CITY OF MASSILLON
STARK COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2018

OHIO AUDITOR OF STATE
KEITH FABER

CITY OF MASSILLON
STARK COUNTY
DECEMBER 31, 2018

TABLE OF CONTENTS

CITY OF MASSILLON
STARK COUNTY
DECEMBER 31, 2018

TABLE OF CONTENTS
(Continued)

OHIO AUDITOR OF STATE
KEITH FABER

101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT

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

To the Members of Council:

Report on the Financial Statements

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for preparing and fairly presenting these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes designing, implementing, and maintaining internal control relevant to preparing and fairly presenting financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on these financial statements based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statements are free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinions.

Opinion

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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General Fund, Street Construction Fund and the Parks and Recreation Fund thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 3 to the financial statements, during 2018, the City adopted new accounting guidance in Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. We did not modify our opinion regarding this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension and other post-employment benefit liabilities and pension and other post-employment benefit contributions 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 applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

Supplementary and Other Information

Our audit was conducted to opine on the City's basic financial statements taken as a whole.

The Schedule of Expenditures of Federal Awards presents additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and is not a required part of the financial statements.

The schedules is management's responsibility, and derives from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. We subjected this information 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2019, 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. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Keith Faber
Auditor of State

Columbus, Ohio

September 27, 2019

(This Page Intentionally Left Blank)

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, 2018. 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 2018 are as follows:

- The general fund reported an end of year unencumbered cash balance of $2,788,784 (budget basis). All departments have contributed by controlling expenditures in 2018. In addition, the City was able to transfer $30,000 to the budget stabilization fund from the general fund, yielding an ending balance of $360,000 in the budget stabilization fund.

- During 2018, the City reduced hospitalization expenses by changing insurance carriers from The Health Plan (THP) to Medical Mutual of Ohio (MMO) effective August 1, 2018. Overall, there was in increase in health premiums in 2018 due to industry standard increases. However, that increase was significantly mitigated with the change to MMO.

- On May 16, 2018, the City took ownership and title of the Affinity Medical Center hospital, several health care facilities, medical equipment, furniture, and fixtures for $1 due to the fact that the former owner announced its plan to close the hospital earlier in the year. All of the assets combined were valued at $5,693,039 as a donation to the City.

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 position 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 three major governmental funds and one major proprietary fund.

Reporting the City of Massillon as a Whole

Statement of Net Position 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 2018?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources 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.

These two statements report the City's net position and the changes in net position. The change in net position 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 position and the statement of activities are divided into the following categories:

- Assets
- Deferred Outflows of Resources
- Liabilities
- Deferred Inflows of Resources
- Net Position
- Program Expenses and Revenues
- General Revenues
- Net Position Beginning of Year and End of Year

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 18. Fund financial statements 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, street construction fund, and the parks and recreation fund. An analysis of the City's major governmental funds begins on page 11.

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

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

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

The City of Massillon as a Whole

Recall that the statement of net position pictures the City as a whole. Table 1 provides a summary of the City's net position for 2018 compared to 2017.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Assets						
Current and Other Assets	$29,266,579	$22,000,316	$37,813,961	$36,695,421	$67,080,540	$58,695,737
Net Pension Asset	13,040	0	3,260	0	16,300	0
Capital Assets, Net	42,029,379	40,111,210	71,868,182	67,888,516	113,897,561	107,999,726
Total Assets	71,308,998	62,111,526	109,685,403	104,583,937	180,994,401	166,695,463
Deferred Outflows of Resources						
Deferred Charge on Refunding	215,454	243,273	0	0	215,454	243,273
Pension	4,357,414	7,219,142	451,239	980,743	4,792,837	8,199,885
OPEB	1,920,808	97,869	97,230	17,122	2,018,038	114,991
Total Deferred Outflows of Resources	6,493,676	7,560,284	548,469	997,865	7,026,329	8,558,149
Liabilities						
Current and Other Liabilities	1,741,845	1,382,975	1,153,594	1,788,098	2,895,439	3,171,073
Long-Term Liabilities:						
Due Within One Year	2,629,618	1,896,938	2,462,381	2,473,227	5,091,999	4,370,165
Due in More Than One Year:						
Net Pension Liability	23,779,766	27,531,728	1,779,591	2,544,147	25,559,357	30,075,875
Net OPEB Liability	20,164,456	17,415,758	1,195,822	1,102,351	21,360,278	18,518,109
Other Amounts	19,514,638	21,188,828	43,809,063	42,541,951	63,323,701	63,730,779
Total Liabilities	67,830,323	69,416,227	50,400,451	50,449,774	118,230,774	119,866,001
Deferred Inflows of Resources						
Property Taxes	1,720,687	1,552,712	0	0	1,720,687	1,552,712
Payment in Lieu of Taxes	478,020	267,680	0	0	478,020	267,680
Pension	2,674,595	494,552	436,165	57,665	3,094,944	552,217
OPEB	659,129	0	89,081	0	748,210	0
Total Deferred Inflows of Resources	$5,532,431	$2,314,944	$525,246	$57,665	$6,041,861	$2,372,609

(continued)

Table 1
Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Net Position						
Net Investment in Capital Assets	$24,325,481	$21,990,534	$47,177,798	$43,253,963	$71,503,279	$65,244,497
Restricted:						
Capital Projects	1,328,583	1,068,895	0	0	1,328,583	1,068,895
Debt Service	290,254	305,101	0	0	290,254	305,101
Transportation	2,524,579	2,450,266	0	0	2,524,579	2,450,266
Economic Development	541,247	611,068	0	0	541,247	611,068
Security Services	645,024	528,503	0	0	645,024	528,503
Other Purposes	920,155	794,972	0	0	920,155	794,972
Unclaimed Monies	80,066	68,011	0	0	80,066	68,011
Unrestricted (Deficit)	(26,215,469)	(29,876,711)	12,130,377	11,820,400	(14,085,092)	(18,056,311)
Total Net Position	$4,439,920	($2,059,361)	$59,308,175	$55,074,363	$63,748,095	$53,015,002

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2018, and is reported pursuant to GASB Statement 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27*. For 2018, the City adopted GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed that follow, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting the net pension asset and deferred outflows related to pension and OPEB.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's net pension liability or net OPEB liability. GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems require additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension asset, net pension liability, and net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service.
2. Minus plan assets available to pay these benefits.

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this pension promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange; however, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan as against the public employer. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained previously, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's change in net pension liability (asset) and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As a result of implementing GASB 75, the City is reporting a net OPEB liability and deferred inflows/outflows of resources related to OPEB on the accrual basis of accounting. This implementation also had the effect of restating net position at December 31, 2018, from $71,418,120 to $53,015,002.

For governmental activities, assets and net position increased, while liabilities decreased. The increase in assets was due to a large amount of assets held for resale being acquired. This was a result of the Affinity Medical Center acquisition.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. The increase in capital assets was due to large additions to construction in progress related to wastewater improvement projects. Capital assets include land, construction in progress, land improvements, buildings and improvements, vehicles, machinery and equipment, and infrastructure. Governmental activities net investment in capital assets at December 31, 2018, represent capital assets that are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Total net position for business-type activities increased in 2018 from 2017. The increase in the net position was primarily due to increases in intergovernmental receivable and nondepreciable capital assets. The intergovernmental receivable increase was related to amounts receivable from Stark County for the County's portion of debt payments for OWDA loans and the increase in nondepreciable capital assets was due to construction of the wastewater treatment plant upgrade. This was offset by an increase in loans payable due to an increase in OWDA loans owed.

Table 2 shows the changes in net position for the year ended December 31, 2018, compared to 2017.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2018	Restated 2017	2018	Restated 2017	2018	Restated 2017
Revenues						
Program Revenues:						
Charges for Services, Sales and Assessments	$6,938,501	$6,739,805	$9,910,719	$9,250,919	$16,849,220	$15,990,724
Operating Grants and Contributions	3,182,893	2,870,197	0	0	3,182,893	2,870,197
Capital Grants and Contributions	521,198	146,519	2,489,528	5,693,441	3,010,726	5,839,960
Total Program Revenues	10,642,592	9,756,521	12,400,247	14,944,360	23,042,839	24,700,881
General Revenues:						
Property Taxes	1,591,148	1,586,156	0	0	1,591,148	1,586,156
Income Taxes	21,673,574	19,868,686	0	0	21,673,574	19,868,686
Intergovernmental	954,361	777,732	0	0	954,361	777,732
Unrestricted Contributions	5,697,039	0	0	0	5,697,039	0
Gain on Sale of Capital Assets	9,453	0	0	0	9,453	0
Payment in Lieu of Taxes	497,966	414,344	0	0	497,966	414,344
Interest	349,797	157,342	0	28	349,797	157,370
Other	730,880	764,234	56,735	50,283	787,615	814,517
Total General Revenues	31,504,218	23,568,494	56,735	50,311	31,560,953	23,618,805
Total Revenues	42,146,810	33,325,015	12,456,982	14,994,671	54,603,792	48,319,686
Program Expenses						
Governmental Activities:						
General Government	9,325,503	7,535,992	0	0	9,325,503	7,535,992
Security of Persons and Property	13,428,192	10,954,168	0	0	13,428,192	10,954,168
Transportation	6,218,053	4,987,821	0	0	6,218,053	4,987,821
Public Health and Welfare	742,437	837,516	0	0	742,437	837,516
Leisure Time Activities	4,054,486	5,606,432	0	0	4,054,486	5,606,432
Basic Utility Service	36,114	30,248	0	0	36,114	30,248
Economic Development and Assistance	886,295	1,099,853	0	0	886,295	1,099,853
Urban Redevelopment and Housing	167,617	174,299	0	0	167,617	174,299
Interest and Fiscal Charges	881,036	917,112	0	0	881,036	917,112
Wastewater	0	0	8,130,966	8,329,931	8,130,966	8,329,931
Total Expenses	35,739,733	32,143,441	8,130,966	8,329,931	43,870,699	40,473,372
Increase (Decrease) in Net Position before Transfers	6,407,077	1,181,574	4,326,016	6,664,740	10,733,093	7,846,314
Transfers	92,204	0	(92,204)	0	0	0
Increase in Net Position	6,499,281	1,181,574	4,233,812	6,664,740	10,733,093	7,846,314
Net Position Beginning of Year - Restated	(2,059,361)	N/A	55,074,363	N/A	53,015,002	N/A
Net Position End of Year	$4,439,920	($2,059,361)	$59,308,175	$55,074,363	$63,748,095	$53,015,002

The information necessary to restate the 2017 beginning balances and the 2017 OPEB expense amounts for the effects of the initial implementation of GASB 75 is not available; therefore, 2017 functional expenses still include OPEB expense of $114,991 computed under GASB 45. GASB 45 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 75, OPEB expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of OPEB expense. Under GASB 75, the 2018 statements report OPEB expense of $1,731,011. Consequently, in order to compare 2018 total program expenses to 2017, the proceeding adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2018 program expenses under GASB 75	$35,739,733	$8,130,966	$43,870,699
OPEB expense under GASB 75	(1,626,034)	(104,977)	(1,731,011)
2018 contractually required contribution	41,146	2,533	43,679
Adjusted 2018 program expenses	34,154,845	8,028,522	42,183,367
Total 2017 program expenses under GASB 45	32,143,441	8,329,931	40,473,372
Increase (Decrease) in program expenses not related to OPEB	$2,011,404	($301,409)	$1,709,995

Governmental Activities

The net position of governmental activities increased in 2018 mainly due to increases in unrestricted contributions. Unrestricted contributions increased significantly related to the acquisition of Affinity Medical Center.

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 and fines and forfeitures and is presented within the general fund.

Charges for services represents revenues from community development, municipal court fees, law enforcement, parking fees, indigent drivers fees, clerk of courts fees, special assessments, and parks and recreation fees. Operating and capital grants and contributions are mainly composed 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 income tax revenue. Another primary source of general revenue is property tax revenue.

Business-Type Activities

The wastewater fund is the City's only enterprise fund. Business-type activities reported a significant increase in total net position from 2017. This increase was due to revenues continuing to outpace expenses similar to 2017, despite a decrease in capital grants and contributions related to the wastewater treatment plant upgrade project.

The City was able to take on additional debt because of cooperative agreements with Stark County to share the costs of upgrading the Wastewater Treatment Plant Facility to handle additional capacity. As a result of these agreements, the City relies on the County for approximately $1.65 million in debt service participation annually.

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. The fund balance of the general fund increased from the prior year fund balance. This increase in 2018 was due to revenues increasing at a faster pace than expenditures. Total revenues and expenditures increased from the prior year primarily due to activity related to the acquisition of Affinity Medical Center. The increase in intergovernmental revenues was related to a grant from the State for the Sippo reservoir dam project and NIP program monies.

The street construction special revenue fund had a decrease in fund balance. This was due to a significant increase in transportation costs related to street repairs.

The parks and recreation special revenue fund had an increase in fund balance. This was due to a decreases in capital outlay and debt service during the year. Debt service costs decrease as balances are paid down.

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.

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

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

Capital Assets and Debt Administration

Capital Assets

At the end of 2018, the City had $113,897,561 in capital assets (net of accumulated depreciation). Of this total, $42,029,379 was reported in governmental activities and $71,868,182 was reported in business-type activities.

For governmental activities, the increase in total capital assets was due in large part to additions for construction in progress and vehicles. For business-type activities, the increase in total capital assets was due to large investments in construction in progress during the year related to wastewater improvements. See Note 13 to the basic financial statements for detail on governmental and business-type activities capital assets.

Debt Administration

At December 31, 2018, the City had total long-term debt obligations outstanding of $65,855,129. Of this total, $4,835,496 is due within one year and $61,019,633 is due in more than one year.

All governmental long-term debt will be repaid by the general fund, parks and recreation and section 108 loan payment special revenue funds, the debt retirement debt service fund, and the tax increment financing, OPWC, income tax capital improvements, and park and recreation capital improvement capital projects funds.

All business-type long-term debt will be repaid by the wastewater enterprise fund. The OWDA loans are paid for with a combination of sewer revenues, special assessments, and participation revenues from Stark County.

At December 31, 2018, the City's overall legal debt margin was $45,192,946 with an unvoted debt margin of $17,062,689. See Notes 17 and 18 to the basic financial statements for details on the City's long-term obligations.

Current Financial Related Activities

The City continues to maintain and/or cut costs in various areas pertinent to managing a balanced budget. Health care costs were mitigated with the change in providers from THP to MMO. Income tax revenues increased due to strong collections. The City is also diligently working to find a buyer or repurpose the property at the former Affinity Medical Center that was acquired in 2018.

