u>5,979,036</u>	<u>5,047,232</u>
<i>Total Liabilities and Fund Balances</i>	<u>\$4,563,745</u>	<u>\$598,258</u>	<u>\$9,359,613</u>	<u>\$14,521,616</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, 2011*

Total Governmental Fund Balances	\$5,047,232
 <i>Amounts reported for governmental activities in the statement of net assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	34,888,695
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	750,333
Grants	1,066,217
Accrued Interest	1,099,185
Charges for Services	768,288
Total	3,943,790
An internal service fund is used by management to charge the costs of insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets.	3,035
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(81,838)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(15,945,000)
Accretion	(181,332)
Capital Appreciation Bonds	(289,997)
Capital Leases	(40,723)
Police and Fire Pension	(1,372,084)
Loans Payable	(2,008,235)
Compensated Absences	(3,288,904)
Claims and Judgements	(630,000)
Total	(23,756,275)
 <i>Net Assets of Governmental Activities</i>	 \$20,044,639

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, 2011

	General	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,316,175	\$0	\$282,209	\$1,598,384
Income Taxes	11,424,770	1,270,183	994,078	13,689,031
Payment in Lieu of Taxes	0	0	255,712	255,712
Special Assessments	0	0	151,165	151,165
Intergovernmental	1,577,407	5,000	3,116,251	4,698,658
Interest	8,190	0	123,920	132,110
Licenses and Permits	312,867	35,869	80,109	428,845
Fines and Forfeitures	1,124,363	0	699,769	1,824,132
Charges for Services	860,162	1,678,895	138,080	2,677,137
Contributions and Donations	0	0	59,349	59,349
Other	441,709	347,430	207,892	997,031
<i>Total Revenues</i>	<u>17,065,643</u>	<u>3,337,377</u>	<u>6,108,534</u>	<u>26,511,554</u>
Expenditures				
Current:				
General Government	5,869,966	43,377	792,290	6,705,633
Security of Persons and Property	9,419,684	0	617,205	10,036,889
Transportation	1,738,719	2,697	1,665,444	3,406,860
Public Health and Welfare	344,632	0	287,946	632,578
Leisure Time Activities	0	3,188,880	67,156	3,256,036
Basic Utility Service	0	0	10,077	10,077
Economic Development and Assistance	12,646	0	1,004,095	1,016,741
Urban Redevelopment and Housing	0	0	182,610	182,610
Capital Outlay	0	0	736,271	736,271
Debt Service:				
Principal Retirement	0	0	1,029,560	1,029,560
Interest and Fiscal Charges	0	0	1,214,767	1,214,767
<i>Total Expenditures</i>	<u>17,385,647</u>	<u>3,234,954</u>	<u>7,607,421</u>	<u>28,228,022</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(320,004)</u>	<u>102,423</u>	<u>(1,498,887)</u>	<u>(1,716,468)</u>
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	15,000	0	9,940	24,940
Transfers In	0	0	1,320,862	1,320,862
Transfers Out	(1,320,862)	0	0	(1,320,862)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,305,862)</u>	<u>0</u>	<u>1,330,802</u>	<u>24,940</u>
<i>Net Change in Fund Balances</i>	<u>(1,625,866)</u>	<u>102,423</u>	<u>(168,085)</u>	<u>(1,691,528)</u>
<i>Fund Balances Beginning of Year - Restated (See Note 3)</i>	<u>442,799</u>	<u>148,840</u>	<u>6,147,121</u>	<u>6,738,760</u>
<i>Fund Balances (Deficit) End of Year</i>	<u>(\$1,183,067)</u>	<u>\$251,263</u>	<u>\$5,979,036</u>	<u>\$5,047,232</u>

See accompanying notes to the basic financial statements

City of Massillon, Ohio
*Reconciliation of Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2011*

Net Change in Fund Balances - Total Governmental Funds (\$1,691,528)

*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 and capital contributions in the current period.

Capital Asset Additions		
Capital Outlay	138,871	
Contributed Capital	553,047	
Current Year Depreciation	<u>(1,644,554)</u>	
Total		(952,636)

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

Income Tax	7,061	
Charges for Services	101,816	
Grants	(196,278)	
Accrued Interest	<u>47,106</u>	
Total		(40,295)

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. 1,029,560

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	(11,767)	
Bond Accretion	<u>(38,714)</u>	
Total		(50,481)

Some expenses reported in the statement of activities such as compensated absences and claims and judgements do not require the use of current financial resources and therefore are not reported as an expenditure in governmental funds. (141,595)

The internal service funds used by management to charge the cost of insurance to individual funds is not reported in the entity-wide statement of activities. Governmental expenditures and related internal service fund revenues are eliminated. The change for governmental funds is reported for the year. (10,581)

Change in Net Assets of Governmental Activities (\$1,857,556)

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, 2011

	<u>Budgeted Amounts</u>			Variance with
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Final Budget Positive (Negative)
Revenues				
Property Taxes	\$1,261,071	\$1,339,500	\$1,316,520	(\$22,980)
Income Taxes	10,496,707	11,149,520	11,414,054	264,534
Payments in the Lieu of Taxes	13,180	14,000	0	(14,000)
Intergovernmental	1,879,145	1,996,013	1,565,611	(430,402)
Interest	23,536	25,000	9,583	(15,417)
Licenses and Permits	220,770	234,500	295,997	61,497
Fines and Forfeitures	1,036,061	1,100,496	1,109,688	9,192
Charges for Services	824,122	875,376	998,561	123,185
Other	377,534	401,014	441,637	40,623
<i>Total Revenues</i>	<u>16,132,126</u>	<u>17,135,419</u>	<u>17,151,651</u>	<u>16,232</u>
Expenditures				
Current:				
General Government	5,343,755	5,694,401	5,818,888	(124,487)
Security of Persons and Property	7,585,365	8,083,280	8,836,150	(752,870)
Transportation	318,262	339,658	338,986	672
Public Health and Welfare	1,833,309	1,953,603	1,943,468	10,135
<i>Total Expenditures</i>	<u>15,080,691</u>	<u>16,070,942</u>	<u>16,937,492</u>	<u>(866,550)</u>
<i>Excess of Revenues Over Expenditures</i>	<u>1,051,435</u>	<u>1,064,477</u>	<u>214,159</u>	<u>(850,318)</u>
Other Financing Sources (Uses)				
Sale of Capital Assets	15,000	15,000	15,000	0
Advances Out	(2,668)	(2,668)	0	2,668
Transfers In	46,627	46,627	0	(46,627)
Transfers Out	(1,320,862)	(1,320,862)	(1,320,862)	0
<i>Total Other Financing Sources (Uses)</i>	<u>(1,261,903)</u>	<u>(1,261,903)</u>	<u>(1,305,862)</u>	<u>(43,959)</u>
<i>Net Change in Fund Balance</i>	(210,468)	(197,426)	(1,091,703)	(894,277)
<i>Fund Deficit Beginning of Year</i>	(316,820)	(316,820)	(316,820)	0
Prior Year Encumbrances Appropriated	545,540	545,540	545,540	0
<i>Fund Balance (Deficit) End of Year</i>	<u>\$18,252</u>	<u>\$31,294</u>	<u>(\$862,983)</u>	<u>(\$894,277)</u>

