CITY OF MASSILLON, OHIO

Basic Financial Statements

Year Ended December 31, 2019

With Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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City of Massillon
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We have reviewed the *Independent Auditor's Report* of the City of Massillon, Stark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2019 through December 31, 2019. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

Keith Faber
Auditor of State
Columbus, Ohio

July 29, 2020

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INDEPENDENT AUDITORS' REPORT

To the Members of City Council
City of Massillon, Ohio:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Massillon, Ohio (the "City"), as of and for the year ended December 31, 2019, 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 the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Massillon, Ohio as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Street Construction Fund, and Parks and Recreation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Subsequent Event Footnote

As discussed in Note 25 to the financial statements, the financial impact of COVID-19 and ensuing emergency measures will impact the City in subsequent periods. We did not modify our opinion regarding this matter.

Change in Accounting Principle

During the year ended December 31, 2019, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities* (See Note 3). Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 - 12 and 92 - 106 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards 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* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 30, 2020

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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, 2019. 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 2019 are as follows:

- The general fund reported an end of year unencumbered cash balance of $5,786,102 (budget basis). All departments have contributed by controlling expenditures in 2019. In addition, the City was able to transfer $30,000 to the budget stabilization fund from the general fund, yielding an ending balance of $390,000 in the budget stabilization fund.

- Consistent with the provisions of Ohio Revised Code Section 3709.36, the City of Massillon's health department was reorganized as a legally separate organization (City of Massillon Board of Health) rather than continuing to operate as a department of the City. This change was effective January 1, 2019, and is being accounted for by the City as a transfer of operations, which is reported as a special item. The Board of Health is reported as a discretely presented component unit of the City of Massillon.

- On January 28, 2019, the City finalized an agreement with the Aultman Hospital that awarded the City $2,060,000 to reimburse for costs associated with the City maintaining the Affinity Campus and corresponding operations and liabilities to financially support the City's future redevelopment or disposition of the Affinity Campus. This has been reported as a special item on the 2019 financial statements.

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 2019?" The statement of net position and the statement of activities answer this question. These statements include all non-fiduciary 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 need to be evaluated.

In the statement of net position and the statement of activities, the City is divided into three kinds of activities:

- Governmental Activities – Most of the City's programs and services are reported here, including general government, security of persons and property, transportation, public health and welfare, leisure time activities, basic utility service, economic development and assistance, and urban redevelopment and housing.

- Business-Type Activities – These services are provided on a fee basis to recover all of the expenses of the goods or services provided. The City's business-type activity is wastewater.

- Component Unit – The City's financial statements include financial data of the City of Massillon Board of Health. The component unit is described in the notes to the financial statements. The component unit is separate and may buy, sell, lease, and mortgage property in its own name and can sue or be sued in its own name.

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 16. 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 10.