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.

Basic Financial Statements

City of Massillon, Ohio
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-Type Activities	Total *	
Assets				
Equity in Pooled Cash and Cash Equivalents	$12,473,335	$12,243,897	$24,717,232	
Cash and Cash Equivalents:				
In Segregated Accounts	152,580	0	152,580	
With Fiscal Agents	996,977	0	996,977	
Materials and Supplies Inventory	166,762	900	167,662	
Accrued Interest Receivable	1,525	0	1,525	
Accounts Receivable	964,911	3,051,132	4,016,043	
Intergovernmental Receivable	1,404,108	22,477,552	23,881,660	
Prepaid Items	316,800	40,480	357,280	
Income Taxes Receivable	4,821,257	0	4,821,257	
Property Taxes Receivable	1,973,884	0	1,973,884	
Payment in Lieu of Taxes Receivable	478,020	0	478,020	
Assets Held for Resale	5,516,420	0	5,516,420	
Net Pension Asset	13,040	3,260	16,300	
Nondepreciable Capital Assets	12,570,149	34,602,533	47,172,682	
Depreciable Capital Assets, Net	29,459,230	37,265,649	66,724,879	
Total Assets	71,308,998	109,685,403	180,994,401	
Deferred Outflows of Resources				
Deferred Charge on Refunding	215,454	0	215,454	
Pension	4,357,414	451,239	4,792,837	*
OPEB	1,920,808	97,230	2,018,038	
Total Deferred Outflows of Resources	6,493,676	548,469	7,026,329	
Liabilities				
Accounts Payable	424,172	155,336	579,508	
Accrued Wages	298,964	36,191	335,155	
Contracts Payable	545,453	739,619	1,285,072	
Intergovernmental Payable	319,317	24,945	344,262	
Retainage Payable	0	192,617	192,617	
Accrued Interest Payable	98,610	4,886	103,496	
Unearned Revenue	55,329	0	55,329	
Long-Term Liabilities:				
Due Within One Year	2,629,618	2,462,381	5,091,999	
Due in More Than One Year:				
Net Pension Liability (See Note 15)	23,779,766	1,779,591	25,559,357	
Net OPEB Liability (See Note 16)	20,164,456	1,195,822	21,360,278	
Other Amounts	19,514,638	43,809,063	63,323,701	
Total Liabilities	67,830,323	50,400,451	118,230,774	
Deferred Inflows of Resources				
Property Taxes	1,720,687	0	1,720,687	
Payment in Lieu of Taxes	478,020	0	478,020	
Pension	2,674,595	436,165	3,094,944	*
OPEB	659,129	89,081	748,210	
Total Deferred Inflows of Resources	5,532,431	525,246	6,041,861	
Net Position				
Net Investment in Capital Assets	24,325,481	47,177,798	71,503,279	
Restricted for:				
Capital Projects	1,328,583	0	1,328,583	
Debt Service	290,254	0	290,254	
Transportation	2,524,579	0	2,524,579	
Economic Development	541,247	0	541,247	
Security Services	645,024	0	645,024	
Other Purposes	920,155	0	920,155	
Unclaimed Monies	80,066	0	80,066	
Unrestricted (Deficit)	(26,215,469)	12,130,377	(14,085,092)	
Total Net Position	$4,439,920	$59,308,175	$63,748,095	

* After deferred outflows of resources and deferred inflows of resources related to the change in internal proportionate share of pension-related items have been eliminated.

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Statement of Activities
For the Year Ended December 31, 2018

		Program Revenues		
	Expenses	Charges for Services, Sales and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	$9,325,503	$2,221,918	$44,151	$0
Security of Persons and Property	13,428,192	2,050,211	53,568	166,779
Transportation	6,218,053	400,096	2,069,769	276,475
Public Health and Welfare	742,437	207,922	150,074	0
Leisure Time Activities	4,054,486	2,022,941	87,206	77,944
Basic Utility Service	36,114	0	34,429	0
Economic Development and Assistance	886,295	10,628	634,862	0
Urban Redevelopment and Housing	167,617	24,785	108,834	0
Interest and Fiscal Charges	881,036	0	0	0
Total Governmental Activities	35,739,733	6,938,501	3,182,893	521,198
Business-Type Activities:				
Wastewater	8,130,966	9,910,719	0	2,489,528
Total	$43,870,699	$16,849,220	$3,182,893	$3,010,726

General Revenues:
Property Taxes Levied for:
General Purposes
Police and Fire Pension
Income Tax Levied for:
General Purposes
Transportation
Debt Services
Capital Improvements
Leisure Time Activities
Grants and Entitlements not Restricted to Specific Programs
Unrestricted Contributions
Gain on Sale of Capital Asset
Payment in Lieu of Taxes
Interest
Other

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position Beginning of Year - Restated (See Note 3)

Net Position End of Year

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
($7,059,434)	$0	($7,059,434)
(11,157,634)	0	(11,157,634)
(3,471,713)	0	(3,471,713)
(384,441)	0	(384,441)
(1,866,395)	0	(1,866,395)
(1,685)	0	(1,685)
(240,805)	0	(240,805)
(33,998)	0	(33,998)
(881,036)	0	(881,036)
(25,097,141)	0	(25,097,141)
0	4,269,281	4,269,281
(25,097,141)	4,269,281	(20,827,860)
1,286,763	0	1,286,763
304,385	0	304,385
15,554,513	0	15,554,513
2,165,351	0	2,165,351
1,323,953	0	1,323,953
976,240	0	976,240
1,653,517	0	1,653,517
954,361	0	954,361
5,697,039	0	5,697,039
9,453	0	9,453
497,966	0	497,966
349,797	0	349,797
730,880	56,735	787,615
31,504,218	56,735	31,560,953
92,204	(92,204)	0
31,596,422	(35,469)	31,560,953
6,499,281	4,233,812	10,733,093
(2,059,361)	55,074,363	53,015,002
$4,439,920	$59,308,175	$63,748,095

City of Massillon, Ohio

Balance Sheet

Governmental Funds

December 31, 2018

	General	Street Construction	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$4,323,286	$792,193	$1,264,028	$5,775,200	$12,154,707
Cash and Cash Equivalents:					
In Segregated Accounts	95,260	0	0	57,320	152,580
With Fiscal Agents	0	0	0	996,977	996,977
Materials and Supplies Inventory	140,182	0	26,580	0	166,762
Accrued Interest Receivable	1,525	0	0	0	1,525
Accounts Receivable	200,038	225,027	0	539,846	964,911
Intergovernmental Receivable	445,598	610,349	11,135	337,026	1,404,108
Prepaid Items	250,989	21,865	31,905	12,041	316,800
Income Taxes Receivable	3,435,146	482,126	376,058	527,927	4,821,257
Property Taxes Receivable	1,592,562	0	0	381,322	1,973,884
Payment in Lieu of Taxes Receivable	0	0	0	478,020	478,020
Assets Held for Resale	5,516,420	0	0	0	5,516,420
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	80,066	0	0	0	80,066
Total Assets	$16,081,072	$2,131,560	$1,709,706	$9,105,679	$29,028,017
Liabilities					
Accounts Payable	$297,796	$50,661	$41,211	$34,504	$424,172
Accrued Wages	244,865	18,484	24,108	11,507	298,964
Contracts Payable	362,698	0	0	182,755	545,453
Intergovernmental Payable	118,556	13,584	18,364	168,813	319,317
Unearned Revenue	0	0	55,329	0	55,329
Total Liabilities	1,023,915	82,729	139,012	397,579	1,643,235
Deferred Inflows of Resources					
Property Taxes	1,388,005	0	0	332,682	1,720,687
Payment in Lieu of Taxes	0	0	0	478,020	478,020
Unavailable Revenues	2,623,341	918,507	234,059	1,091,750	4,867,657
Total Deferred Inflows of Resources	4,011,346	918,507	234,059	1,902,452	7,066,364
Fund Balances					
Nonspendable	5,987,657	21,865	58,485	12,041	6,080,048
Restricted	0	1,108,459	0	4,591,810	5,700,269
Committed	0	0	1,278,150	2,178,780	3,456,930
Assigned	1,514,790	0	0	158,410	1,673,200
Unassigned (Deficit)	3,543,364	0	0	(135,393)	3,407,971
Total Fund Balances	11,045,811	1,130,324	1,336,635	6,805,648	20,318,418
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$16,081,072	$2,131,560	$1,709,706	$9,105,679	$29,028,017

See accompanying notes to the basic financial statements

City of Massillon, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2018

Total Governmental Fund Balances		$20,318,418
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		42,029,379
Other long-term assets are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds:		
Delinquent Property Taxes	253,197	
Income Taxes	2,858,005	
Intergovernmental	817,361	
Charges for Services	839,349	
Other	99,745	
Total		4,867,657
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		161,097
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(98,610)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(15,233,361)	
Loans Payable	(2,589,997)	
Police and Fire Pension	(1,092,772)	
Judgments	(140,000)	
Capital Leases	(846,051)	
Compensated Absences	(2,164,610)	
Total		(22,066,791)
Deferred charges on refunding related to the issuance of long-term refunding debt will be amortized over the life of the debt on the statement of net position.		215,454
The net pension asset and net pension/OPEB liability are not due and payable in the current period; therefore, the asset, liability and related deferred inflows/outflows are not reported in the funds:		
Net Pension Asset	13,040	
Deferred Outflows - Pension	4,357,414	
Deferred Outflows - OPEB	1,920,808	
Net Pension Liability	(23,779,766)	
Net OPEB Liability	(20,164,456)	
Deferred Inflows - Pension	(2,674,595)	
Deferred Inflows - OPEB	(659,129)	
Total		(40,986,684)
Net Position of Governmental Activities		$4,439,920

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, 2018

	General	Street Construction	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	$1,312,807	$0	$0	$301,290	$1,614,097
Income Taxes	14,643,319	2,030,357	1,549,718	2,144,533	20,367,927
Payment in Lieu of Taxes	1,239	0	0	496,727	497,966
Intergovernmental	1,114,334	1,296,843	77,944	1,703,820	4,192,941
Interest	349,797	0	0	0	349,797
Licenses and Permits	751,402	0	29,378	74,202	854,982
Fines and Forfeitures	1,315,221	0	0	796,839	2,112,060
Charges for Services	1,607,208	0	1,973,301	273,564	3,854,073
Rent	107,276	0	0	0	107,276
Contributions and Donations	5,684,139	0	0	440,586	6,124,725
Other	495,793	18,446	55,952	60,944	631,135
Total Revenues	27,382,535	3,345,646	3,686,293	6,292,505	40,706,979
Expenditures					
Current:					
General Government	8,411,082	0	0	537,780	8,948,862
Security of Persons and Property	10,599,412	0	0	1,410,225	12,009,637
Transportation	2,189,592	3,435,694	0	438,836	6,064,122
Public Health and Welfare	359,077	0	0	320,669	679,746
Leisure Time Activities	0	0	3,301,931	101,903	3,403,834
Basic Utility Service	0	0	0	36,114	36,114
Economic Development and Assistance	77,576	0	0	739,882	817,458
Urban Redevelopment and Housing	0	0	0	167,617	167,617
Capital Outlay	0	0	0	1,924,194	1,924,194
Debt Service:					
Principal Retirement	46,578	0	20,059	1,550,250	1,616,887
Interest and Fiscal Charges	47,913	0	1,637	770,271	819,821
Capital Appreciation Bonds Interest	0	0	0	84,193	84,193
Total Expenditures	21,731,230	3,435,694	3,323,627	8,081,934	36,572,485
Excess of Revenues Over (Under) Expenditures	5,651,305	(90,048)	362,666	(1,789,429)	4,134,494
Other Financing Sources (Uses)					
Proceeds from the Sale of Capital Assets	0	0	0	9,453	9,453
Inception of Capital Lease	0	0	0	982,500	982,500
Transfers In	0	0	0	1,486,669	1,486,669
Transfers Out	(1,567,388)	0	0	(54,281)	(1,621,669)
Total Other Financing Sources (Uses)	(1,567,388)	0	0	2,424,341	856,953
Net Change in Fund Balances	4,083,917	(90,048)	362,666	634,912	4,991,447
Fund Balances Beginning of Year	6,961,894	1,220,372	973,969	6,170,736	15,326,971
Fund Balances End of Year	$11,045,811	$1,130,324	$1,336,635	$6,805,648	$20,318,418

See accompanying notes to the basic financial statements

City of Massillon, Ohio

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

For the Year Ended December 31, 2018

Net Change in Fund Balances - Total Governmental Funds		$4,991,447
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:		
Capital Asset Additions	4,248,657	
Current Year Depreciation	(2,330,488)	
Total		1,918,169
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	(22,949)	
Income Taxes	1,305,647	
Intergovernmental	24,925	
Charges for Services	10,110	
Other	99,745	
Total		1,417,478
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position, such as inception of capital lease, are not reported as revenues in the statement of activities.		(982,500)
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 position.		1,701,080
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 the governmental funds:		
Accrued Interest	(14,847)	
Amortization of Deferred Charges	(27,819)	
Bond Accretion	(11,168)	
Amortization of Discount	(7,381)	
Total		(61,215)
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 the governmental funds:		
Compensated Absences	149,482	
Judgment Payable	70,000	
Total		219,482
The change in net position of the internal service fund is reported with governmental activities in the statement of activities.		156,997
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	2,207,983	
OPEB	41,146	
Total		2,249,129
Except for amounts reported as deferred inflows/outflows, changes in the net pension/OPEB asset or liability are reported as pension/OPEB expense in the statement of activities:		
Pension	(3,484,752)	
OPEB	(1,626,034)	
Total		(5,110,786)
Change in Net Position of Governmental Activities		$6,499,281