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
Parks and Recreation Fund
For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Income Taxes	\$800,460	\$1,268,929	\$1,268,929	\$0
Intergovernmental	3,154	5,000	5,000	0
Licenses and Permits	22,627	35,869	35,869	0
Charges for Services	1,059,161	1,679,035	1,679,035	0
Other	219,164	347,430	347,430	0
<i>Total Revenues</i>	2,104,566	3,336,263	3,336,263	0
Expenditures				
Current:				
Leisure Time Services	2,120,041	3,279,717	3,230,738	48,979
<i>Net Change in Fund Balance</i>	(15,475)	56,546	105,525	48,979
<i>Fund Balance Beginning of Year</i>	100,994	100,994	100,994	0
Prior Year Encumbrances Appropriated	14,092	14,092	14,092	0
<i>Fund Balance End of Year</i>	\$99,611	\$171,632	\$220,611	\$48,979

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Statement of Fund Net Assets
Proprietary Funds
December 31, 2011

	Wastewater	Solid Waste	Golf Course	Total	Governmental Activities- Internal Service Fund
Assets					
<i>Current Assets:</i>					
Equity in Pooled Cash and Cash Equivalents	\$4,532,295	\$44,710	\$0	\$4,577,005	\$11,257
Accounts Receivable	2,330,251	27,261	0	2,357,512	0
Intergovernmental Receivable	576,455	0	0	576,455	0
Materials and Supplies Inventory	6,660	0	53,082	59,742	0
<i>Total Current Assets</i>	<u>7,445,661</u>	<u>71,971</u>	<u>53,082</u>	<u>7,570,714</u>	<u>11,257</u>
<i>Non-Current Assets:</i>					
Deferred Charges	0	0	81,429	81,429	0
Nondepreciable Capital Assets	97,173	0	2,993,237	3,090,410	0
Depreciable Capital Assets, Net	42,876,073	324,677	1,020,175	44,220,925	0
<i>Total Non-Current Assets</i>	<u>42,973,246</u>	<u>324,677</u>	<u>4,094,841</u>	<u>47,392,764</u>	<u>0</u>
<i>Total Assets</i>	<u>50,418,907</u>	<u>396,648</u>	<u>4,147,923</u>	<u>54,963,478</u>	<u>11,257</u>
Liabilities					
<i>Current Liabilities:</i>					
Accounts Payable	227,971	31,194	0	259,165	0
Accrued Wages	67,832	17,444	4,837	90,113	0
Contracts Payable	371,772	507	0	372,279	0
Intergovernmental Payable	137,188	43,202	819	181,209	0
Interfund Payable	0	0	195,000	195,000	0
Accrued Interest Payable	0	0	29,455	29,455	0
Compensated Absences Payable	13,244	292	3,217	16,753	0
OWDA Loans Payable	2,140,968	0	0	2,140,968	0
General Obligation Bonds Payable	0	0	170,583	170,583	0
Claims Payable	0	0	0	0	8,222
<i>Total Current Liabilities</i>	<u>2,958,975</u>	<u>92,639</u>	<u>403,911</u>	<u>3,455,525</u>	<u>8,222</u>
<i>Long-Term Liabilities (net of current portion):</i>					
Compensated Absences Payable	270,291	109,776	10,233	390,300	0
OWDA Loans Payable	25,977,660	0	0	25,977,660	0
General Obligation Bonds Payable	0	0	5,844,535	5,844,535	0
<i>Total Long-Term Liabilities</i>	<u>26,247,951</u>	<u>109,776</u>	<u>5,854,768</u>	<u>32,212,495</u>	<u>0</u>
<i>Total Liabilities</i>	<u>29,206,926</u>	<u>202,415</u>	<u>6,258,679</u>	<u>35,668,020</u>	<u>8,222</u>
Net Assets					
Invested in Capital Assets, Net of Related Debt	14,854,618	324,677	(1,630,337)	13,548,958	0
Unrestricted (Deficit)	6,357,363	(130,444)	(480,419)	5,746,500	3,035
<i>Total Net Assets (Deficit)</i>	<u>\$21,211,981</u>	<u>\$194,233</u>	<u>(\$2,110,756)</u>	<u>\$19,295,458</u>	<u>\$3,035</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, 2011*

	<u>Wastewater</u>	<u>Solid Waste</u>	<u>Golf Course</u>	<u>Total</u>	<u>Governmental Activities - Internal Service Fund</u>
Operating Revenues					
Charges for Services	\$8,618,806	\$1,005,372	\$0	\$9,624,178	\$8,187
Other	156,096	375	0	156,471	23,537
<i>Total Operating Revenues</i>	<u>8,774,902</u>	<u>1,005,747</u>	<u>0</u>	<u>9,780,649</u>	<u>31,724</u>
Operating Expenses					
Personal Services	1,768,513	655,931	1,614	2,426,058	0
Fringe Benefits	603,825	215,231	0	819,056	0
Contractual Services	2,037,950	91,078	0	2,129,028	0
Materials and Supplies	1,131,708	5,231	0	1,136,939	0
Depreciation	1,513,248	82,702	185,048	1,780,998	0
Claims	0	0	0	0	42,305
Refunds	197	279	0	476	0
<i>Total Operating Expenses</i>	<u>7,055,441</u>	<u>1,050,452</u>	<u>186,662</u>	<u>8,292,555</u>	<u>42,305</u>
<i>Operating Income (Loss)</i>	<u>1,719,461</u>	<u>(44,705)</u>	<u>(186,662)</u>	<u>1,488,094</u>	<u>(10,581)</u>
Non-Operating Revenues (Expenses)					
Income Taxes	0	0	300,534	300,534	0
Capital Contributions	576,455	0	0	576,455	0
Interest and Fiscal Charges	(414,016)	0	(157,566)	(571,582)	0
<i>Total Non-Operating Revenues (Expenses)</i>	<u>162,439</u>	<u>0</u>	<u>142,968</u>	<u>305,407</u>	<u>0</u>
<i>Change in Net Assets</i>	1,881,900	(44,705)	(43,694)	1,793,501	(10,581)
<i>Net Assets (Deficit) Beginning of Year</i>	<u>19,330,081</u>	<u>238,938</u>	<u>(2,067,062)</u>	<u>17,501,957</u>	<u>13,616</u>
<i>Net Assets (Deficit) End of Year</i>	<u>\$21,211,981</u>	<u>\$194,233</u>	<u>(\$2,110,756)</u>	<u>\$19,295,458</u>	<u>\$3,035</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, 2011