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$1,246,478	$1,312,481	$1,312,481	$0
Income Taxes	13,909,046	14,665,444	14,665,444	0
Payments in the Lieu of Taxes	1,177	1,239	1,239	0
Intergovernmental	1,033,854	1,088,598	1,088,598	0
Interest	312,795	329,358	329,358	0
Licenses and Permits	706,116	743,506	743,506	0
Fines and Forfeitures	1,235,960	1,301,406	1,301,406	0
Charges for Services	1,512,702	1,592,802	1,592,802	0
Rent	101,881	107,276	107,276	0
Contributions and Donations	3,799	4,000	4,000	0
Other	472,850	499,302	499,302	0
Total Revenues	20,536,658	21,645,412	21,645,412	0
Expenditures				
Current:				
General Government	7,268,761	8,883,239	8,511,817	371,422
Security of Persons and Property	10,187,952	11,218,699	11,036,842	181,857
Transportation	1,919,622	2,824,110	2,683,161	140,949
Public Health and Welfare	372,333	371,251	366,310	4,941
Economic Development and Assistance	79,043	79,128	78,846	282
Total Expenditures	19,827,711	23,376,427	22,676,976	699,451
Excess of Revenues Over (Under) Expenditures	708,947	(1,731,015)	(1,031,564)	699,451
Other Financing Sources (Uses)				
Proceeds from the Sale of Assets Held for Resale	155,486	163,719	163,719	0
Insurance Proceeds	26,728	26,728	26,728	0
Transfers Out	(1,617,249)	(1,601,293)	(1,597,388)	3,905
Total Other Financing Sources (Uses)	(1,435,035)	(1,410,846)	(1,406,941)	3,905
Net Change in Fund Balance	(726,088)	(3,141,861)	(2,438,505)	703,356
Fund Balance Beginning of Year	4,386,421	4,386,421	4,386,421	0
Prior Year Encumbrances Appropriated	840,868	840,868	840,868	0
Fund Balance End of Year	$4,501,201	$2,085,428	$2,788,784	$703,356

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
Street Construction Fund
For the Year Ended December 31, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Income Taxes	$1,899,165	$2,031,385	$2,031,385	$0
Intergovernmental	1,225,614	1,308,415	1,308,415	0
Other	17,279	18,446	18,446	0
Total Revenues	3,142,058	3,358,246	3,358,246	0
Expenditures				
Current:				
Transportation	3,275,609	3,841,349	3,751,303	90,046
Net Change in Fund Balance	(133,551)	(483,103)	(393,057)	90,046
Fund Balance Beginning of Year	711,705	711,705	711,705	0
Prior Year Encumbrances Appropriated	133,551	133,551	133,551	0
Fund Balance End of Year	$711,705	$362,153	$452,199	$90,046

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, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Income Taxes	$1,524,151	$1,550,519	$1,550,519	$0
Intergovernmental	76,683	77,944	77,944	0
Licenses and Permits	28,903	29,378	29,378	0
Charges for Services	1,885,292	1,916,302	1,916,302	0
Other	55,046	55,952	55,952	0
Total Revenues	3,570,075	3,630,095	3,630,095	0
Expenditures				
Current:				
Leisure Time Activities	3,298,674	3,742,374	3,418,704	323,670
Net Change in Fund Balance	271,401	(112,279)	211,391	323,670
Fund Balance Beginning of Year	859,225	859,225	859,225	0
Prior Year Encumbrances Appropriated	102,424	102,424	102,424	0
Fund Balance End of Year	$1,233,050	$849,370	$1,173,040	$323,670

See accompanying notes to the basic financial statements

City of Massillon, Ohio

Statement of Fund Net Position
Proprietary Funds
December 31, 2018

	Wastewater	Governmental Activities - Internal Service
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$12,243,897	$238,562
Accounts Receivable	3,051,132	0
Intergovernmental Receivable	22,477,552	0
Materials and Supplies Inventory	900	0
Prepaid Items	40,480	0
Total Current Assets	37,813,961	238,562
Non-Current Assets:		
Net Pension Asset	3,260	0
Nondepreciable Capital Assets	34,602,533	0
Depreciable Capital Assets, Net	37,265,649	0
Total Non-Current Assets	71,871,442	0
Total Assets	109,685,403	238,562
Deferred Outflows of Resources		
Pension	451,239	0
OPEB	97,230	0
Total Deferred Outflows of Resources	548,469	0
Liabilities		
Current Liabilities:		
Accounts Payable	155,336	0
Accrued Wages	36,191	0
Contracts Payable	739,619	0
Intergovernmental Payable	24,945	0
Retainage Payable	192,617	0
Accrued Interest Payable	4,886	0
Compensated Absences Payable	5,045	0
Loans Payable	2,393,661	0
Capital Leases Payable	63,675	0
Claims Payable	0	52,455
Total Current Liabilities	3,615,975	52,455
Long-Term Liabilities (net of current portion):		
Compensated Absences Payable	313,451	0
Loans Payable	43,361,889	0
Capital Leases Payable	133,723	0
Claims Payable	0	25,010
Net Pension Liability	1,779,591	0
Net OPEB Liability	1,195,822	0
Total Long-Term Liabilities	46,784,476	25,010
Total Liabilities	50,400,451	77,465
Deferred Inflows of Resources		
Pension	436,165	0
OPEB	89,081	0
Total Deferred Inflows of Resources	525,246	0
Net Position		
Net Investment in Capital Assets	47,177,798	0
Unrestricted	12,130,377	161,097
Total Net Position	$59,308,175	$161,097

See accompanying notes to the basic financial statements

City of Massillon, Ohio

Statement of Revenues,
Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2018

	Wastewater	Governmental Activities - Internal Service
Operating Revenues		
Charges for Services	$9,910,719	$0
Special Assessments	12,126	0
Other	56,735	0
Total Operating Revenues	9,979,580	0
Operating Expenses		
Personal Services	1,632,213	0
Fringe Benefits	1,075,801	0
Contractual Services	2,772,488	0
Materials and Supplies	735,805	0
Depreciation	1,621,334	0
Change in Workers' Compensation Estimate	0	(21,997)
Refunds	15,034	0
Total Operating Expenses	7,852,675	(21,997)
Operating Income	2,126,905	21,997
Non-Operating Expenses		
Interest and Fiscal Charges	(278,291)	0
Loss on Disposal of Capital Assets	(92,204)	0
Total Non-Operating Expenses	(370,495)	0
Income before Contributions and Transfers	1,756,410	21,997
Capital Contributions	2,477,402	0
Transfers In	0	135,000
Total Transfers and Contributions	2,477,402	135,000
Change in Net Position	4,233,812	156,997
Net Position Beginning of Year - Restated (See Note 3)	55,074,363	4,100
Net Position End of Year	$59,308,175	$161,097

See accompanying notes to the basic financial statements

City of Massillon, Ohio

Statement of Cash Flows

Proprietary Funds

For the Year Ended December 31, 2018

	Wastewater	Governmental Activities - Internal Service
Increase in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	$9,655,405	$0
Cash Received from Other Operating Sources	57,184	0
Cash Payments for Employee Services and Benefits	(2,474,021)	0
Cash Payments to Suppliers for Goods and Services	(3,786,391)	0
Net Cash Provided by Operating Activities	3,452,177	0
Cash Flows from Noncapital Financing Activities		
Transfers In	0	135,000
Cash Flows from Capital and Related Financing Activities		
Capital Contributions	1,651,653	0
OWDA Loans Issued	5,505,721	0
Payments for Capital Acquisitions	(6,069,652)	0
Principal Paid on Loans	(4,141,813)	0
Interest Paid on Loans	(270,433)	0
Principal Paid on Capital Leases	(105,880)	0
Interest Paid on Capital Leases	(9,614)	0
Net Cash Used for Capital and Related Financing Activities	(3,440,018)	0
Net Increase in Cash and Cash Equivalents	12,159	135,000
Cash and Cash Equivalents Beginning of Year	12,231,738	103,562
Cash and Cash Equivalents End of Year	$12,243,897	$238,562

(continued)

Reconciliation of Operating Income to Net Cash Provided by Operating Activities

Operating Income	$2,126,905	$21,997
Adjustments:		
Depreciation	1,621,334	0
(Increase) Decrease in Assets and Deferred Outflows:		
Accounts Receivable	(372,062)	0
Intergovernmental Receivable	107,076	0
Materials and Supplies Inventory	1,330	0
Prepaid Items	(16,976)	0
Net Pension Asset	(2,991)	0
Deferred Outflows - Pension	328,366	0
Deferred Outflows - OPEB	59,864	0
Increase (Decrease) in Liabilities and Deferred Inflows:		
Accounts Payable	(166,448)	0
Accrued Wages	4,543	0
Contracts Payable	(96,954)	0
Intergovernmental Payable	2,559	0
Compensated Absences Payable	(1,762)	0
Claims Payable	0	(21,997)
Net Pension Liability	38,705	0
Net OPEB Liability	64,850	0
Deferred Inflows - Pension	(223,892)	0
Deferred Inflows - OPEB	(22,270)	0
Net Cash Provided by Operating Activities	$3,452,177	$0

Noncash Capital Financing Activities:
At December 31, 2017, the City had an intergovernmental receivable related to capital contributions of $21,369,051 in the wastewater fund.

At December 31, 2018, the City had an intergovernmental receivable related to capital contributions of $22,194,800 in the wastewater fund.

During 2018, land improvements with a book value of $92,204 were transferred from the wastewater enterprise fund to governmental activities. This amount is included in loss on disposal of capital assets.

At December 31, 2017, the City had contracts payable and retainage payable related to the acquisition of capital assets of $1,035,562 and $273,122, respectively, in the wastewater fund.

At December 31, 2018, the City had contracts payable and retainage payable related to the acquisition of capital assets of $739,619 and $192,617, respectively, in the wastewater fund.

See accompanying notes to the basic financial statements

City of Massillon, Ohio

Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2018

Assets	
Equity in Pooled Cash and Cash Equivalents	$371,232
Cash and Cash Equivalents in Segregated Accounts	124,628
Intergovernmental Receivable	28,870
Property Taxes Receivable	592,965
Total Assets	$1,117,695
Liabilities	
Undistributed Monies	$64,335
Due to Other Governments	746,463
Deposits Held and Due to Others	306,897
Total Liabilities	$1,117,695

See accompanying notes to the basic financial statements

(This Page Intentionally Left Blank)

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 32,342 inhabitants, covering 19.391 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 composed 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 utility, 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 that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. 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.

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 more significant of the City's accounting policies are described as follows.

Basis of Presentation

The City's basic financial statements consist of government-wide statements, including a statement of net position 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 position 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 statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

The statement of net position 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. 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 deferred outflows of resources and liabilities and deferred inflows of resources 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.
>
> ***Street Construction Fund*** The street construction fund accounts for and reports restricted revenue from income tax and state monies which are used to support transportation costs.
>
> ***Parks and Recreation Fund*** The parks and recreation fund accounts for and reports committed 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, committed or assigned to a particular purpose.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, 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 is the City's major enterprise fund:

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

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 workers' compensation claims. For additional information, see Note 9.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. 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, deposits held for the repair of fire damaged structures, and for COBRA payments made on behalf of former employees.

Measurement Focus

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

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 and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. 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, in the recording of deferred outflows/inflows of resources, 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, payments in lieu of 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 and payments in lieu of taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Unearned Revenue Unearned revenue represents amounts under the accrual and modified accrual basis of accounting for which asset recognition criteria have been met, but for which revenue recognition criteria have not yet been met because the amounts have not yet been earned. The City recognizes unearned revenue for prepaid recreation center memberships with membership periods that extend beyond the fiscal year end.

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for a deferred charge on refunding, pension, and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 15 and 16.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, OPEB, and unavailable revenue. Property taxes and payment in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2018, but which were levied to finance 2019 operations.

These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants, and charges for services. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 19. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 15 and 16).

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

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

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 and cash equivalents in segregated accounts” in the financial statements. The City had investments limited to repurchase agreements, reported at cost, during the year.

The City utilizes a financial institution to service the Section 108 HUD loan as principal and interest payments come due. The balance in this account is presented as “cash and cash equivalents with fiscal agents.”

Interest revenue credited to the general fund during 2018 amounted to $349,797, $290,106 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 cost on a first-in, first-out basis and are expended/expensed when used. Inventory consists of expendable supplies held for consumption.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2018, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

Assets Held for Resale

Assets held for resale represent hospital land, buildings and equipment which will be sold.

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 position 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 position 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 acquisition values as of the date received. The City maintains a capitalization threshold of five thousand dollars. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction of proprietary fund capital assets is also capitalized.

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

Description	Estimated Useful Life
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.

Deferred Charge on Refunding

On the government-wide financial statements, the difference between the reacquisition price (funds required to refund the old debt) and the net carrying amount of the old debt, the gain/loss on the refunding, is being amortized as a component of interest expense. This deferred amount is amortized over the life of the old or new debt, whichever is shorter, using the effective interest method and is presented as deferred outflows of resources on the statement of net position.

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 financing uses in the year the bonds are issued.

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 position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

Deferred inflows of resources and deferred outflows of resources from the change in internal proportionate share related to pension items are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position.

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.

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension/OPEB plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB plans report investments at fair value.

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 judgment 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, loans, and capital leases are recognized as a liability on the governmental fund financial statements when due. Net pension/OPEB liabilities should be recognized in the governmental funds to the extent that benefit payments are due and payable and the pension/OPEB plans' fiduciary net position is not sufficient for payment of those benefits.

Fund Balance

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.

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 the highest level formal action (ordinance or resolution, as both are equally legally binding) 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, as both are legally binding) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, the 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 is 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. These amounts are assigned by City Council. 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. State statute authorizes the City Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

City Council assigned fund balance to cover a gap between estimated revenue and appropriations for 2019 operations. City Council also assigned fund balance for parking enforcement and for community and economic development.

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 Position

Net position represents the difference between all other elements in the statement of net position. Net investment in capital assets 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 position 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 position restricted for other purposes includes funds for federal emergency grant programs, police law enforcement, enforcement and education programs, and fire prevention and awareness programs.

The City applies restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net position 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. 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 and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

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.

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 – Changes in Accounting Principles and Restatement of Net Position

For 2018, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 85, *Omnibus* 2017, Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, and related guidance from (GASB) Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*.

For 2018, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2017-1*. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 85 addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits (OPEB)). These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position/fund balance.

GASB 89 establishes accounting requirements for interest cost incurred before the end of a construction period. These changes were incorporated in the City's 2018 financial statements; however, there was no effect on beginning net position.

GASB 75 established standards for measuring and recognizing postemployment benefit liabilities, deferred outflows of resources, deferred inflows of resources and expense/expenditure. The implementation of this pronouncement had the following effect on net position as reported December 31, 2017:

	Governmental Activities	Business - Type Activities	Total
Net Position December 31, 2017	$15,258,528	$56,159,592	$71,418,120
Adjustments:			
Net OPEB Liability	(17,415,758)	(1,102,351)	(18,518,109)
Deferred Outflow - Payments Subsequent to Measurement Date	97,869	17,122	114,991
Restated Net Position December 31, 2017	($2,059,361)	$55,074,363	$53,015,002

	Wastewater
Net Position December 31, 2017	$56,159,592
Adjustments:	
Net OPEB Liability	(1,102,351)
Deferred Outflow - Payments Subsequent to Measurement Date	17,122
Restated Net Position December 31, 2017	$55,074,363

Other than employer contributions subsequent to the measurement date, the City made no restatement for deferred inflows/outflows of resources as the information needed to generate these restatements was not available.

Note 4 – Accountability

As of December 31, 2018, the following funds had deficit fund balances:

	Amount
Special Revenue:	
Community Development	$5,935
Police Pension	49,247
Fire Pension	68,611
Home Health Services	5,062

The deficits in the special revenue funds were the result of the application of generally accepted accounting principles. The general fund provides transfers to cover deficit balances in other funds; however, this is done when cash is needed rather than when accruals occur.

Note 5 – Budgetary Basis of Accounting

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

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

1. Revenues and other financing sources are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).

2. Unrecorded cash represents amounts received but not included as revenue on the budget basis operating statements. These amounts are included as revenue on the GAAP basis operating statement.

3. Expenditures and other financing uses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).

4. Budgetary revenues and expenditures of the budget stabilization, parking enforcement, special, and enterprise zone funds are reclassified to the general fund for GAAP reporting.

5. Encumbrances are treated as expenditures (budget) rather than restricted, committed, or assigned fund balance (GAAP).

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

Net Change in Fund Balance

	General	Street Construction	Parks and Recreation
GAAP Basis	$4,083,917	($90,048)	$362,666
Adjustment for Revenue Accruals	(5,508,038)	12,600	(56,198)
Beginning Unrecorded Cash	12,030	0	0
Ending Unrecorded Cash	(39,478)	0	0
Adjustment for Expenditure Accruals	232,806	24,385	(4,089)
Perspective Differences:			
Budget Stabilization	(30,000)	0	0
Parking Enforcement	(6,350)	0	0
Special	(1,840)	0	0
Enterprise Zone	(3,000)	0	0
Adjustment for Encumbrances	(1,178,552)	(339,994)	(90,988)
Budget Basis	($2,438,505)	($393,057)	$211,391

Note 6 – Deposits

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

Active monies are public monies determined to be necessary to meet current demands upon the City treasury. Active monies must be maintained either as cash in the City treasury, in commercial accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts, or in money market deposit accounts.

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

Interim deposits are deposits of interim monies. Interim monies are those monies which are not needed for immediate use but which will be needed before the end of the current period of designation of depositories. Interim deposits must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit or by savings or deposit accounts, including passbook accounts.

Interim monies held by the City can be deposited or invested in the following securities:

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal and interest by the United States;

2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, and Government National Mortgage Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;

3. No-load money market mutual funds consisting exclusively of obligations described in (1) or (2) and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions;

4. Time certificates of deposit or savings or deposit accounts including, but not limited to, passbook accounts;

5. Bonds and other obligations of the State of Ohio, and, with certain limitations, bonds and other obligations of political subdivisions of the State of Ohio;

6. The State Treasurer's investment pool (STAR Ohio);

7. Certain bankers' acceptances and commercial paper notes for a period not to exceed one hundred eighty days in an amount not to exceed 40 percent of the interim monies available for investment at any one time if training requirements have been met; and

8. Written repurchase agreements in the securities described in (1) or (2) provided the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and the term of the agreement must not exceed thirty days.

The City has passed an ordinance allowing the City to invest 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. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

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 December 31, 2018, $54,258 of the City's total bank balance of $28,312,707 was exposed to custodial credit risk because those deposits were uninsured and uncollateralized. One of the City's financial institutions participates in the Ohio Pooled Collateral System (OPCS) and was approved for a reduced collateral floor of 50 percent resulting in the uninsured and uncollateralized balance.

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 the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured; or
>
> Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

Note 7 – Receivables

Receivables at December 31, 2018, 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. Property taxes, although ultimately collectible, include some portion 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 2018 for real and public utility property taxes represents collections of 2017 taxes.

2018 real property taxes were levied after October 1, 2018, on the assessed value as of January 1, 2018, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2018 real property taxes are collected in and intended to finance 2019.

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. 2018 public utility property taxes which became a lien December 31, 2017, are levied after October 1, 2018, and are collected in 2019 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2018, was $4.70 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2018 property tax receipts were based are as follows:

Category	Assessed Values
Real Estate	
Residential/Agricultural	$346,292,770
Other Real Estate	187,674,410
Tangible Personal Property	
Public Utility	28,637,950
Total	$562,605,130

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, 2018, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2018 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Municipal Income Taxes

The City levies and collects an income tax of 2 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 90 percent of the tax paid to another municipality, not to exceed 2 percent of taxable income. 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, 71 percent, income tax capital improvements fund, 4 percent, street construction fund, 10 percent, and parks and recreation fund, 15 percent. The parks and recreation fund also allocates income tax revenues to the parks and recreation debt service bond retirement and capital improvement funds as needed.

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 and may therefore spread the costs of the improvements to a larger number of property owners.

Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
Gasoline Tax	$541,358
Local Government	229,521
Ohio Department of Transportation	120,322
MRF Levy Fees	117,341
Motor Vehicle License Tax	111,489
Homestead and Rollback	101,328
Workers' Compensation Refund	99,744
Prisoner Transport	34,191
District Share of Court Costs	15,605
WIC Reimbursements	12,051
Domestic Violence Grant	11,268
Recycling Grant	9,299
Other	591
Total	$1,404,108
Business-Type Activities:	
Wastewater	
Stark County - Loan Commitment	$22,194,800
Stark County - Maintenance Share	271,075
Workers' Compensation Refund	11,677
Total	$22,477,552

In 2001, the City of Massillon entered into a contractual agreement with Stark County for the expansion of the wastewater treatment plant. The County is responsible for 50 percent of the total loan commitment. In 2012, the City of Massillon entered into a contractual agreement with Stark County for the nutrient removal upgrade project for the wastewater treatment plant. The County is responsible for 46.47 percent of the total loan commitment. The total amount owed to the City due to both agreements as of December 31, 2018, is $22,194,800. The City owns and maintains the asset. The County is paying for the use of the asset. This amount has been recorded on the City's books as an asset in "intergovernmental receivable." The asset is recorded in the wastewater enterprise fund.

Note 8 – Tax Abatements

As of December 31, 2018, the City provides tax abatements through two programs: The Community Reinvestment Area (CRA) Tax Abatements and Enterprise Zone Tax Exemptions.

Community Reinvestment Area (CRA)

Pursuant to Ohio Revised Code Chapter 5709, the City established a CRA to provide property tax abatements to encourage the construction of new structures. Abatements are obtained through application by the property owner, including proof that the improvements have been made, and equal 50 to 100 percent of the additional property tax resulting from the increase in assessed value as a result of the improvement. The amount of the abatement is deducted from the recipient's tax bill. The CRA agreements have recapture provisions which include possible termination, modification, or repayment.

Enterprise Zone Tax Exemptions

Pursuant to Ohio Revised Code Chapter 5709, the City established an Enterprise Zone to provide property tax abatements to encourage building expansion, new construction, job retention, and job creation. Abatements are obtained through application by the property owner, including proof that the improvements have been made, and equal 50 to 75 percent of the additional property tax resulting from the increase in assessed value as a result of the improvement. The amount of the abatement is deducted from the recipient's tax bill. The Enterprise Zone Tax Exemptions agreements have recapture provisions which include possible termination, modification, or repayment.

Tax Abatement Program	Amount of 2018 Taxes Abated
Community Reinvestment Area (CRA):	
Massillon Senior	$6,076
Midwest Health	577
Enterprise Zone Tax Exemptions:	
Case Farms	2,809
Shearer's Foods	2,149
Quest Automotive	1,171

Note 9 – Risk Management

The City is exposed to various risks of property and casualty losses, and injuries to employees.

Property and Liability

The City belongs to the Public Entities Pool of Ohio (PEP), a risk-sharing pool available to Ohio local governments. PEP provides property and casualty coverage for its members. York Risk Pooling Services, Inc. (York), functions as the administrator of PEP and provides underwriting, claims, loss control, risk management, and reinsurance services for PEP. PEP is a member of the American Public Entity Excess Pool (APEEP), which is administered by York. Member governments pay annual contributions to fund PEP. PEP pays judgments, settlements and other expenses resulting from covered claims that exceed the members' deductibles.

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. (At December 31, 2018, the Pool retained $500,000 for casualty claims and $250,000 for property claims). The Board of Directors and York periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain. There has been no significant reduction in coverage from last year.

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

Financial Position

PEP's financial statements (For which an independent audit is still ongoing) conform to generally accepted accounting principles, and preliminarily show the following assets, liabilities and net position at December 31, 2018 and 2017:

Casualty and Property Coverage	2018	2017
Assets	$49,921,998	$44,452,326
Liabilities	14,676,199	13,004,011
Net Position - Unrestricted	$35,245,799	$31,448,315

At December 31, 2018 and 2017, the liabilities above include unknown amounts of estimated incurred claims payable. The casualty coverage assets and net position above include approximately $11.8 million and $11.2 million of unpaid claims to be billed to approximately 538 member governments in the future, as of December 31, 2018 and 2017, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed as follows. By contract, the annual liability of each member is limited to the amount of financial contributions required to be made to PEP for each year of membership.

The contributions for the past three years are as follows:

Year	Contributions to PEP
2018	$407,001
2017	413,950
2016	400,886

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.

The City also has boiler and machinery insurance coverage in the amount of $20,000,000 through Travelers Insurance.

Workers' Compensation

For policy years 2011 through 2014, the City participated in the State Workers' Compensation retrospective rating and payment system. Once the City receives notice of the 2018 claims paid by the Bureau of Workers' Compensation, the City will reimburse the State for claims paid on the City's behalf. The payable is reclassified from claims payable to intergovernmental payable. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage in addition to the actual claim costs for employees injured in the years 2011 through 2014. The actual claim costs are ($17,264) (reported in the internal service fund as a reduction of the claims payable). The maintenance of these benefits is accounted for in the retrospective workers' compensation internal service fund.

The incurred but not reported claims, reduced by the City's $17,264 overpayment of claims, of $77,465 have been accrued as a liability at December 31, 2018, based on information and an estimate by the Bureau of Workers' Compensation. The claims liability reported in the retrospective workers' compensation internal service fund at December 31, 2018, is based on the requirements of Governmental Accounting Standards Board Statement No. 30 which requires that a liability for unpaid claims costs, including estimates of costs relating to incurred but not reported claims, be reported. The estimate was not affected by incremental claim adjustment expenses and does not include other allocated or unallocated claims adjustment expenses. Changes in the fund's claims liability amounts for 2017 and 2018 were as follows:

Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Change in Workers' Compensation Estimate	Balance at End of Year
2017	$226,101	$0	$109,449	($17,190)	$99,462
2018	99,462	0	0	(21,997)	77,465

Starting with policy year 2015, 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-seven 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. 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. In 2018, the City contributed $3,000 to the Authority. The City has no financial responsibility for any of the Authority's liabilities. Complete financial statements may be obtained from the Stark Area Regional Transit Authority, 1600 Gateway Boulevard, SE, Canton, Ohio.

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 an advisory council pursuant to State statutes. The Council has twenty-seven 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's Board exercises total control over the operations of the organization including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. The Council reviews and evaluates the performance of each Enterprise Zone Agreement. This body is advisory in nature and cannot directly impact an existing Enterprise Zone Agreement; however, the Council can make written recommendations to the legislative authority that approved the agreement. There is no cost associated with being a member of this Council. The continued existence of the Council is not dependent upon the City's continued participation and no measurable equity interest exists.

Stark County Regional Planning Commission

The City participates in the Stark County Regional Planning Commission (the Commission) which is a statutorily created political subdivision of the State. The Commission is jointly governed among Stark County, other cities, villages and townships. Of the eighty-five member board, the City appoints three 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 2018, the City contributed $17,585 to the Commission. 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 2018, the City made contributions of $651,840, 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 – Assets Held for Resale

Assets held for resale represent hospital land, buildings, and equipment donated to the City, which will be sold. In 2018, the City acquired multiple parcels and equipment with a value of $5,680,139. The City sold one parcel in 2018 for $163,719. At December 31, 2018, the City had assets held for resale with a value of $5,516,420.

Note 13 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2018, was as follows:

	Balance 12/31/2017	Additions	Deductions	Transfers	Balance 12/31/2018
Governmental Activities					
Capital Assets, not being depreciated					
Land	$10,862,789	$0	$0	$0	$10,862,789
Construction in Progress	125,742	1,856,429	(274,811)	0	1,707,360
Total Capital Assets, not being depreciated	10,988,531	1,856,429	(274,811)	0	12,570,149
Capital Assets, being depreciated					
Land Improvements	6,653,308	274,811	0	92,204	7,020,323
Buildings and Improvements	15,883,653	44,999	0	0	15,928,652
Vehicles	6,106,233	1,601,342	(500,097)	0	7,207,478
Machinery and Equipment	5,728,133	376,126	0	0	6,104,259
Infrastructure	34,428,047	277,557	0	0	34,705,604
Total Capital Assets, being depreciated	68,799,374	2,574,835	(500,097)	92,204	70,966,316
Less Accumulated Depreciation:					
Land Improvements	(5,360,356)	(137,033)	0	0	(5,497,389)
Buildings and Improvements	(9,328,462)	(314,967)	0	0	(9,643,429)
Vehicles	(3,826,616)	(381,678)	500,097	0	(3,708,197)
Machinery and Equipment	(4,309,271)	(258,951)	0	0	(4,568,222)
Infrastructure	(16,851,990)	(1,237,859)	0	0	(18,089,849)
Total Accumulated Depreciation	(39,676,695)	(2,330,488) *	500,097	0	(41,507,086)
Total Capital Assets being depreciated, Net	29,122,679	244,347	0	92,204	29,459,230
Governmental Activities Capital Assets, Net	$40,111,210	$2,100,776	($274,811)	$92,204	$42,029,379

* Depreciation expense was charged to governmental activities as follows:

General Government	$78,461
Security of Persons and Property	340,708
Leisure Time Activities	604,232
Transportation	1,307,087
Total Depreciation Expense	$2,330,488

Capital asset activity for business-type activities for the year ended December 31, 2018, was as follows:

	Balance 12/31/2017	Additions	Deductions	Transfers	Balance 12/31/2018
Business-Type Activities					
Capital Assets, not being depreciated					
Land	$59,400	$0	$0	$0	$59,400
Construction in Progress	29,392,287	5,243,050	(92,204)	0	34,543,133
Total Capital Assets, not being depreciated	29,451,687	5,243,050	(92,204)	0	34,602,533
Capital Assets, being depreciated					
Land Improvements	0	92,204	0	(92,204)	0
Buildings and Improvements	7,438,186	22,295	0	0	7,460,481
Vehicles	1,617,860	80,579	0	0	1,698,439
Machinery and Equipment	2,700,139	347,280	0	0	3,047,419
Infrastructure	59,575,074	0	0	0	59,575,074
Total Capital Assets, being depreciated	71,331,259	542,358	0	(92,204)	71,781,413
Less Accumulated Depreciation:					
Buildings and Improvements	(6,958,917)	(30,087)	0	0	(6,989,004)
Vehicles	(950,671)	(117,128)	0	0	(1,067,799)
Machinery and Equipment	(1,821,458)	(148,826)	0	0	(1,970,284)
Infrastructure	(23,163,384)	(1,325,293)	0	0	(24,488,677)
Total Accumulated Depreciation	(32,894,430)	(1,621,334)	0	0	(34,515,764)
Total Capital Assets being depreciated, Net	38,436,829	(1,078,976)	0	(92,204)	37,265,649
Business-Type Activities Capital Assets, Net	$67,888,516	$4,164,074	($92,204)	($92,204)	$71,868,182

Note 14 – 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, 2018.