	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	\$8,477,800	\$1,009,193	\$0	\$9,486,993	\$8,187
Cash received from other operating sources	156,096	375	0	156,471	23,537
Cash payments for employee services and benefits	(2,482,014)	(869,133)	(14,015)	(3,365,162)	0
Cash payments to suppliers for goods and services	(2,770,677)	(208,701)	(24,374)	(3,003,752)	(35,109)
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>3,381,205</u>	<u>(68,266)</u>	<u>(38,389)</u>	<u>3,274,550</u>	<u>(3,385)</u>
Cash Flows from Capital and Related Financing Activities					
Cash received from income taxes	0	0	300,534	300,534	0
Principal paid on bonds	0	0	(179,633)	(179,633)	0
Interest Paid on Notes and Bonds	0	0	(85,367)	(85,367)	0
Principal paid on capital leases	0	0	(8,945)	(8,945)	0
Interest paid on capital leases	0	0	(89)	(89)	0
Principal paid on loans	(2,135,378)	0	0	(2,135,378)	0
Interest paid on loans	(414,016)	0	0	(414,016)	0
Payments for capital acquisitions	(113,517)	(124,166)	0	(237,683)	0
<i>Net Cash Provided by (Used in) Capital and Related Financing Activities</i>	<u>(2,662,911)</u>	<u>(124,166)</u>	<u>26,500</u>	<u>(2,760,577)</u>	<u>0</u>
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	718,294	(192,432)	(11,889)	513,973	(3,385)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>3,814,001</u>	<u>237,142</u>	<u>11,889</u>	<u>4,063,032</u>	<u>14,642</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$4,532,295</u>	<u>\$44,710</u>	<u>\$0</u>	<u>\$4,577,005</u>	<u>\$11,257</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities					
Operating Income (Loss)	\$1,719,461	(\$44,705)	(\$186,662)	\$1,488,094	(\$10,581)
Adjustments:					
Depreciation	1,513,248	82,702	185,048	1,780,998	0
(Increase) Decrease in Assets:					
Accounts Receivable	(141,006)	3,821	0	(137,185)	0
Materials and Supplies Inventory	(328)	0	(13,788)	(14,116)	0
Increase (Decrease) in Liabilities:					
Accounts Payable	67,518	(112,620)	(6,697)	(51,799)	0
Contracts Payable	316,446	507	(2,145)	314,808	0
Accrued Wages	(4,818)	(2,909)	1,614	(6,113)	0
Compensated Absences Payable	(120,934)	(8,012)	3,546	(125,400)	0
Intergovernmental Payable	31,618	12,950	(19,305)	25,263	0
Claims Payable	0	0	0	0	7,196
<i>Net Cash Provided by (Used in) Operating Activities</i>	<u>\$3,381,205</u>	<u>(\$68,266)</u>	<u>(\$38,389)</u>	<u>\$3,274,550</u>	<u>(\$3,385)</u>

See accompanying notes to the basic financial statements

City of Massillon, Ohio

Statement of Fiduciary Assets and Liabilities

Agency Funds

December 31, 2011

Assets	
Equity in Pooled Cash and Cash Equivalents	\$92,154
Cash and Cash Equivalents In Segregated Accounts	56,395
Intergovernmental Receivable	64,591
Property Taxes Receivable	517,864
	<hr/>
<i>Total Assets</i>	<u><u>\$731,004</u></u>
 Liabilities	
Undistributed Monies	\$94,295
Due to Other Governments	636,709
	<hr/>
<i>Total Liabilities</i>	<u><u>\$731,004</u></u>

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 32,149 inhabitants, covering 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 10 and 11 to the basic financial statements.

The City’s management believes these financial statements present all activities for which the City is financially accountable.

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, 2011

Basis of Presentation

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

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

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

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

Fund Accounting

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

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

General Fund The general fund accounts and reports for all financial resources except those required to be accounted for and reported 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, 2011

Parks and Recreation Fund The parks and recreation fund accounts and reports for restricted revenue from income tax and charges for services which are used to support recreational programs in the City, including the City's golf course.

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 capital assets and debt financing of the City's Legends of Massillon Golf Course.

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

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

Measurement Focus

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

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

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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.

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 8.) 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, 2011, but which were levied to finance year 2012 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, 2011

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.

Cash and Cash Equivalents

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

Interest revenue credited to the section 108 loan repayment special revenue fund during 2011 amounted to \$123,823, all of which is assigned from other City funds.

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

Inventory

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

Restricted Assets

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

Capital Assets

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

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

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

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

Bond Issuance Costs

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

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

Deferred Loss on Refunding

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

Bond Discounts

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

Contributions of Capital

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

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 balance amounts are eliminated in the statement of net assets, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Compensated Absences

Sick leave benefits are accrued as a liability using the termination method. The liability is based on the sick leave accumulated at December 31, by those employees whom it is estimated will become eligible to receive termination benefits in the future. The amount is based on accumulated sick leave and employees' wage rates at year end, taking into consideration any limits specified in the City's termination policy.

The City does not accrue a liability for vacation benefits as of December 31. The City's policy and various employment contracts allow employees to earn vacation leave based on the completion of a certain number of years of employment. The employees become eligible for the vacation benefits on or after January 1, with an exception made for first year employees. Vacation is not allowed to be carried forward to the following calendar year. After an employee completes one year of service, January 1 is considered their anniversary date for vacation purposes. Based on the City's policy and contracts, a liability for earned vacation leave exists on January 1, but not on December 31.

Accrued Liabilities and Long-term Obligations

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

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

Fund Balance Reserves

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Nonspendable The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans, loans receivable, as well as property acquired for resale, unless the use of the proceeds from the collection of those receivables or from the sale of those properties is restricted, committed, or assigned.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Restricted Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation (City ordinances).

Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party—such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance or resolution) of City Council. Those committed amounts cannot be used for any other purpose unless City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council, separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints are not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute.

Unassigned Unassigned fund balance is the residual classification for the general fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance.

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

federal emergency grant programs, police law enforcement, enforcement and education programs, and fire prevention and awareness programs.

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

Operating Revenues and Expenses

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

Internal Activity

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

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

Extraordinary and Special Items

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

Estimates

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

Budgetary Process

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

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 Fund Balance

Change in Accounting Principles

For fiscal year 2011, the City has implemented Governmental Accounting Standard Board (GASB) Statement No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and Statement No. 59, “Financial Instruments Omnibus”.

GASB Statement No. 54 enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that compromise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The implementation of this statement resulted in the reclassification of certain funds and restatement of the City’s financial statements.

GASB Statement No. 59 addresses significant practice issues that have arisen when accounting for financial instruments and external investment pools. The implementation of this statement did not result in any change in the City’s financial statements.

Restatement of Fund Balance

The implementation of GASB Statement No. 54 had the following effect on fund balances of the major and nonmajor funds as they were previously reported:

	General	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Fund Balance as Previously Reported	\$411,460	\$148,840	\$6,178,460	\$6,738,760
GASB 54 Change in Fund Structure	31,339	0	(31,339)	0
Restated Fund Balance at January 1, 2011	<u>\$442,799</u>	<u>\$148,840</u>	<u>\$6,147,121</u>	<u>\$6,738,760</u>

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 4 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented below:

Fund Balances	General	Parks and Recreation	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Interfund loans	\$70,000	\$0	\$0	\$70,000
Inventory	75,024	11,711	648	87,383
Unclaimed Monies	22,251	0	0	22,251
<i>Total Nonspendable</i>	<u>167,275</u>	<u>11,711</u>	<u>648</u>	<u>179,634</u>
<u>Restricted for:</u>				
Court Operations	0	0	483,685	483,685
Police Department	0	0	556,710	556,710
Fire and EMS Department	0	0	33	33
Debt Service Retirement	0	0	1,071,705	1,071,705
Street Maintenance	0	0	226,101	226,101
Economic Development	0	0	2,261,771	2,261,771
Public Health and Welfare	0	0	59,203	59,203
Capital Improvements	0	0	664,144	664,144
Other Purposes	0	0	43,937	43,937
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>5,367,289</u>	<u>5,367,289</u>
<u>Committed to:</u>				
Leisure Time Activities	0	239,552	0	239,552
Fines and Forfeitures	0	0	22,108	22,108
Economic Development	0	0	180,512	180,512
Debt Service Retirement	0	0	175,676	175,676
Capital Improvements	0	0	267,651	267,651
Other Purposes	0	0	20,053	20,053
<i>Total Committed</i>	<u>0</u>	<u>239,552</u>	<u>666,000</u>	<u>905,552</u>
<u>Assigned to:</u>				
Capital Improvements	0	0	71,798	71,798
Other Purposes	30,984	0	0	30,984
<i>Total Assigned</i>	<u>30,984</u>	<u>0</u>	<u>71,798</u>	<u>102,782</u>
Unassigned (Deficit)	<u>(1,381,326)</u>	<u>0</u>	<u>(126,699)</u>	<u>(1,508,025)</u>
Total Fund Balances (Deficit)	<u><u>(\$1,183,067)</u></u>	<u><u>\$251,263</u></u>	<u><u>\$5,979,036</u></u>	<u><u>\$5,047,232</u></u>

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 5 – Accountability and Compliance

Accountability

As of December 31, 2011, the general fund and community development block grant special revenue fund had deficit fund balances of \$1,183,067 and \$126,695, respectively, and the Legends Golf Course enterprise fund had a deficit net asset balance of \$2,110,756.