Note 15 – Defined Benefit Pension Plans

The Statewide retirement systems provide both pension benefits and other postemployment benefits (OPEB).

Net Pension Liability (Asset)/Net OPEB Liability

The net pension liability (asset) and the net OPEB liability reported on the statement of net position represent liabilities to employees for pensions and OPEB, respectively. Pensions/OPEB are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions/OPEB are provided to an employee – on a deferred-payment basis – as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension/OPEB liabilities (asset) represent the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liabilities (asset) calculations are dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost-of-living adjustments (COLA) and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City's obligation for these liabilities to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees' services in exchange for compensation including pension and OPEB.

GASB 68/75 assumes the liabilities are solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires funding to come from these employers. All pension contributions to date have come solely from these employers (which also include pension costs paid in the form of withholdings from employees). The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits. In addition, health care plan enrollees pay a portion of the health care costs in the form of a monthly premium. State statute requires the retirement systems to amortize unfunded pension liabilities within 30 years. If the pension amortization period exceeds 30 years, each retirement system's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension/OPEB liabilities (asset). Resulting adjustments to the net pension/OPEB liabilities (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code (ORC) permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net pension/OPEB asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 16 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System. 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, and the combined plan is a combination cost-sharing, multiple-employer defined benefit/defined contribution pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost-of-living adjustments to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting https://www.opers.org/financial/reports.shtml, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (800) 222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members in the traditional and combined plans were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional and combined plans as per the reduced benefits adopted by SB 343 (See OPERS' financial report referenced previously for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013, or 5 years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013, or eligible to retire 10 years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	**Traditional Plan Formula:** 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35
Combined Plan Formula: 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	**Combined Plan Formula:** 1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a traditional plan benefit recipient has received benefits for 12 months, an annual COLA is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. Members retiring under the combined plan receive a COLA of the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Defined contribution plan benefits are established in the plan documents, which may be amended by the Board. Member-directed plan and combined plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the combined plan consists of the members' contributions plus or minus the investment gains or losses resulting from the members' investment selections. Combined plan members wishing to receive benefits must meet the requirements for both the defined benefit and defined contribution plans. Member-directed participants must have attained the age of 55, have money on deposit in the defined contribution plan and have terminated public service to apply for retirement benefits. The amount available for defined contribution benefits in the member-directed plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20 percent each year. At retirement, members may select one of several distribution options for payment of the vested balance in their individual OPERS accounts. Options include the purchase of a monthly defined benefit annuity from OPERS (which includes joint and survivor options), partial lump-sum payments (subject to limitations), a rollover of the vested account balance to another financial institution, receipt of entire account balance, net of taxes withheld, or a combination of these options.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions as follows:

	State and Local
2018 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2018 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Post-employment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

* Member contributions within the combined plan are not used to fund the defined benefit retirement allowance.

** These pension and employer health care rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for health care with the remainder going to pension.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll.

For 2018, the City's contractually required contribution was $1,096,448 for the traditional plan, $7,682 for the combined plan and $31,666 for the member-directed plan. Of these amounts, $106,114, $745 and $4,290, respectively, are reported as intergovernmental payables.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – City full-time police and firefighters participate in Ohio Police and Fire Pension Fund, a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments (COLA), 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 and detailed information about OP&F's fiduciary net position. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OP&F may retire and receive a lifetime monthly pension. OP&F offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the members' average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next 5 years of service credit, and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit (See OP&F's financial report referenced previously for additional information, including requirements for Deferred Retirement Option Plan (DROP) provisions and reduced and unreduced benefits).

Under normal service retirement, retired members who are at least 55 years old and have been receiving OP&F benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit, surviving beneficiaries, and statutory survivors. Members participating in the DROP program have separate eligibility requirements related to COLA.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the members' base pension benefit where the percentage is the lesser of three percent or the percentage increase in the consumer price index, if any, over the 12 month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Funding Policy – The Ohio Revised Code provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2018 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2018 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was $1,324,679 for 2018. Of this amount, $145,534 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2018, the specific liability of the City was $1,092,772 payable in semi-annual payments through the year 2035.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability (asset) for OPERS was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2017, and was determined by rolling forward the total pension liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net pension liability (asset) was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense of the City's defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Proportion of the Net Pension Liability/Asset:				
Current Measurement Date	0.05671800%	0.01197400%	0.27147100%	0.34016300%
Prior Measurement Date	0.05601800%	0.00000000%	0.27400400%	0.33002200%
Change in Proportionate Share	0.00070000%	0.01197400%	-0.00253300%	0.01014100%
Proportionate Share of the:				
Net Pension Asset	$0	$16,300	$0	$16,300
Net Pension Liability	8,897,955	0	16,661,402	25,559,357
Pension Expense	1,934,822	(15,183)	1,926,127	3,845,766

2018 pension expense for the member-directed defined contribution plan was $31,666.

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Outflows of Resources				
Differences between expected and actual experience	$9,087	$0	$252,848	$261,935
Changes of assumptions	1,063,365	1,424	726,025	1,790,814
Changes in proportion and differences between City contributions and proportionate share of contributions	115,916	4,887	190,476	311,279
City contributions subsequent to the measurement date	1,096,448	7,682	1,324,679	2,428,809
Total Deferred Outflows of Resources	$2,284,816	$13,993	$2,494,028	$4,792,837
Deferred Inflows of Resources				
Differences between expected and actual experience	$175,351	$4,856	$30,140	$210,347
Net difference between projected and actual earnings on pension plan investments	1,910,274	2,572	576,357	2,489,203
Changes in proportion and differences between City contributions and proportionate share of contributions	8,288	0	387,106	395,394
Total Deferred Inflows of Resources	$2,093,913	$7,428	$993,603	$3,094,944

$2,428,809 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability or increase to the net pension asset in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Year Ending December 31:				
2019	$865,483	($231)	$359,299	$1,224,551
2020	(144,885)	(301)	207,770	62,584
2021	(841,183)	(877)	(389,198)	(1,231,258)
2022	(784,960)	(816)	(208,738)	(994,514)
2023	0	88	167,538	167,626
Thereafter	0	1,020	39,075	40,095
Total	($905,545)	($1,117)	$175,746	($730,916)

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2017, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of December 31, 2017, are presented as follows:

	OPERS Traditional Plan	OPERS Combined Plan
Wage Inflation	3.25 percent	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	3.25 to 8.25 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.15 percent, simple
Investment Rate of Return	7.5 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the traditional pension plan, the defined benefit component of the combined plan and the annuitized accounts of the member-directed plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 16.82 percent for 2017.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table that follows displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.20 %
Domestic Equities	19.00	6.37
Real Estate	10.00	5.26
Private Equity	10.00	8.97
International Equities	20.00	7.88
Other Investments	18.00	5.26
Total	100.00 %	5.66 %

Discount Rate The discount rate used to measure the total pension liability was 7.5 percent for the traditional plan and the combined plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members; therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.5 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (6.5 percent) or one percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability (asset):			
OPERS Traditional Plan	$15,800,500	$8,897,955	$3,143,312
OPERS Combined Plan	(8,861)	(16,300)	(21,433)

Changes between Measurement Date and Report Date

In October 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net pension liability (asset) is not known.

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2017, compared with January 1, 2016, are presented as follows:

	January 1, 2017	January 1, 2016
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increases based on the lesser of the increase in CPI and 3 percent

For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

For the January 1, 2016, valuation, rates of death were based on the RP-2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five year period ended December 31, 2016; the prior experience study was completed December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted average of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2017, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.00 %
Domestic Equity	16.00	5.21
Non-US Equity	16.00	5.40
Core Fixed Income *	20.00	2.37
Global Inflation Protected Securities*	20.00	2.33
High Yield	15.00	4.48
Real Estate	12.00	5.65
Private Markets	8.00	7.99
Timber	5.00	6.87
Master Limited Partnerships	8.00	7.36
Total	120.00 %	

Note: Assumptions are geometric.
* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on the relationship between asset classes and economic environments. From the notional portfolio perspective in the preceding table, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate For 2017, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2016 was 8.25 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members; therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent) or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	$23,097,071	$16,661,402	$11,412,524

Note 16 – Defined Benefit OPEB Plans

See Note 15 for a description of the net OPEB liability.

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System 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 trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' financial report referenced later for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting https://www.opers.org/financial/reports.shtml, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or (800) 222-7377.

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2018, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the traditional pension plan and combined plan was 1.0 percent during calendar year 2017. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2018, decreased to 0 percent for both plans. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the member-directed plan for 2018 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $12,667 for 2018. Of this amount, $1,226 is reported as an intergovernmental payable.

Ohio Police and Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund sponsored health care program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. OP&F provides health care benefits including coverage for medical, prescription drug, dental, vision, and Medicare Part B Premium to retirees, qualifying benefit recipients and their eligible dependents.

OP&F provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OP&F meets the definition of an OPEB as described in GASB Statement No. 75.

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. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

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 2018, the portion of employer contributions allocated to health care was 0.5 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 is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was $31,012 for 2018. Of this amount, $3,396 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2017, and was determined by rolling forward the total OPEB liability as of January 1, 2017, to December 31, 2017. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportion of the Net OPEB Liability:			
Current Measurement Date	0.05506000%	0.27147100%	
Prior Measurement Date	0.05457000%	0.27400400%	
Change in Proportionate Share	0.00049000%	-0.00253300%	
Proportionate Share of the Net OPEB Liability	$5,979,111	$15,381,167	$21,360,278
OPEB Expense	524,885	1,206,126	1,731,011

At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$4,658	$0	$4,658
Changes of assumptions	435,343	1,500,875	1,936,218
Changes in proportion and differences between City contributions and proportionate share of contributions	33,483	0	33,483
City contributions subsequent to the measurement date	12,667	31,012	43,679
Total Deferred Outflows of Resources	$486,151	$1,531,887	$2,018,038
Deferred Inflows of Resources			
Differences between expected and actual experience	$0	$77,576	$77,576
Net difference between projected and actual earnings on OPEB plan investments	445,404	101,246	546,650
Changes in proportion and differences between City contributions and proportionate share of contributions	0	123,984	123,984
Total Deferred Inflows of Resources	$445,404	$302,806	$748,210

$43,679 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2019	$115,023	$164,647	$279,670
2020	115,023	164,647	279,670
2021	(90,615)	164,647	74,032
2022	(111,351)	164,647	53,296
2023	0	189,958	189,958
Thereafter	0	349,523	349,523
Total	$28,080	$1,198,069	$1,226,149

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2016, rolled forward to the measurement date of December 31, 2017. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.85 percent
Prior measurement date	4.23 percent
Investment Rate of Return	6.50 percent
Municipal Bond Rate	3.31 percent
Health Care Cost Trend Rate	7.5 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the previously described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2017, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the traditional pension plan, combined plan and member-directed plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio is 15.2 percent for 2017.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined benefit pension plans. Health care is a discretionary benefit. The following table displays the Board-approved asset allocation policy for 2017 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.88 %
Domestic Equities	21.00	6.37
Real Estate Investment Trust	6.00	5.91
International Equities	22.00	7.88
Other investments	17.00	5.39
Total	100.00 %	4.98 %

Discount Rate A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. A single discount rate of 4.23 percent was used to measure the OPEB liability on the measurement date of December 31, 2016. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.50 percent and a municipal bond rate of 3.31 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net OPEB liability calculated using the single discount rate of 3.85 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.85 percent) or one percentage point higher (4.85 percent) than the current rate:

	1% Decrease (2.85%)	Current Discount Rate (3.85%)	1% Increase (4.85%)
City's proportionate share of the net OPEB liability	$7,946,506	$5,979,111	$4,389,934

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the City's proportionate share of the net OPEB liability calculated using the assumed trend rates, and the City's proportionate share of the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2018 is 7.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.25 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	$5,720,734	$5,979,111	$6,246,006

Changes between Measurement Date and Report Date

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 6.5 percent to 6.0 percent. This change will be effective for the 2018 valuation. The exact amount of the impact to the City's net OPEB liability is not known.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2017, is based on the results of an actuarial valuation date of January 1, 2017, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented as follows:

Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017
Actuarial Cost Method	Entry Age Normal
Investment Rate of Return	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Single Discount Rate:	
Currrent Measurement Date	3.24 percent
Prior Measurement Date	3.79 percent
Cost-of-Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016; the prior experience study was completed December 31, 2011.

The OP&F health care plan follows the same asset allocation and long-term expected real rate of return for each major asset class as the pension plan (See Note 15).

Discount Rate The total OPEB liability was calculated using the discount rate of 3.24 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members; therefore, a municipal bond rate of 3.16 percent at December 31, 2017, and 3.71 percent at December 31, 2016, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.24 percent. The municipal bond rate was determined using the S&P Municipal Bond 20 Year High Grade Rate Index. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2025. The long-term expected rate of return on health care investments was applied to projected costs through 2025, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate Net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 3.24 percent, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.24 percent), or one percentage point higher (4.24 percent) than the current rate:

	1% Decrease (2.24%)	Current Discount Rate (3.24%)	1% Increase (4.24%)
City's proportionate share of the net OPEB liability	$19,226,644	$15,381,167	$12,422,214

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Net OPEB liability is sensitive to changes in the health care cost trend rate. The trend rate is the annual rate at which the cost of covered medical services is assumed to increase from the current year to the next year. Beginning in 2017, the per-capita costs are assumed to change by the following percentages each year:

Year	Non-Medicare	Non-AARP	AARP	Rx Drug	Medicare Part B
2017	-0.47%	-2.50%	4.50%	-0.47%	5.20%
2018	7.00%	7.00%	4.50%	7.00%	5.10%
2019	6.50%	6.50%	4.50%	6.50%	5.00%
2020	6.00%	6.00%	4.50%	6.00%	5.00%
2021	5.50%	5.50%	4.50%	5.50%	5.00%
2022	5.00%	5.00%	4.50%	5.00%	5.00%
2023 and Later	4.50%	4.50%	4.50%	4.50%	5.00%

To illustrate the potential impact, the following table presents the City's proportionate share of the net OPEB liability calculated using the current health care cost trend current rates as outlined in the previous table, a one percent decrease in the trend rates, and a one percent increase in the trend rates:

	1% Decrease	Current Rates	1% Increase
City's proportionate share of the net OPEB liability	$11,948,367	$15,381,167	$20,007,419

Changes between Measurement Date and Report Date

In March 2018, the OP&F Board of Trustees approved the implementation date and framework for a new health care model. Beginning January 1, 2019, the current self-insured health care plan will no longer be offered. In its place is a stipend-based health care model. A stipend funded by OP&F will be placed in individual Health Reimbursement Accounts that retirees will use to be reimbursed for health care expenses. The impact to the City's net OPEB liability is not known.

Note 17 – 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:			
Park and Recreation Bonds - 2002	5.20%	$12,340,000	December 1, 2031
Golf Course Construction Refunding Bonds - 2002	1.5-7.16	7,281,233	December 1, 2031
Marketplace Infrastructure TIF Bonds - 2004	1.5-4.2	1,774,999	December 1, 2023
Lincoln Center Phase III Bonds - 2007	4.09	2,569,998	December 1, 2027
Various Purpose Improvement Refunding Bonds - 2012A	2.00-4.125	7,580,000	December 1, 2026
Various Purpose Improvement Refunding Bonds - 2012B	6.00	925,000	December 1, 2024
OPWC Loan - 2006	0.00	492,629	July 1, 2026
OPWC Loan - Hankins Road - 2014	0.00	559,562	January 1, 2046
OPWC Loan - 9th St. Improvement - 2014	0.00	393,762	January 1, 2046
OPWC Loan - Levee Insfrastructure - 2014	0.00	581,789	July 1, 2046
Housing and Urban Development Section 108 Loan - 1999	6.75	2,250,000	August 1, 2019
Business-Type Activities:			
OWDA Loan - WPCL Fothergill - 1999	3.81	1,407,776	July 1, 2020
OWDA Loan - WWTP Upgrade Phase I - 2002	1.26	6,131,478	July 1, 2024
OWDA Loan - WWTP Upgrade Phase II - 2002	1.26	36,018,868	July 1, 2024
OWDA Loan - WWTP Nutrient Removal Upgrade - 2014	3.37	Not Finalized	Not Finalized
OWDA Loan - WWTP Nutrient Removal Equipment Procurement HAB - 2015	0.00	Not Finalized	Not Finalized
OPWC Loan - Levee Infrastructure Improvement - 2014	0.00	1,130,748	January 1, 2046
OPWC Loan - Hankins Road - 2014	0.00	559,562	January 1, 2046
OPWC Loan - 9th St. Improvement - 2014	0.00	393,762	January 1, 2046

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

	Balance 12/31/2017	Issued	Retired	Balance 12/31/2018	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Park and Recreation Bonds - 2002	$3,955,000	$0	$0	$3,955,000	$0
Golf Course Construction Refunding Bonds - 2002					
Serial Bonds	4,420,000	0	(345,000)	4,075,000	230,000
Unamortized Discount	(20,662)	0	2,564	(18,098)	0
Marketplace Infrastructure TIF Bonds - 2004					
Serial Bonds	690,000	0	(105,000)	585,000	110,000
Lincoln Center Phase III Bonds - 2007					
Term Bonds	1,455,000	0	0	1,455,000	135,000
Capital Appreciation Bonds	55,807	0	(55,807)	0	0
Accretion on Bonds	73,025	11,168	(84,193)	0	0
Various Purpose Improvement Refunding Bonds - 2012A					
Serial Bonds	5,180,000	0	(575,000)	4,605,000	510,000
Unamortized Discount	(43,358)	0	4,817	(38,541)	0
Various Purpose Improvement Refunding Bonds - 2012B	700,000	0	(85,000)	615,000	90,000
Total General Obligation Bonds	16,464,812	11,168	(1,242,619)	15,233,361	1,075,000
Loans Payable:					
OPWC Loan - 2006	210,447	0	(24,632)	185,815	24,632
OPWC Loan - Hankins Road - 2014	512,457	0	(18,302)	494,155	18,302
OPWC Loan - 9th St. Improvement - 2014	426,969	0	(15,249)	411,720	15,249
OPWC Loan - Levee Infrastructure - 2014	552,700	0	(19,393)	533,307	19,393
HUD Section 108 Loan - 1999	1,085,000	0	(120,000)	965,000	965,000
Total Loans Payable	2,787,573	0	(197,576)	2,589,997	1,042,576
Other Long-Term Obligations:					
Police and Fireman's Pension Liability	1,137,879	0	(45,107)	1,092,772	47,045
Judgment Payable	210,000	0	(70,000)	140,000	70,000
Capital Leases Payable	71,948	982,500	(208,397)	846,051	143,539
Compensated Absences	2,314,092	403,284	(552,766)	2,164,610	199,003
Claims Payable	99,462	0	(21,997)	77,465	52,455
Total Other Long-Term Obligations	3,833,381	1,385,784	(898,267)	4,320,898	512,042
Net Pension Liability:					
OPERS	10,176,588	0	(3,058,224)	7,118,364	0
OP&F	17,355,140	0	(693,738)	16,661,402	0
Total Net Pension Liability	27,531,728	0	(3,751,962)	23,779,766	0
Net OPEB Liability:					
OPERS	4,409,404	373,885	0	4,783,289	0
OP&F	13,006,354	2,374,813	0	15,381,167	0
Total Net OPEB Liability	17,415,758	2,748,698	0	20,164,456	0
Total Governmental Activities	$68,033,252	$4,145,650	($6,090,424)	$66,088,478	$2,629,618

	Balance 12/31/2017	Issued	Retired	Balance 12/31/2018	Amounts Due in One Year
Business-Type Activities:					
Loans Payable:					
OWDA Loans Payable:					
WPCL Fothergill Loan - 1999	$239,198	$0	($92,980)	$146,218	$96,556
WWTP Upgrade OWDA Phase I - 2002	2,163,957	0	(321,526)	1,842,431	325,590
WWTP Upgrade OWDA Phase II - 2002	12,774,515	0	(1,895,931)	10,878,584	1,920,648
WWTP Nutrient Removal Upgrade - 2014	24,440,149	5,483,221	(1,551,242)	28,372,128	0
WWTP Nutrient Removal Equipment Procurement HAB - 2015	3,340,212	22,500	(229,267)	3,133,445	0
Total OWDA Loans Payable	42,958,031	5,505,721	(4,090,946)	44,372,806	2,342,794
OPWC Loans Payable:					
Levee Infrastructure Improvement Loan - 2014	531,026	0	(18,632)	512,394	18,632
Hankins Road - 2014	492,360	0	(17,584)	474,776	17,584
9th Street Improvement - 2014	410,225	0	(14,651)	395,574	14,651
Total OPWC Loans Payable	1,433,611	0	(50,867)	1,382,744	50,867
Total Loans Payable	44,391,642	5,505,721	(4,141,813)	45,755,550	2,393,661
Other Long-Term Obligations:					
Capital Leases	303,278	0	(105,880)	197,398	63,675
Compensated Absences	320,258	4,281	(6,043)	318,496	5,045
Total Other Long-Term Obligations	623,536	4,281	(111,923)	515,894	68,720
Net Pension Liability - OPERS:					
Wastewater	2,544,147	0	(764,556)	1,779,591	0
Net OPEB Liability - OPERS:					
Wastewater	1,102,351	93,471	0	1,195,822	0
Total Business-Type Activities	$48,661,676	$5,603,473	($5,018,292)	$49,246,857	$2,462,381

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.

On November 1, 2002, the City issued $7,281,233 in general obligation bonds with an average interest rate of 4.3 percent to advance refund $2,510,000 of outstanding golf course construction refunding series bonds with an average interest rate of 5.2 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 golf course refunding series bonds. As a result, the golf construction refunding series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

During 2007, the Lincoln Center Phase III bonds were issued for $2,569,998 to finance the construction of the Lincoln Center complex in a redevelopment area. Revenues for payment of interest and principal on the bond result from service payments being made in lieu of taxes.

The capital appreciation bonds were originally sold at a discount of $235,002, which was accreted annually until the point of maturity of the capital appreciation bonds, which was 2016 through 2018. The capital appreciation bonds were retired during 2018.

Optional Redemption The Current Interest Bonds Maturing after December 1, 2018, are subject to redemption at the option of the City, on or after December 1, 2018, 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%

Mandatory Sinking Fund Redemption The Lincoln Center Phase III current interest term bonds maturing on December 1, 2021, 2024, and 2027, respectively, are subject to mandatory sinking fund redemption requirements at a redemption price of 100 percent of the principal amounts to be redeemed plus accrued interest to the date of redemption, on December 1 in each of the years and in the principal amounts set forth as follows:

	Issue		
Year	$430,000	$480,000	$545,000
2019	$135,000	$0	$0
2020	145,000	0	0
2022	0	155,000	0
2023	0	160,000	0
2025	0	0	175,000
2026	0	0	180,000
	$280,000	$315,000	$355,000
Stated Maturity	*12/1/2021*	*12/1/2024*	*12/1/2027*

The remaining principal amount of the term bonds ($150,000, $165,000 and $190,000) will mature at the stated maturity.

In 2012, the City issued various purpose refunding bonds in the amount of $7,580,000, to refund the parks and recreation serial bonds. The bonds were issued with interest rates varying from 2 to 4.125 percent. The bonds were issued for a 15 year period with a final maturity on December 1, 2026. The bonds will be retired through the bond retirement debt service fund.

In 2012, the City issued various purpose refunding bonds in the amount of $925,000, to refund the senior center serial bonds. The bonds were issued at an interest rate of 6 percent. The bonds were issued for a 10 year period with a final maturity on December 1, 2024. The bonds will be retired through the bond retirement debt service fund.

The bonds were sold at a discount of $72,265. Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the various purpose refunding bonds. As a result, $7,570,000 of these bonds was considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. On December 31, 2018, $4,605,000 of the defeased bonds are still outstanding.

The 2006 OPWC loans are composed of two separate, zero percent interest loans. The purposes of these loans are for the Federal Avenue pump station and the arena district rehabilitation. These loans will be repaid over a period of 20 years by user fees.

The 2014 OPWC loans for Levee Infrastructure, Hankins Road, and for 9th Street improvements are zero percent interest loans. These loans will be repaid over a period of 30 years by the OPWC loan payment debt service fund.

The City had received a Section 108 loan from the U.S. Department of Housing and Urban Development (HUD) with the principal amount being $2,250,000, and the City 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 would 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. In 2014, the City entered an agreement to release them as the mortgagee to the Developer. In the agreement, the City received payment of $1,400,000. These monies sit in an account with fiscal agents and will be used to pay down the loan as payments come due.

The City also entered into agreements with the Ohio Water Development Authority (OWDA) to upgrade and expand the City's wastewater treatment facility. The agreements provided loan proceeds which were 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 varying interest rates. Under the terms of the agreements, the OWDA reimburses or directly pays the construction costs of the approved projects. The OWDA capitalizes administrative costs and construction interest and adds them to the total of each loan.

The City entered into agreements with the Ohio Public Works Commission (OPWC) for various wastewater projects. The agreements provided loan proceeds to fund the projects. The debt proceeds will be repaid by the wastewater service charges semi-annually over 30 years with no interest.

The City has pledged future revenues, net of operating expenses, to repay OWDA and OPWC loans in the wastewater fund. The debt is payable solely from net revenues and is payable through 2046. Annual principal and interest payments on the debt issues are expected to require about 118 percent of net revenues and about 44 percent of total revenues. The total principal and interest remaining to be paid on the debt is $14,751,856. The amount of principal and interest paid in the current year was $4,412,246. Net revenues available were $3,748,239 and total revenues were $9,979,580.

There is no repayment schedule for the net pension/OPEB liabilities. However, employer pension/OPEB contributions are made from the general fund, the street construction, maintenance, and repair, community development, WIC program, and parks and recreation special revenue funds, and the wastewater enterprise fund. For additional information related to the net pension/OPEB liabilities, see Notes 15 and 16. Compensated absences will be paid from the general fund and the street construction maintenance and repair, community development, WIC program, and parks and recreation special revenue funds, and wastewater enterprise fund, which are funds from which the employees' salaries are paid.

The governmental capital leases payable will be paid from the general fund as well as the income tax capital improvement and the park and recreation capital improvement capital projects funds. The business-type activities' capital lease payable will be paid from the wastewater enterprise fund. The police and fireman's pension liability will be paid from the general fund.

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 that began January 1, 2011.