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.

Compliance

Contrary to section 5075.41(B), budgetary expenditures exceeded appropriation authority by \$124,487 and \$752,870 in general government and security of persons and property respectively at the personal service object level in the general fund at December 31, 2011.

Note 6 - Budgetary Basis of Accounting

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

The major differences between the budget basis and the GAAP basis are:

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).
4. Budgetary revenues and expenditures of the parking enforcement, special fund, and enterprise zone funds are reclassified to the general fund for GAAP reporting.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements to the budgetary basis statements for the general fund and parks and recreation special revenue fund.

Net Change in Fund Balance		
	General	Parks and Recreation
GAAP Basis	(\$1,625,866)	\$102,423
Adjustment for Revenue Accruals	39,263	(1,114)
Adjustment for Expenditure Accruals	1,286,269	88,842
Excess of revenues and other financing sources and over (under) expenditures and other financing uses:		
Parking Enforcement	74,819	0
Special Fund	1,020	0
Enterprise Zone	25,365	0
Adjustment for Encumbrances	(892,573)	(84,626)
Budget Basis	(\$1,091,703)	\$105,525

Note 7 - 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;

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above;
4. Bonds and other obligations of the State of Ohio or Ohio local governments;
5. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;
6. No-load money market mutual funds consisting exclusively of obligations described in division (1) or (2) above and repurchase agreements secured by such obligations;
7. The State Treasurer's investment pool (STAR Ohio);
8. Commercial paper and banker's acceptances if training requirements have been met.

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

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

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited. Investments may only be made through specified dealers and institutions.

Deposits

Custodial Credit Risk. Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At fiscal year end, \$6,712,011 of the City's bank balance of \$6,763,502 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, 2011

Note 8 - Receivables

Receivables at December 31, 2011, consisted primarily of municipal income taxes, property and other taxes, payments in lieu of taxes, accounts, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. All receivables are deemed collectible in full.

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

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2011 for real and public utility property taxes represents collections of 2010 taxes.

2011 real property taxes were levied after October 1, 2011, on the assessed value as of January 1, 2011, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2011 real property taxes are collected in and intended to finance 2012.

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

Public utility tangible personal property currently is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2011 public utility property taxes which became a lien December 31, 2010, are levied after October 1, 2011, and are collected in 2012 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2011, was \$4.70 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2011 property tax receipts were based are as follows:

Category	Assessed Values
Real Estate	
Residential/Agricultural	\$357,313,340
Other Real Estate	158,582,300
Tangible Personal Property	
Public Utility	21,996,000
Total	<u><u>\$537,891,640</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2011, and for which there was an enforceable legal claim. In the governmental funds, the entire receivable has been deferred since current taxes were not levied to finance 2011 operations and the collection of delinquent taxes during the available period is not subject to reasonable estimation. On the accrual basis, collectible delinquent property taxes have been recorded as revenue while on the modified accrual basis the revenue has been deferred.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Municipal Income Taxes

The City levies and collects an income tax of 1.8 percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and to file a final return annually. Income tax revenues are distributed based on Council's discretion and can change during the year. Currently the tax revenues are distributed between the general fund, 81.67 percent, income tax capital improvements fund, 1.67 percent, and parks and recreation fund, 16.66 percent. The parks and recreation fund also allocates income tax revenues to the parks and recreation debt service bond retirement fund as needed.

Intergovernmental Receivable

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

Governmental Activities	
Gasoline Tax	\$636,498
Local Government	444,573
Estate Tax	261,170
Homestead and Rollback	211,038
Motor Vehicle License Tax	107,884
Other	58,320
Total	\$1,719,483
Business-Type Activity	
Waste Water	\$576,455

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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 9 - 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, 2009 (the latest information available).

Casualty Coverage

For casualty coverages through December 31, 2005, PEP retained the first \$250,000 of each loss, and reinsured loss amounts over \$250,000 with American Public Entities Excess Pool (“APEEP”), in an amount not to exceed \$1,750,000 per claim and \$10,000,000 in aggregate per year. PEP pays a percentage if its contribution to APEEP.

Effective January 1, 2006, PEP retains the first \$350,000 of each loss, and reinsures loss amounts over \$350,000 with APEEP, in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. PEP pays a percentage if its contribution to APEEP.

In losses exhaust PEP’s retained earning, APEEP provides “excess of funds available” coverage up to \$5,000,000 per year, subject to a certificate year aggregate of \$10,000,000. Governments can elect additional coverage, from \$3,000,000 to \$13,000,000, from General Reinsurance Corporation.

Property Coverage

Property coverage is also offered by the PEP, up to a per occurrence loss limitation of \$600,000,000. APEEP began administering a non risk-sharing property program for its members effective April 1, 1997. Automobile Physical Damage and Property are insured through the Property Program. Specific losses in excess of \$100,000 were reinsured with The Travelers Indemnity Company (“Travelers”), from April 1, 1997 through December 31, 2004.

Effective January 1, 2005 APEEP began administering a risk sharing program, in which Travelers reinsured property specific losses in excess of \$250,000 up to \$600,000,000 per occurrence. Effective January 1, 2007, the terms changed, with Travelers reinsuring property specific losses in excess of \$300,000, up to \$600,000,000 per occurrence. Terms changed again, effective January 1, 2008, with Travelers now reinsuring property specific losses in excess of \$500,000 up to \$600,000,000.

From January 1, 2005 through December 31, 2008, APEEP reinsured members for specific property losses in excess of \$100,000 up to \$250,000 (\$300,000 effective December 1, 2007, and \$500,000 effective December 1, 2008) per occurrence, subject to an annual aggregate loss payment. Effective January 1, 2009, APEEP reinsured members for specific property losses in excess of \$150,000 up to \$500,000.