The City's overall debt margin was $45,192,946 and the unvoted legal debt margin was $17,062,689 at December 31, 2018. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2018, are as follows:

	Governmental Activities			
	General Obligation Bonds			
	Serial Bonds		Term Bonds	
	Principal	Interest	Principal	Interest
2019	$940,000	$625,852	$135,000	$58,881
2020	980,000	588,681	145,000	53,481
2021	1,010,000	548,451	150,000	47,681
2022	1,055,000	506,609	155,000	41,681
2023	1,100,000	461,444	160,000	35,481
2024-2028	5,090,000	1,631,501	710,000	74,663
2029-2031	3,660,000	366,045	0	0
Totals	$13,835,000	$4,728,583	$1,455,000	$311,868

	Governmental Activities		
	OPWC Loans	HUD Section 108 Loan	
	Principal	Principal	Interest
2019	$77,576	$965,000	$31,845
2020	77,576	0	0
2021	77,575	0	0
2022	77,575	0	0
2023	77,575	0	0
2024-2028	327,378	0	0
2029-2033	264,720	0	0
2034-2038	264,720	0	0
2039-2043	264,719	0	0
2044-2046	115,583	0	0
Totals	$1,624,997	$965,000	$31,845

	Business-Type Activities		
	OWDA Loans		OPWC Loans
	Principal	Interest	Principal
2019	$2,342,794	$160,454	$50,867
2020	2,325,066	128,507	50,867
2021	2,304,968	98,348	50,867
2022	2,334,932	68,537	50,867
2023	2,365,304	38,326	50,867
2024-2028	1,194,169	7,707	254,335
2029-2033	0	0	254,337
2034-2038	0	0	254,341
2039-2043	0	0	254,344
2044-2047	0	0	111,052
Totals	$12,867,233	$501,879	$1,382,744

Lines of credit have been established with the Ohio Water Development Authority in the amount of $36,450,080, for wastewater projects. Since the loan repayment schedules have not yet been finalized, repayment schedules for these loans are not included in the schedule of debt service requirements. Until final repayment schedules are available, the City will pay based on estimates.

The balances of these loans are as follows:

	Balance December 31, 2018	Lines of Credit
OWDA Loans Not Finalized:		
City of Massillon Wastewater District:		
WWTP Nutrient Removal Upgrade	$28,372,128	$31,864,730
WWTP Nutrient Removal - Equipment Procurement HAB	3,133,445	4,585,350
Total OWDA Loans Not Finalized	$31,505,573	$36,450,080

Note 18 – Leases

Capital Leases

In 2013, the City entered into several lease agreements for two copiers, and for a truck with a sewer cleaner. In 2015, the City entered into a lease agreement for exercise equipment. In 2016, the City entered into a capital lease for two police cruisers. In 2017, the City entered into capital lease agreements for a golf course mower and a vactor. In 2018, the City entered into capital lease agreements for police radios and a fire truck. The assets acquired through the capital leases were capitalized at the present value of the minimum lease payments, plus the value of trade-ins, at the time the leases were entered into, except for the two copiers and the exercise equipment, which were less than the capitalization threshold. The capital leases for the copiers, truck with a sewer cleaner, exercise equipment, and 2 police cruisers were fully repaid in 2018.

The assets acquired through the capital leases are as follows:

	Governmental Activities				Business-Type Activities
	Mower	Police Radios	Fire Truck	Total	Vactor
Asset:					
Equipment	$31,210	$137,000	$0	$168,210	$0
Vehicles	0	0	845,500	845,500	329,228
Less: Accumulated depreciation	(4,161)	(13,700)	(42,275)	(60,136)	(65,846)
Total	$27,049	$123,300	$803,225	$953,574	$263,382

The leases provide for minimum, annual lease payments as follows:

	Governmental Activities			
	Mower	Police Radios	Fire Truck	Total
2019	$7,086	$29,174	$131,641	$167,901
2020	7,086	29,174	131,642	167,902
2021	7,086	29,174	131,642	167,902
2022	590	29,174	131,641	161,405
2023	0	0	131,642	131,642
2024	0	0	131,642	131,642
Total Minimum Lease Payment	21,848	116,696	789,850	928,394
Less: Amount Representing Interest	(1,673)	(8,253)	(72,417)	(82,343)
Present Value of Minimum Lease Payment	$20,175	$108,443	$717,433	$846,051

	Business-Type Activities
	Vactor
2019	$70,189
2020	70,189
2021	70,189
Total Minimum Lease Payment	210,567
Less: Amount Representing Interest	(13,169)
Present Value of Minimum Lease Payment	$197,398

Operating Leases

In prior years, the City entered into an operating lease with PNC Equipment Finance, LLC, for golf carts, and with DLL Financial Solutions, for golf course mowers. In 2018, the City took on several leases related to hospital equipment with the acquisition of the Affinity Medical Center. The City paid $263,458 on the leases in 2018.

The following is a schedule by year of future minimum lease payments required under operating leases that have initial or remaining noncancellable lease terms in excess of one year as of December 31, 2018:

Fiscal Year	Golf Carts Lease	Mowers Lease	Hospital Equipment Leases	Total
2019	$89,400	$48,000	131,030	$268,430
2020	89,400	48,000	24,048	161,448
2021	89,400	8,000	18,036	115,436
Total	$268,200	$104,000	$173,114	$545,314

Note 19 – Internal Activity

Interfund Transfers

	Transfers In		
Transfers Out	Other Governmental Funds	Internal Service Fund	Total
General	$1,432,388	$135,000	$1,567,388
Other Governmental Funds	54,281	0	54,281
Total	$1,486,669	$135,000	$1,621,669

During the year ended December 31, 2018, the City made interfund transfers totaling $1,567,388 from the general fund to the internal service fund and other governmental funds. The transfers to the other governmental funds and the internal service funds were made to support the operations of special revenue funds, as well as amounts for debt payments, and amounts for workers' compensation claims. Transfers of $54,281 were also made between other governmental funds for the purpose of supporting capital projects and debt payments.

Internal Balances – Change in Proportionate Share

The City uses an internal proportionate share to allocate its net pension liability and corresponding deferred outflows/inflows of resources and pension expense to its various funds. This allocation creates a change in internal proportionate share. The effects of the internal proportionate share are eliminated from the pension deferred outflows/inflows of resources in the governmental and business-type activities columns of the statement of net position, except for any residual amounts between governmental and business-type activities. These residual amounts are eliminated in the total column of the entity wide statement of net position, thus allowing the total column to present the change in proportionate share for the City as a whole.

Eliminations made in the total column of the entity wide statement of net position include deferred outflows of resources for the governmental activities and deferred inflows of resources for the business-type activities related to the net pension liability in the amount of $15,816.

Note 20 – Other Employee Benefits

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 at least 5 years of service are entitled to 40 percent of their sick balance at termination.

Employees who are not under a specific bargaining unit agreement, as well as those under the AFSCME and Police Officers Association negotiated agreements who were hired before November 5, 2012, who have at least 20 years of service or are retiring pursuant to the rules and regulations established by the applicable retirement board, are entitled to 170 days (or 1,360 hours) of sick leave at 100 percent and then 40 percent of hours over the 1,360 hour threshold.

Employees under the AFSCME and Police Officers Association negotiated agreements who were hired on or after November 5, 2012, who are retiring pursuant to the rules and regulations established by the applicable retirement board, are entitled to up to 500 hours of sick leave at 100 percent compensation.

Employees under the Fire Department negotiated agreement who are retiring pursuant to the rules and regulations established by the applicable retirement board or have completed at least 25 years of service are entitled to various levels of compensation for sick leave as follows. Employees who were hired before December 31, 1992, are entitled to up to 170 sick days (17 pays) at 100 percent compensation, plus 40 percent compensation for sick days in excess of 170. Employees hired from January 1, 1993, to July 31, 2012, are entitled to 40 percent compensation for up to 170 sick days and 100 percent compensation for sick days over 170. Employees hired after July 31, 2012, are entitled to between 25 and 50 percent compensation of accumulated sick hours, based on tiers of accumulated hours.

Insurance

From January 1 to July 31, 2018, the City provided health insurance to its employees through the Health Plan. As of August 1, 2018, the City provided health insurance to its employees through Medical Mutual of Ohio. Dental and vision insurance was provided through Ohio AFSCME. From January 1 to July 31, 2018, the City's portion of monthly premiums for health insurance for single, employee/spouse, employee/children, and for family were $539.81, $1,187.64, $971.53, and $1,673.80, respectively, for the HMO plan, and $623.57, $1,372.09, $1,122.38, and $1,933.79, respectively, for the PPO plan. As of August 1, 2018, the City's portion of monthly premiums for health insurance for single, employee/spouse, employee/child, and family were $526.23, $1,157.76, $947.11, and $1,631.67, respectively. The City's portion of monthly insurance premiums was $47.60 for dental insurance and $13.81 for vision insurance. The City also provides, at no cost to the employees, $10,000 of term life insurance through the Standard Insurance Company for all employees except police, who receive $50,000 of term life insurance.

Note 21 – Significant Commitments

Encumbrances

Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. At year end, the amounts of encumbrances expected to be honored upon performance by the vendor in the next year or soon thereafter were as follows:

General	$1,178,552
Street Construction	339,994
Parks and Recreation	90,988
Other Governmental Funds	572,749
Wastewater	1,457,496
Total	$3,639,779

Note 22 – 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 as follows:

Fund Balances	General	Street Construction	Parks and Recreation	Other Governmental Funds	Total
Nonspendable:					
Inventory	$140,182	$0	$26,580	$0	$166,762
Prepaids	250,989	21,865	31,905	12,041	316,800
Assets Held for Resale	5,516,420	0	0	0	5,516,420
Unclaimed Monies	80,066	0	0	0	80,066
Total Nonspendable	5,987,657	21,865	58,485	12,041	6,080,048
Restricted for:					
Capital Projects	0	0	0	1,328,583	1,328,583
Debt Service	0	0	0	388,864	388,864
Transportation	0	1,108,459	0	307,130	1,415,589
Economic Development	0	0	0	996,977	996,977
Security Services	0	0	0	644,578	644,578
Other Purposes:					
Court Operations	0	0	0	546,950	546,950
Indigent Drivers Interlock	0	0	0	228,031	228,031
Community Improvement	0	0	0	73,255	73,255
Public Health and Welfare	0	0	0	77,442	77,442
Total Restricted	0	1,108,459	0	4,591,810	5,700,269
Committed to:					
Capital Projects	0	0	0	563,004	563,004
Debt Service	0	0	0	965,792	965,792
Police Department	0	0	0	48,806	48,806
Leisure Time Activities	0	0	1,278,150	54,415	1,332,565
Veterans Park and Duncan Plaza	0	0	0	79,454	79,454
Fines and Forfeitures	0	0	0	81,549	81,549
Economic Development	0	0	0	27,413	27,413
Streetscape Project	0	0	0	358,347	358,347
Total Committed	0	0	1,278,150	2,178,780	3,456,930
Assigned to:					
Purchases on Order:					
City Administration	191,730	0	0	0	191,730
Court Operations	21,538	0	0	0	21,538
Engineering and Building Services	215,593	0	0	0	215,593
Police and Fire Departments	407,447	0	0	0	407,447
Street Maintenance	5,594	0	0	0	5,594
2019 Operations	636,349	0	0	0	636,349
Capital Projects	0	0	0	158,410	158,410
Parking Enforcement	13,804	0	0	0	13,804
Community and Economic Development	22,735	0	0	0	22,735
Total Assigned	1,514,790	0	0	158,410	1,673,200
Unassigned (Deficit)	3,543,364	0	0	(135,393)	3,407,971
Total Fund Balances	$11,045,811	$1,130,324	$1,336,635	$6,805,648	$20,318,418

Stabilization Arrangement In addition to the previous fund balance constraints, the City has a general fund budget stabilization arrangement that does not meet the criteria to be classified as restricted or committed. Pursuant to Ohio Revised Code Section 5705.13, the City established a budget stabilization by resolution to accumulate currently available resources to stabilize budgets against cyclical changes in revenues and expenditures. The budget stabilization reserve is only an insulator against short-term economic changes and, because of the limitations imposed by the Ohio Revised Code, it could not reasonably protect an entity from long-term economic factors. The balance in the reserve at December 31, 2018, is $360,000.

Note 23 – Affinity Medical Center

January 5, 2018, Quorum Health – parent company of Affinity Medical Center (the Hospital) – announced the closing of the Hospital effective February 11, 2018. Mayor Kathy Catazaro-Perry convened a fact finding committee consisting of physicians, business leaders, community leaders and government officials to look at keeping the Hospital open. The City initiated legal proceedings on January 19, 2018, to prevent the Hospital closure. In April 2018, the City reached an agreement to purchase Hospital assets from Quorum Health for $1 and took possession of Hospital buildings and equipment May 15, 2018. The City proceeded to work to find a potential buyer/occupant for the Hospital. In December 2018 the City accepted a Letter of Intent from Aultman Hospital that upon closing of the agreement paid the City $515,000 to reimburse for costs associated with the City maintaining the Affinity Campus and corresponding operations and liabilities and to financially support the City's future redevelopment or disposition of the Affinity Campus. The total amount of the agreement was $2,060,000 which was finalized on January 28, 2019. Additionally, other ancillary buildings acquired in the deal with Quorum Health have been sold as follows:

2860 Lincoln Way East - $180,000 - 2018
323 Marion Avenue and adjacent parking lot - $797,500 - 2019
3140 Lincoln Way - $303,700 - 2019
Small parking lot on Bailey Street - $3,850 - 2019

The City continues to market the former Affinity hospital building as it could be repurposed by any interested parties.

Note 24 – Subsequent Events

Affinity Medical Center

The City is still in the process of handling the acquisition of Affinity Medical Center. The City was successful with several equipment leases either by the cancellation of leases and the return of related equipment, or through settlements allowing the City to retain the equipment. The City currently only has two remaining leases related to the acquisition: one with Phillips for an EEG machine and one with CIT Financial for Konica copiers. There were also two related property leases; one expired during 2018 and the other was included in a signed agreement with Aultman on January 31, 2019, with Aultman assuming said lease. In addition, the City continues to collect rental revenue for two properties: 323 Marion Ave NW, which was included in an auction on May 1, 2019, and 830 Amherst Road. The agreement with Aultman awards the City $2,060,000 with retention of real estate by the City. As mentioned, there is also a contract with Kiko Auctioneers to auction all properties except 845 8th Street NE and 830 Amherst Road. The City continues to search for buyers for the two remaining properties.

City Board of Health

Consistent with the provisions of Ohio Revised Code Section 3709.36, the City's health department was reorganized as a legally separate organization rather than continuing to operate as a department of the City. This change was effective January 2019 and will be reported as a transfer of operations in 2019. Among its various duties, the Massillon City Board of Health (Board) provides for the prompt diagnosis and control of communicable diseases. The Board may also inspect businesses where food is manufactured, handled, stored, or offered for sale. The Board will be operated by a board with all members being appointed by the City. The rates charged by the Board are subject to the approval of City Council, in addition, the City provides funding to the Board, thus the City can impose will on the Board and the Board imposes a financial burden to the City. Therefore, beginning in 2019, the Board will be reported as a discretely presented component unit of the City.

Required Supplementary Information

City of Massillon, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System - Traditional Plan

*Last Five Years (1) **

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.056718%	0.056018%	0.055054%	0.056403%	0.056403%
City's Proportionate Share of the Net Pension Liability	$8,897,955	$12,720,735	$9,536,047	$6,802,833	$6,649,179
City's Covered Payroll	$7,495,369	$7,241,500	$6,851,467	$6,915,008	$6,977,329
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	118.71%	175.66%	139.18%	98.38%	95.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.66%	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

City of Massillon, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Asset

Ohio Public Employees Retirement System - Combined Plan

*2018 (1) **

	2018
City's Proportion of the Net Pension Asset	0.011974%
City's Proportionate Share of the Net Pension Asset	$16,300
City's Covered Payroll	$49,038
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	-33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	137.28%

(1) Amounts for the combined plan are not presented prior to 2018 as the City's participation in this plan was considered immaterial in previous years.

* Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

City of Massillon, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net OPEB Liability

Ohio Public Employees Retirement System - OPEB Plan

*Last Two Years (1) **

	2018	2017
City's Proportion of the Net OPEB Liability	0.055060%	0.054570%
City's Proportionate Share of the Net OPEB Liability	$5,979,111	$5,511,755
City's Covered Payroll	$7,798,532	$7,542,000
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	76.67%	73.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	54.14%	54.04%

(1) Although this schedule is intended to show information for ten years, information prior to 2017 is not available. An additional column will be added each year.

* Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

City of Massillon, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net Pension Liability

Ohio Police and Fire Pension Fund

*Last Five Years (1) **

	2018	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.271471%	0.274004%	0.268760%	0.279142%	0.279142%
City's Proportionate Share of the Net Pension Liability	$16,661,402	$17,355,140	$17,289,519	$14,460,694	$13,595,067
City's Covered Payroll	$5,876,511	$5,865,422	$5,819,720	$5,479,273	$6,334,725
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	283.53%	295.89%	297.09%	263.92%	214.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.91%	68.36%	66.77%	71.71%	73.00%

(1) Although this schedule is intended to show information for ten years, information prior to 2014 is not available. An additional column will be added each year.

* Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

City of Massillon, Ohio

Required Supplementary Information

Schedule of the City's Proportionate Share of the Net OPEB Liability

Ohio Police and Fire Pension Fund

*Last Two Years (1) **

	2018	2017
City's Proportion of the Net OPEB Liability	0.271471%	0.274004%
City's Proportionate Share of the Net OPEB Liability	$15,381,167	$13,006,354
City's Covered Payroll	$5,876,511	$5,865,422
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	261.74%	221.75%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.13%	15.96%

(1) Although this schedule is intended to show information for ten years, information prior to 2017 is not available. An additional column will be added each year.

* Amounts presented for each year were determined as of the City's measurement date, which is the prior year end.

See accompanying notes to the required supplementary information

City of Massillon, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System
Last Six Years (1) (2)

	2018	2017	2016
Net Pension Liability - Traditional Plan			
Contractually Required Contribution	$1,096,448	$974,398	$868,980
Contributions in Relation to the Contractually Required Contribution	(1,096,448)	(974,398)	(868,980)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll	$7,831,771	$7,495,369	$7,241,500
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%
Net Pension Asset - Combined Plan			
Contractually Required Contribution	$7,682	$6,375	$10,299
Contributions in Relation to the Contractually Required Contribution	(7,682)	(6,375)	(10,299)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll	$54,871	$49,038	$85,825
Pension Contributions as a Percentage of Covered Payroll	14.00%	13.00%	12.00%
Net OPEB Liability - OPEB Plan (2)			
Contractually Required Contribution	$12,667	$85,609	$155,134
Contributions in Relation to the Contractually Required Contribution	(12,667)	(85,609)	(155,134)
Contribution Deficiency (Excess)	$0	$0	$0
City Covered Payroll (3)	$8,203,317	$7,798,532	$7,542,000
OPEB Contributions as a Percentage of Covered Payroll	0.15%	1.10%	2.06%

(1) Although this schedule is intended to show information for ten years, information prior to 2013 is not available. An additional column will be added each year.

(2) Beginning in 2016, OPERS used one trust fund as the funding vehicle for all health care plans; therefore, information prior to 2016 is not presented.

(3) The OPEB plan includes the members from the traditional plan, the combined plan and the member-directed plan. The member-directed pension plan is a defined contribution pension plan; therefore, the pension side is not included above.

See accompanying notes to the required supplementary information

2015	2014	2013
$822,176	$829,801	$907,053
(822,176)	(829,801)	(907,053)
$0	$0	$0
$6,851,467	$6,915,008	$6,977,329
12.00%	12.00%	13.00%
$18,387	$19,099	$26,292
(18,387)	(19,099)	(26,292)
$0	$0	$0
$153,225	$159,158	$202,246
12.00%	12.00%	13.00%

City of Massillon, Ohio
Required Supplementary Information
Schedule of the City's Contributions
Ohio Police and Fire Pension Fund
Last Ten Years

	2018	2017	2016	2015
Net Pension Liability				
Contractually Required Contribution	$1,324,679	$1,254,365	$1,250,243	$1,239,138
Contributions in Relation to the Contractually Required Contribution	(1,324,679)	(1,254,365)	(1,250,243)	(1,239,138)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll (1)	$6,202,343	$5,876,511	$5,865,422	$5,819,720
Pension Contributions as a Percentage of Covered Payroll	21.36%	21.35%	21.32%	21.29%
Net OPEB Liability				
Contractually Required Contribution	$31,012	$29,382	$29,327	$29,098
Contributions in Relation to the Contractually Required Contribution	(31,012)	(29,382)	(29,327)	(29,098)
Contribution Deficiency (Excess)	$0	$0	$0	$0
OPEB Contributions as a Percentage of Covered Payroll	0.50%	0.50%	0.50%	0.50%
Total Contributions as a Percentage of Covered Payroll	21.86%	21.85%	21.82%	21.79%

(1) The City's covered payroll is the same for pension and OPEB.

See accompanying notes to the required supplementary information

2014	2013	2012	2011	2010	2009
$1,168,189	$1,158,623	$863,008	$875,018	$827,512	$837,115
(1,168,189)	(1,158,623)	(863,008)	(875,018)	(827,512)	(837,115)
$0	$0	$0	$0	$0	$0
$5,479,273	$6,334,725	$5,731,190	$5,856,873	$5,529,132	$5,601,176
21.32%	18.29%	15.06%	14.94%	14.97%	14.95%
$27,396	$131,554	$222,662	$236,128	$221,104	$225,449
(27,396)	(131,554)	(222,662)	(236,128)	(221,104)	(225,449)
$0	$0	$0	$0	$0	$0
0.50%	2.08%	3.89%	4.03%	4.00%	4.03%
21.82%	20.37%	18.95%	18.97%	18.97%	18.98%

Changes in Assumptions – OPERS Pension

Amounts reported beginning in 2017 incorporate changes in assumptions used by OPERS in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2016 and prior are presented as follows:

	2017	2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant Mortality Table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the previously described tables.

Amounts reported for 2016 and prior use mortality rates based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, 105 percent of the combined healthy male mortality rates were used. For females, 100 percent of the combined healthy female mortality rates were used. The mortality rates used in evaluating disability allowances were based on the RP-2000 Mortality Table with no projections. For males, 120 percent of the disabled female mortality rates were used set forward two years. For females, 100 percent of the disabled female mortality rates were used.

Changes in Assumptions – OP&F Pension

Amounts reported for 2018 incorporate changes in assumptions used by OP&F in calculating the total pension liability in the latest actuarial valuation. These new assumptions compared with those used in 2017 and prior are presented as follows:

	2018	2017 and Prior
Valuation Date	January 1, 2017, with actuarial liabilities rolled forward to December 31, 2017	January 1, 2016, with actuarial liabilities rolled forward to December 31, 2016
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.25 percent
Projected Salary Increases	3.75 percent to 10.5 percent	4.25 percent to 11 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent	Inflation rate of 3.25 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increase based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.6 percent simple for increase based on the lesser of the increase in CPI and 3 percent

Amounts reported for 2018 use valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Amounts reported for 2018 use valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Conduent Modified 2016 Improvement Scale.

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

Amounts reported for 2017 and prior use valuation, rates of death were based on the RP2000 Combined Table, age-adjusted as follows. For active members, set back six years. For disability retirements, set forward five years for police and three years for firefighters. For service retirements, set back zero years for police and two years for firefighters. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

Changes in Assumptions – OPERS OPEB

For 2018, the single discount rate changed from 4.23 percent to 3.85 percent.

Changes in Assumptions – OP&F OPEB

For 2018, the single discount rate changed from 3.79 percent to 3.24 percent.

(This Page Intentionally Left Blank)

CITY OF MASSILLON
STARK COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2018

FEDERAL GRANTOR ***Pass Through Grantor*** Program Title	Pass Through Entity Number	Federal CFDA Number	Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
(Passed Through Ohio Department of Health)			
Special Supplemental Nutrition Program for Women Infants and Children	01-7620-FCL389	10.557	$135,141
Total U.S. Department of Agriculture			**135,141**
U.S. Department of Justice			
(Passed through Ohio Department of Public Safety)			
Violence Against Women Formula Grants	2016WFVA2-8225	16.588	67,670
Total U.S. Department of Justice			**67,670**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Direct			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grants	N/A	14.218	638,257
CDBG - Section 108 Loan Guarantees	N/A	14.248	996,977
(Passed Through Stark County HOME Consortium)			
HOME Investment Partnerships Program	M-04-DC-39-0204	14.239	127,597
Total U.S. Department of Housing and Urban Development			**1,762,831**
U.S. DEPARTMENT OF TRANSPORTATION			
(Passed Through Ohio Department of Transportation)			
Highway Planning and Construction Cluster:			
Highway Planning and Construction Program	PID 100471	20.205	276,475
Total U.S. Department of Transportation			**276,475**
Total			**$2,242,117**

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
2 CFR 200.510(b)(6)
FOR THE YEAR ENDED DECEMBER 31, 2018

NOTE A – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of the City of Massillon (the City) under programs of the federal government for the year ended December 31, 2018. The information on this Schedule is prepared in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement.

NOTE C – INDIRECT COST RATE

The City has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE D - SUBRECIPIENTS

The City passes certain federal awards received from the US Department of Housing and Urban Development to other governments or not-for-profit agencies (subrecipients). As Note B 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. The City did not provide funding to subrecipients during the audit period.

NOTE E – LOAN PROGRAMS WITH CONTINUING COMPLIANCE REQUIREMENTS

The federal loan programs listed below are administered directly by the City, and balances and transactions relating to these programs are included in the City's basic financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balances of loans outstanding at December 31, 2018 consist of:

CFDA Number	Program/Cluster Name	Outstanding Balance at December 31, 2018
14.248	Section 108 Loan Program	965,000

NOTE F - 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.

OHIO AUDITOR OF STATE
KEITH FABER

101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

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

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

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Massillon, Stark County, (the City) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated September 27, 2019, wherein we noted the City adopted Governmental Accounting Standards Board Statement 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.*

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statements, but not to the extent necessary to opine on the effectiveness of the City's internal control. Accordingly, we have not opined on it.

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 a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the City's financial statements. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

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, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State

Columbus, Ohio

September 27, 2019

OHIO AUDITOR OF STATE
KEITH FABER

101 Central Plaza South
700 Chase Tower
Canton, Ohio 44702-1509
(330) 438-0617 or (800) 443-9272
EastRegion@ohioauditor.gov

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO THE MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

To the Members of Council:

Report on Compliance for the Major Federal Program

We have audited the City of Massillon's (the City) compliance with the applicable requirements described in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could directly and materially affect the City of Massillon's major federal program for the year ended December 31, 2018. The *Summary of Auditor's Results* in the accompanying schedule of findings identifies the City's major federal program.

Management's Responsibility

The City's Management is responsible for complying with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to opine on the City's compliance for the City's major federal program based on our audit of the applicable compliance requirements referred to above. Our compliance audit followed auditing standards generally accepted in the United States of America; the standards for financial audits included in the Comptroller General of the United States' *Government Auditing Standards*; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). These standards and the Uniform Guidance require us to plan and perform the audit to reasonably assure whether noncompliance with the applicable compliance requirements referred to above that could directly and materially affect a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our compliance opinion on the City's major program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City of Massillon complied, in all material respects with the compliance requirements referred to above that could directly and materially affect its major federal program for the year ended December 31, 2018.

Report on Internal Control Over Compliance

The City's management is responsible for establishing and maintaining effective internal control over compliance with the applicable compliance requirements referred to above. In planning and performing our compliance audit, we considered the City's internal control over compliance with the applicable requirements that could directly and materially affect a major federal program, to determine our auditing procedures appropriate for opining on each major federal program's compliance and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not to the extent needed to opine 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's applicable 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with federal program's applicable compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

This report only describes the scope of our internal control over compliance tests and the results of this testing based on Uniform Guidance requirements. Accordingly, this report is not suitable for any other purpose.

Keith Faber
Auditor of State

Columbus, Ohio

September 27, 2019

CITY OF MASSILLON
STARK COUNTY

SCHEDULE OF FINDINGS
2 CFR § 200.515
DECEMBER 31, 2018

1. SUMMARY OF AUDITOR'S RESULTS

(d)(1)(i)	**Type of Financial Statement Opinion**	Unmodified
(d)(1)(ii)	**Were there any material weaknesses in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(ii)	**Were there any significant deficiencies in internal control reported at the financial statement level (GAGAS)?**	No
(d)(1)(iii)	**Was there any reported material noncompliance at the financial statement level (GAGAS)?**	No
(d)(1)(iv)	**Were there any material weaknesses in internal control reported for major federal programs?**	No
(d)(1)(iv)	**Were there any significant deficiencies in internal control reported for major federal programs?**	No
(d)(1)(v)	**Type of Major Programs' Compliance Opinion**	Unmodified
(d)(1)(vi)	**Are there any reportable findings under 2 CFR § 200.516(a)?**	No
(d)(1)(vii)	**Major Programs (list):**	CFDA #14.248 – CDBG Section 108 Loan Guarantees
(d)(1)(viii)	**Dollar Threshold: Type A\B Programs**	Type A: > $ 750,000 Type B: all others
(d)(1)(ix)	**Low Risk Auditee under 2 CFR § 200.520?**	Yes

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

None

3. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

This page intentionally left blank.

OHIO AUDITOR OF STATE
KEITH FABER

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 10, 2019