Travelers provides property aggregate stop loss coverage to APEEP based upon the combined Members’ Total Insurable Value (TIV). If the stop loss is reached by payment of the Pools retained losses, Travelers will then reinsure property specific losses in excess of the retention up to their \$600,000,000 per occurrence limit. Additionally, effective January 1, 2009, APEEP provides an additional aggregate for the \$50,000 excess \$100,000 layer, with the aggregate limit tied to TIV, for the insurance coverages to the Pools.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

Financial Position

The Pool's Financial Statements (audited by other accountants) conform to generally accepted accounting principles, and report the following (with 2009 being the latest available information):

	2009	2008
Assets	\$36,374,898	\$35,769,535
Liabilities	15,256,862	15,310,206
Retained Earnings	\$21,118,036	\$20,459,329

At December 31, 2009, casualty coverage liabilities noted above include approximately \$13.7 million of estimated incurred claims payable. The Casualty Coverage assets and retained earnings above also include approximately \$13.7 million of unpaid claims to be billed to approximately 447 member governments in the future, as of December 31, 2009. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$110,000. This payable includes the subsequent year's contribution due if the City terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to determine the historical contributions required to be made to PEP for each year of membership are as follows (with 2009 being the latest available information):

Year	Contributions to PEP
2007	\$50,445
2008	49,464
2009	52,784

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

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

The City uses an internal service fund to record and report its self-funded insurance program for vision and dental coverage for employees. The claims liability of \$8,222 reported in the fund at December 31, 2011, 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 2010 and 2011 were:

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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
2010	\$589	\$21,351	\$20,914	\$1,026
2011	1,026	42,305	35,109	8,222

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

Note 10 - Jointly Governed Organizations

Stark Council of Governments

The City participates in the Stark Council of Governments (the Council), which is a statutorily created political subdivision of the State. The Council is jointly governed among Stark County municipalities and townships with twenty-four participants providing twenty-seven representatives. The Council's current functions include, but are not limited to, the funding and operation of the Stark County Metropolitan Narcotics Unit and the Canton Crime Lab.

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

Stark Area Regional Transit Authority

The City participates in the Stark Area Regional Transit Authority (Authority), which is a jointly governed organization between Stark County and the cities of Massillon, Canton and Alliance. A nine member Board of Trustees (the Board) oversees the operation of the Authority. The City appoints one of the nine members. Each member's control over the operation of the Authority is limited to its representation on the Board. The Board exercises total authority for the day-to-day operations of the Authority, which include budgeting, appropriating, contracting, and designating management. The City contributed \$15,750 during the year and has no financial responsibility for any of the Authority's liabilities. Complete financial statements may be obtained from the Stark Area Regional Transit Authority, 1600 Gateway Boulevard, SE, Canton, Ohio.

Stark County Tax Incentive Review Council

The City participates in the Stark County Tax Incentive Review Council (the Council), which is a jointly governed organization, created as a regional council of governments pursuant to State statutes. The Council has twenty-four members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, ten members appointed by township trustees, one member from the county auditor's office and six members appointed by boards of education located within the Enterprise Zones of Stark County. The Council reviews and evaluates the performance of each

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the Council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this Council. The continued existence of the Council is not dependent upon the City's continued participation and no measurable equity interest exists.

Stark County Regional Planning Commission

The City participates in the Stark County Regional Planning Commission (the Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County, other cities, villages and townships. Of the forty-eight member board, the City appoints two members. The degree of control exercised by any participating government is limited to its representation on the board. The principal aim of the Commission is to provide comprehensive planning, both long and short range, dealing with the economic and physical environment of Stark County. The board exercises total authority for the day-to-day operations of the Commission. These include budgeting, appropriating, contracting, and designating management. The City has no financial responsibility for any of the Commission's liabilities. In 2011, the City contributed \$1,013 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 11 – 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 2011, the City made contributions of \$416,592, 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 12 – Contingencies

Grants

The City has received Federal and State grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City's management believes such disallowances, if any, will be immaterial.

Litigation

Several claims and lawsuits are pending against the City. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2011.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Note 13 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2011, was as follows:

	Balance 12/31/2010	Additions	Deductions	Balance 12/31/2011
Governmental Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$7,821,766	\$73,700	\$0	\$7,895,466
Construction in Progress	0	497,158	0	497,158
<i>Total Capital Assets, not being depreciated</i>	<u>7,821,766</u>	<u>570,858</u>	<u>0</u>	<u>8,392,624</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	4,730,356	109,810	(107,213)	4,732,953
Machinery and Equipment	3,037,103	11,250	0	3,048,353
Infrastructure	25,074,215	0	0	25,074,215
<i>Total Capital Assets, being depreciated</i>	<u>50,764,226</u>	<u>121,060</u>	<u>(107,213)</u>	<u>50,778,073</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,023,347)	(85,015)	0	(1,108,362)
Buildings and Improvements	(6,443,577)	(344,101)	0	(6,787,678)
Vehicles	(3,847,805)	(175,457)	107,213	(3,916,049)
Machinery and Equipment	(2,094,502)	(135,489)	0	(2,229,991)
Infrastructure	(9,335,430)	(904,492)	0	(10,239,922)
<i>Total Accumulated Depreciation</i>	<u>(22,744,661)</u>	<u>(1,644,554) *</u>	<u>107,213</u>	<u>(24,282,002)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>28,019,565</u>	<u>(1,523,494)</u>	<u>0</u>	<u>26,496,071</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$35,841,331</u>	<u>(\$952,636)</u>	<u>\$0</u>	<u>\$34,888,695</u>

* Depreciation expense was charged to governmental activities as follows:

General Government	\$140,482
Security of Persons and Property	166,155
Public Health and Welfare	567
Leisure Time Activities	472,243
Transportation	865,107
Total Depreciation Expense	<u>\$1,644,554</u>

The Ohio Department of Transportation and Stark County paid \$339,476 and \$213,571 respectively for work completed on the State Route 172 and 124 intersection projects and the bar screen and grit screw replacement project. The City has recorded this as a capital contribution.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Capital asset activity for business-type activities for the year ended December 31, 2011, was as follows:

	Balance 12/31/2010	Additions	Deductions	Balance 12/31/2011
Business-Type Activities				
<i>Capital Assets, not being depreciated</i>				
Land	\$3,052,637	\$0	\$0	\$3,052,637
Construction in Progress	0	37,773	0	37,773
<i>Total Capital Assets, not being depreciated</i>	<u>3,052,637</u>	<u>37,773</u>	<u>0</u>	<u>3,090,410</u>
<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	1,469,603	166,210	18,932	1,654,745
Machinery and Equipment	2,430,761	33,700	0	2,464,461
Infrastructure	56,437,842	0	0	56,437,842
<i>Total Capital Assets, being depreciated</i>	<u>70,769,046</u>	<u>199,910</u>	<u>18,932</u>	<u>70,987,888</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(1,680,620)	(94,286)	0	(1,774,906)
Buildings and Improvements	(6,244,324)	(197,236)	0	(6,441,560)
Vehicles	(943,774)	(127,322)	(18,932)	(1,090,028)
Machinery and Equipment	(2,142,195)	(87,932)	0	(2,230,127)
Infrastructure	(13,956,120)	(1,274,222)	0	(15,230,342)
<i>Total Accumulated Depreciation</i>	<u>(24,967,033)</u>	<u>(1,780,998)</u>	<u>(18,932)</u>	<u>(26,766,963)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>45,802,013</u>	<u>(1,581,088)</u>	<u>0</u>	<u>44,220,925</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$48,854,650</u>	<u>(\$1,543,315)</u>	<u>\$0</u>	<u>\$47,311,335</u>

Note 14 - Defined Benefit Pension Plans

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 Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan in which the member invests both member and employer contributions (employer contributions vest over five years at 20 percent per year). Under the Member-Directed Plan, members accumulate retirement assets equal to the value of the member and vested employer contributions plus any investment earnings. The Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan. Under the Combined Plan, OPERS invests employer contributions to provide a formula retirement benefit similar in nature to, but less than, 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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions and currently limits the employer contribution to a rate not to exceed 14 percent of covered payroll for state and local employer units and 18.1 percent of covered payroll for law enforcement and public safety employer units. Member contribution rates, as set forth in the Ohio Revised Code, are not to exceed 10 percent of covered payroll for members in State and local divisions and 12 percent for law enforcement and public safety members. For the year ended December 31, 2011, members in state and local divisions contributed 10 percent of covered payroll while public safety and law enforcement members contributed 11 percent and 11.6 percent, respectively. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the Traditional Pension Plan. For 2011, member and employer contribution rates were consistent across all three plans.

The City's 2011 contribution rate was 14 percent, except for those plan members in law enforcement or public safety, for whom the City's contribution was 18.1 percent of covered payroll. The portion of employer contributions used to fund pension benefits is net of post-employment health care benefits. The portion of employer contribution allocated to health care for members in the Traditional Plan was 4 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011. Employer contribution rates are actuarially determined.

The City's required contributions for pension obligations to the Traditional Pension and Combined Plans for the years ended December 31, 2011, 2010, and 2009 were \$832,439, \$732,387, and \$571,626, respectively. For 2011, 61.1 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009. Contributions to the Member-Directed Plan for 2011 were \$17,228 made by the City and \$12,305 made by plan members.

Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F), a cost-sharing multiple-employer defined benefit pension plan. OP&F provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. That report may be obtained by writing to OP&F, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code requires plan members to contribute 10 percent of their annual covered salary, while employers are required to contribute 19.5 percent for police officers and 24 percent for firefighters.

The OP&F Pension Fund is authorized by the Ohio Revised Code to allocate a portion of the employer contributions to retiree health care benefits. The portion of employer contributions used to fund pension benefits was 12.75 percent of covered payroll for police officers and 17.25 percent of covered payroll for firefighters. The City's contributions to OP&F for police and firefighters pension were \$383,329 and \$491,689 for the year ended December 31, 2011, \$357,746 and \$469,766 for the year ended December

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

31, 2010, and \$365,749 and \$471,366 for the year ended December 31, 2009, respectively For 2011, zero percent has been contributed for police and zero percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

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, 2011, the unfunded liability of the City was \$1,372,084 payable in semi-annual payments through the year 2035. This is an accounting liability of the City which will not vary.

Note 15- Postemployment Benefits

Ohio Public Employees Retirement System

Plan Description – Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: The Traditional Pension Plan-a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan-a defined contribution plan; and the Combined Plan-a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

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

In order to qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have 10 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 mandate, 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 visiting <https://www.opers.org/investments/cafr.shtml>, writing to OPERS, 277 East Town Street, Columbus, Ohio 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 administrated in accordance with, Internal Revenue Code 401(h). The Ohio Revised Code provides the statutory authority requiring public employers to fund post-retirement health care through contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-retirement health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active members. In 2011, state and local employers contributed at a rate of 14 percent of covered payroll, and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

Each year, the OPERS Retirement Board determines the portion of the employer contribution rate that will be set aside for funding of post-employment health care benefits. The portion of employer contributions allocated to health care for members in the Traditional Plan was 4 percent for 2011. The portion of employer contributions allocated to health care for members in the Combined Plan was 6.05 percent for 2011.

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

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2011, 2010, and 2009 were \$332,976, \$417,486, and \$571,626, respectively. For 2011, 61.1 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

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

Ohio Police and Fire Pension Fund

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

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

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

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

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required by Ohio Revised Code to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.5 percent and 24.0 percent of covered payroll for police and fire employers, respectively. Active members do not make contributions to the OPEB Plan.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For the year ended December 31, 2011, 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 is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees also is 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 \$202,939 and \$192,400 for the year ended December 31, 2011, \$189,395 and \$183,822 for the year ended December 31, 2010, and \$193,632 and \$184,448 for the year ended December 31, 2009. For 2011, zero percent has been contributed for police and zero percent has been contributed for firefighters with the balance for both police and firefighters being report as an intergovernmental payable. The full amount has been contributed for 2010 and 2009.

Note 16 - Long-Term Obligations

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
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
Business-Type Activities			
Golf Course Construction Refunding Bonds - 2002	1.5-7.16	7,281,233	December 1, 2031
Water Pollution Control Loan Fothergill - 1999	3.81	1,407,776	July 1, 2020
Ohio Water Development Authority Loans	1.26	42,932,048	July 1, 2024

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

	Balance 12/31/2010	Issued	Retired	Balance 12/31/2011	Amounts Due In One Year
Governmental Activities					
<u>General Obligation Bonds</u>					
Lincoln Center Phase III					
Serial Bonds	\$625,000	\$0	(\$115,000)	\$510,000	\$120,000
Term Bonds	1,455,000	0	0	1,455,000	0
Capital Appreciation Bonds	179,998	0	0	179,998	0
Accretion on Bonds	52,219	20,128	0	72,347	0
Lincoln Center					
Phase II Refunding	1,150,000	0	(270,000)	880,000	280,000
Senior Center Serial Bonds	985,000	0	(95,000)	890,000	275,000
Park and Recreation Serial Bonds	11,465,000	0	(235,000)	11,230,000	265,000
Marketplace Infrastructure TIF Bonds					
Serial Bonds	1,070,000	0	(90,000)	980,000	95,000
Capital Appreciation Bonds	109,999	0	0	109,999	0
Accretion on Bonds	90,399	18,586	0	108,985	0
Total General Obligation Bonds	17,182,615	38,714	(805,000)	16,416,329	1,035,000
<u>Loans Payable</u>					
OPWC Loan	382,867	0	(24,632)	358,235	24,632
HUD Section 108	1,725,000	0	(75,000)	1,650,000	80,000
Total Loans Payable	2,107,867	0	(99,632)	2,008,235	104,632
<u>Other Long-Term Obligations</u>					
Police and Fireman's					
Pension Liability	1,405,688	0	(33,604)	1,372,084	35,049
Compensated Absences	3,077,309	427,188	(215,593)	3,288,904	287,490
Judgement Payable	700,000	0	(70,000)	630,000	70,000
Capital Leases Payable	132,047	0	(91,324)	40,723	40,723
Total Other Long-Term Obligations	5,315,044	427,188	(410,521)	5,331,711	433,262
Total Governmental Activities	\$24,605,526	\$465,902	(\$1,245,153)	\$23,756,275	\$1,572,894

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

	Balance 12/31/2010	Issued	Retired	Balance 12/31/2011	Amounts Due In One Year
Business-Type Activities					
<u>General Obligation Bonds</u>					
Golf Course Construction Refunding					
Serial Bonds	\$4,750,000	\$0	\$0	\$4,750,000	\$0
Unamortized Discount	(39,161)	0	0	(39,161)	0
Unamortized Accounting Loss	(48,322)	0	16,061	(32,261)	0
Capital Appreciation Bonds	1,226,233	0	(179,633)	1,046,600	170,583
Accretion on Bonds	251,258	38,682	0	289,940	0
Total General Obligation Bonds	<u>6,140,008</u>	<u>38,682</u>	<u>(163,572)</u>	<u>6,015,118</u>	<u>170,583</u>
<u>OWDA Loans Payable</u>					
WPCL Fothergill Loan	800,453	0	(71,392)	729,061	74,139
WWTP Upgrade OWDA Phase I Loan	4,072,176	0	(332,005)	3,740,171	332,966
WWTP Upgrade OWDA Phase II Loan	25,381,377	0	(1,731,981)	23,649,396	1,733,863
Total OWDA Loans Payable	<u>30,254,006</u>	<u>0</u>	<u>(2,135,378)</u>	<u>28,118,628</u>	<u>2,140,968</u>
<u>Other Long-Term Obligations</u>					
Compensated Absences	532,453	83,912	(209,312)	407,053	16,753
Capital Leases	8,945	0	(8,945)	0	0
Total Other Long-Term Obligations	<u>541,398</u>	<u>83,912</u>	<u>(218,257)</u>	<u>407,053</u>	<u>16,753</u>
Total Business-Type Activities	<u>\$36,935,412</u>	<u>\$122,594</u>	<u>(\$2,517,207)</u>	<u>\$34,540,799</u>	<u>\$2,328,304</u>

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged for repayment. General obligation bonds are to be repaid from voted and unvoted general property taxes. Property tax monies will be received in and the debt will be repaid from the bond retirement funds.

Lincoln Center Phase III Bonds

The capital appreciation bonds were originally sold at a discount of \$235,002, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2016 through 2018. The maturity amount of outstanding capital appreciation bonds at December 31, 2011 is \$415,000. The accretion recorded for 2011 was \$20,128, for a total outstanding bond liability of \$252,345.

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

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

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

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

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

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

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

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

On November 1, 2002, the City issued \$3,065,000 in Lincoln Center phase II refunding bonds with an average interest rate of 2.75 percent to advance refund \$2,805,000 of outstanding Lincoln Center 1994 Series bonds with an average interest rate of 5 percent. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments on the Lincoln Center 1994 Series bonds. As a result, the Lincoln Center 1994 Series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

The Marketplace Infrastructure TIF capital appreciation bonds were originally sold at a discount of \$175,001, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2013 through 2015. The maturity amount of outstanding capital appreciation bonds at December 31, 2011 is \$285,000. The accretion recorded for 2011 was \$18,586, for a total outstanding bond liability of \$218,984.

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

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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

On November 1, 2002, the City issued \$920,000 and \$7,281,233 in general obligation Bonds with an average interest rate of 2 percent and 4.3 percent to advance refund \$910,000 and \$2,510,000 of outstanding wastewater refunding series bonds and golf course construction refunding series bonds with an average interest rate of 6.94 percent and 5.2 percent, respectively. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments on the wastewater refunding series bonds and the golf course refunding series bonds. As a result, the wastewater refunding series bonds and golf course 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 December 31, 2011 is \$1,315,000. The accretion recorded for 2011 was \$38,682, for a total outstanding bond liability of \$1,336,540.

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 \$42.9 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, 2011, the City has an outstanding balance of \$28,118,628. Two of these loans, the WWTP Upgrade Phase I and II loans, have not been finalized, a repayment schedule is not included in the schedule of debt service requirements.

The balance of these loans is as follows:

	Outstanding Balance at December 31, 2011	<u>Lines of Credit</u>
Wastewater Fund:		
<i>OWDA</i>		
WWTP Upgrade Phase I Loan	\$3,740,171	\$6,765,000
WWTP Upgrade Phase II Loan	23,649,396	35,495,244
Total OWDA Loans not Finalized:	\$27,389,567	\$42,260,244

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

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 \$860,338. Principal and interest paid from the current year and net revenues available were \$101,217 and \$3,232,709, respectively.

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, wastewater treatment, solid waste, and legends golf course enterprise funds which are the funds from which the employees' salaries are paid. The capital lease payable will be paid from the income tax capital improvement capital projects fund. The police and fire fireman's pension liability loan will be paid from the police and fire pension special revenue funds.

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

The City's overall debt margin was \$40,419,302 and the unvoted legal debt margin was \$12,152,636 at December 31, 2011. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2011, are as follows:

	Governmental Activities					
	General Obligation Bonds					
	Capital Appreciation		Serial Bonds		Term Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$0	\$0	\$1,035,000	\$782,224	\$0	\$23,720
2013	39,962	90,708	1,010,000	693,571	0	23,720
2014	36,570	94,100	1,090,000	637,110	0	23,721
2015	33,467	97,203	505,000	598,969	0	0
2016	0	0	510,000	551,270	0	0
2017-2021	179,998	411,646	3,040,000	2,314,611	280,000	112,362
2022-2026	0	0	3,345,000	1,487,090	805,000	176,405
2027-2031	0	0	3,955,000	612,746	370,000	23,101
Totals	\$289,997	\$693,657	\$14,490,000	\$7,677,591	\$1,455,000	\$383,029

	Governmental Activities		
	HUD Section 108 Loan		OPWC Loan
	Principal	Interest	Principal
2012	\$80,000	\$47,120	\$24,632
2013	85,000	46,432	24,632
2014	90,000	45,293	24,632
2015	95,000	43,673	24,632
2016	105,000	41,583	24,632
2017-2021	1,195,000	106,224	123,160
2022-2026	0	0	111,915
Totals	\$1,650,000	\$330,325	\$358,235

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

	Business-Type Activities					
	General Obligation Bonds				OWDA Loan	
	Capital		Serial Bonds		Water Pollution Control Loans	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$170,583	\$94,417	\$0	\$259,045	\$74,139	\$27,078
2013	160,593	104,407	0	259,046	76,990	24,226
2014	247,887	17,113	0	259,046	79,951	21,265
2015	187,012	17,988	0	249,645	83,027	18,190
2016	280,525	34,475	0	0	86,220	14,996
2017-2021	0	0	1,460,000	1,238,521	328,734	25,522
2022-2026	0	0	1,425,000	660,489	0	0
2027-2031	0	0	1,865,000	274,075	0	0
Totals	<u>\$1,046,600</u>	<u>\$268,400</u>	<u>\$4,750,000</u>	<u>\$3,199,867</u>	<u>\$729,061</u>	<u>\$131,277</u>

Note 17 – Compensated Absences

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

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

Note 18 - Capital Leases

During 2011, the City has existing leases for the acquisition of police cars, a street sweeper and, an early warning siren system. 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 income tax capital improvement capital projects fund. Payments related to lease agreements in the enterprise funds are shown as a reduction of capital leases payable and interest expense.

	Governmental Activities
Asset:	
Machinery and Equipment	\$567,877
Vehicles	624,216
Historical Cost	1,192,093
Less: Accumulated depreciation	(452,626)
Current Book Value	\$739,467

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2011

The future long-term minimum lease payment for 2012 is \$42,592 with \$1,869 representing interest for a present value minimum lease payment of \$40,723.

Note 19 – Interfund Transfers and Balances

Interfund Transfers

Interfund transfers for the year ended December 31, 2011, consisted of the following:

Transfer To	Transfer From
	General
Fire Pension	\$139,454
Police Pension	182,243
OPWC Loan Payment	510,809
Bond Retirement Lincoln Center	24,631
Bond Retirement Senior Housing	113,725
Bond Retirement Parks and Recreation	350,000
Total	\$1,320,862

During the year ended December 31, 2011, the City made transfers totaling \$1,320,862 from the general fund to the police and fire pension funds and four debt service funds. These transfers represent amounts paying the employer's share of police and fire pensions and amounts for debt payments.

Interfund Balances

Interfund balances at December 31, 2011 consisted of the following

	Interfund Balances December 31, 2011	
	Receivables	Payables
Major Funds		
General	\$70,000	\$0
Parks and Recreation	20,000	0
Total Major Funds	90,000	0
Nonmajor Fund		
Income Tax Capital Improvements	105,000	0
Total Governmental Funds	195,000	0
Enterprise Fund		
Golf Course	0	195,000
Total All Funds	\$195,000	\$195,000

As of December 31, 2011, all interfund balances outstanding are anticipated to be repaid in one year. Advances were originally made to support operations in various funds.

CITY OF MASSILLON
STARK COUNTY

FEDERAL AWARDS EXPENDITURES SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2011

Federal Grantor/ Pass Through Grantor/ Program Title	Pass Through Entity Number	Federal CFDA Number	Disbursements
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<i>Passed Through the Ohio Department of Education and the City of Canton</i>			
ARRA Special Supplemental Nutrition Program for Women, Infants and Children	01-76201FCL389	10.557	\$143,538
Total U.S. Department of Agriculture			<u>143,538</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
<i>Passed Through Ohio Department of Transportation</i>			
Highway Planning and Construction	Not available	20.205	328,140
Total Highway Planning and Construction			<u>328,140</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: AND URBAN DEVELOPMENT:</u>			
<i>Direct</i>			
Community Development Block Grants/Entitlement Grants	None	14.218	558,081
ARRA Community Development Block Grants/Entitlement Grants	None	14.253	41,807
<i>Passed Through Ohio Department of Development</i>			
Community Development Block Grant States Program	None	14.228	349,398
			949,286
<i>Passed Through Stark County HOME Consortium</i>			
HOME Investment Partnerships Program	M04DC390204	14.239	162,555
Total U.S. Department of Housing and Urban Development			<u>1,111,841</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
<i>Passed Through the Ohio Department of Public Safety</i>			
ARRA Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants	2009RAD012203	16.803	35,529
ARRA STOP (Services Training Officers Prosecutors) Violence Against Women Formula Grants	2009ARVA2-1251	16.588	16,997
ARRA STOP (Services Training Officers Prosecutors) Violence Against Women Formula Grants	2010WFVA2-8225	16.588	45,832
Total U.S. Department of Justice			<u>98,358</u>
Total			<u>\$1,681,877</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, 2011**

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE B - SUBRECIPIENTS

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

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

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

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

These loans are collateralized by a deed of trust of mortgage in favor of the City upon all land, buildings, fixtures, equipment and other assets of the applicant comprising the project and by the applicant's personal guarantee of repayment, unconditionally and irrevocably guaranteeing repayment of the revolving loan funds of the City.

Activity in the CDBG revolving loan fund during 2011 is as follows:

Beginning loans receivable balance as of January 1, 2011	\$3,332,417
Loans made	0
Loan principal repaid	20,010
Ending loans receivable balance as of December 31, 2011	<u>\$3,312,407</u>
Cash balance on hand in the revolving loan fund as of December 31, 2011	\$0

The table above reports gross loans receivable.

NOTE D - MATCHING REQUIREMENTS

Certain Federal programs require the City to contribute non-Federal funds (matching funds) to support the Federally-funded programs. The City has met its matching requirements. The Schedule does not include the expenditure of non-Federal matching funds.



Dave Yost • 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 City Council:

We have audited the financial statements of the governmental activities, the business-type activities, the each major fund, and the aggregate remaining fund information of the City of Massillon, Stark County, (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 24, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the Comptroller General of the United States' *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed an instance of noncompliance or other matters we must report under *Government Auditing Standards* which is described in the accompanying schedule of findings as item 2011-001.

We also noted certain matters not requiring inclusion in this report that we reported to the City's management in a separate letter dated August 24, 2012.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

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



Dave Yost
Auditor of State

August 24, 2012



Dave Yost • Auditor of State

INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

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

To the City Council:

Compliance

We have audited the compliance of the City of Massillon (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 could directly and materially affect each of the City of Massillon's major federal programs for the year ended December 31, 2011. The *summary of auditor's results* section of the accompanying schedule of findings identifies the City's major federal programs. 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 opine on the City's compliance based on our audit.

Our compliance audit followed auditing standards generally accepted in the United States of America; the standards applicable to financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to reasonably assure whether noncompliance occurred with the compliance requirements referred to above that could directly and materially affect a major federal program. An audit includes examining, on a test basis, evidence about the City's compliance with these 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 these requirements.

In our opinion, the City of Massillon complied, in all material respects, with the requirements referred to above that could directly and materially affect each of its major federal programs for the year ended December 31, 2011.

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, to determine our auditing procedures for the purpose of opining on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of opining on the effectiveness of internal control over compliance. Accordingly, we have not opined on the effectiveness of the City's internal control over compliance.

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

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

We noted matters involving federal compliance or internal control over federal compliance not requiring inclusion in this report, that we reported to the City's management in a separate letter dated August 24, 2012.

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping "D" and "Y".

Dave Yost
Auditor of State

August 24, 2012

CITY OF MASSILLON
STARK COUNTY

SCHEDULE OF FINDINGS
OMB CIRCULAR A -133 § .505
DECEMBER 31, 2011

1. SUMMARY OF AUDITOR'S RESULTS

<i>(d)(1)(i)</i>	Type of Financial Statement Opinion	Unqualified
<i>(d)(1)(ii)</i>	Were there any material control weaknesses reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(ii)</i>	Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?	No
<i>(d)(1)(iii)</i>	Was there any reported material noncompliance at the financial statement level (GAGAS)?	Yes
<i>(d)(1)(iv)</i>	Were there any material internal control weaknesses reported for major federal programs?	No
<i>(d)(1)(iv)</i>	Were there any significant deficiencies in internal control reported for major federal programs?	No
<i>(d)(1)(v)</i>	Type of Major Programs' Compliance Opinion	No
<i>(d)(1)(vi)</i>	Are there any reportable findings under § .510(a)?	No
<i>(d)(1)(vii)</i>	Major Programs (list):	Community Development Block Grant CFDA #14.218 and ARRA Community Development Block Grant CFDA#14.253; Highway Planning and Construction CFDA #20.205
<i>(d)(1)(viii)</i>	Dollar Threshold: Type A/B Programs	Type A: > \$ 300,000 Type B: all others
<i>(d)(1)(ix)</i>	Low Risk Auditee?	No

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

ORC Section 5705.41B

<i>Finding Number</i>	2011-001
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NONCOMPLIANCE

Ohio Rev. Code Section 5705.41(B) requires that no subdivision or taxing unit is to expend money unless it has been appropriated.

At December 31, 2011, expenditures plus outstanding encumbrances exceeded appropriation in the General Fund by \$922,458.

The City Auditor should frequently compare actual expenditures plus outstanding encumbrances to appropriations to avoid over spending.

Official's Response: We were aware of the situation and are currently trying to work towards restructuring the City's finances to cut costs and generate more revenue in the General Fund to gain stability. The City is now negotiating all union contracts, which should help to gain some financial stability with concessions from the unions.

During 2011, the City overspent available resources thereby adding stress to the deficit spending balance carried over from the previous year. This resulted in a significant negative impact on the City's General Fund. Contributing to the overspending was:

The hiring of nine (9) positions in January 2011:

No controls put into place to monitor and manage individual department spending;

No strict adherence to departmental budget management;

No meaningful cost cutting measures enacted.

These deficiencies, together with 1) a lack of any significant new revenue; 2) the contractual obligations between the City and the five unions; and 3) the reduction of local government funding; created the financial catastrophe left at year-end.

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, 2011**

Finding Number	Finding Summary	Fully Corrected?	Not Corrected, Partially Corrected; Significantly Different Corrective Action Taken; or Finding No Longer Valid; <i>Explain</i>
2010-001	24 CFR Section 85.21 – Advance drawdowns were not spent within 15 days.	Yes	Corrected

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CITY OF MASSILLON

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
OCTOBER 2, 2012