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 2019 compared to 2018.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total *	
	2019	Restated 2018	2019	2018	2019	Restated 2018
Assets						
Current and Other Assets	$32,714,408	$30,668,227	$37,184,397	$37,813,961	$69,898,805	$68,482,188
Net Pension Asset	10,974	13,040	2,726	3,260	13,700	16,300
Capital Assets, Net	47,463,898	42,029,379	71,317,105	71,868,182	118,781,003	113,897,561
Total Assets	80,189,280	72,710,646	108,504,228	109,685,403	188,693,508	182,396,049
Deferred Outflows of Resources						
Deferred Charge on Refunding	187,635	215,454	0	0	187,635	215,454
Pension	9,933,731	4,357,414	900,113	451,239	10,795,238	4,792,837
OPEB	2,246,229	1,920,808	115,829	97,230	2,342,661	2,018,038
Total Deferred Outflows of Resources	12,367,595	6,493,676	1,015,942	548,469	13,325,534	7,026,329
Liabilities						
Current and Other Liabilities	4,500,506	2,076,064	774,319	1,153,594	5,274,825	3,229,658
Long-Term Liabilities:						
Due Within One Year	1,620,420	2,629,618	2,396,772	2,462,381	4,017,192	5,091,999
Due in More Than One Year:						
Net Pension Liability	34,735,457	23,779,766	3,017,322	1,779,591	37,752,779	25,559,357
Net OPEB Liability	8,160,638	20,164,456	1,400,978	1,195,822	9,561,616	21,360,278
Other Amounts	18,160,257	19,514,638	41,653,707	43,809,063	59,813,964	63,323,701
Total Liabilities	67,177,278	68,164,542	49,243,098	50,400,451	116,420,376	118,564,993
Deferred Inflows of Resources						
Property Taxes	2,451,188	2,237,965	0	0	2,451,188	2,237,965
Payment in Lieu of Taxes	953,252	885,295	0	0	953,252	885,295
Pension	466,391	2,674,595	79,371	436,165	507,156	3,094,944
OPEB	886,293	659,129	23,198	89,081	890,094	748,210
Total Deferred Inflows of Resources	4,757,124	6,456,984	102,569	525,246	4,801,690	6,966,414
Net Position						
Net Investment in Capital Assets	28,827,606	24,325,481	48,438,372	47,177,798	77,265,978	71,503,279
Restricted	8,572,631	6,463,954	0	0	8,572,631	6,463,954
Unrestricted (Deficit)	(16,777,764)	(26,206,639)	11,736,131	12,130,377	(5,041,633)	(14,076,262)
Total Net Position	$20,622,473	$4,582,796	$60,174,503	$59,308,175	$80,796,976	$63,890,971

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

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2019. 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.

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.

For governmental activities, assets, deferred outflows of resources, and net position increased, while liabilities and deferred inflows of resources decreased. The increase in assets was primarily due to the increase in capital assets, as well as an increase in cash. The increase in capital assets was mainly related to road improvements. Cash increased primarily as a result of the Aultman agreement.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. The increase in capital assets was mainly due to large additions related to construction in progress, buildings and improvements, and infrastructure. 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, 2019, 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 slightly in 2019 from 2018, along with deferred outflows of resources. Assets, liabilities and deferred inflows of resources decreased for business-type activities. Decreases in the intergovernmental receivable, mainly related to payments received from Stark County for the County's portion of debt payments for OWDA loans, and depreciation on capital assets caused the decrease in total assets. The decrease in liabilities was mainly due to reductions in outstanding debt as the City made annually required payments. While the net pension liability increased from 2018, the impact was partly offset by changes in deferred inflows of resources and deferred outflows of resources related to pension.

Table 2 shows the changes in net position for the year ended December 31, 2019, compared to 2018.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program Revenues:						
Charges for Services, Sales						
and Assessments	$7,131,894	$6,938,501	$9,988,526	$9,910,719	$17,120,420	$16,849,220
Operating Grants, Contributions and Interest	3,163,031	3,182,893	0	0	3,163,031	3,182,893
Capital Grants and Contributions	3,481,064	521,198	695,804	2,489,528	4,176,868	3,010,726
Total Program Revenues	13,775,989	10,642,592	10,684,330	12,400,247	24,460,319	23,042,839
General Revenues:						
Property Taxes	2,480,301	1,591,148	0	0	2,480,301	1,591,148
Income Taxes	19,287,284	21,673,574	0	0	19,287,284	21,673,574
Intergovernmental	1,396,660	954,361	0	0	1,396,660	954,361
Unrestricted Contributions	5,279	5,697,039	0	0	5,279	5,697,039
Gain on Sale of Capital Assets	0	9,453	0	0	0	9,453
Payment in Lieu of Taxes	950,198	497,966	0	0	950,198	497,966
Interest	527,784	349,797	0	0	527,784	349,797
Other	1,062,397	730,880	67,443	56,735	1,129,840	787,615
Total General Revenues	25,709,903	31,504,218	67,443	56,735	25,777,346	31,560,953
Total Revenues	39,485,892	42,146,810	10,751,773	12,456,982	50,237,665	54,603,792
Program Expenses						
Governmental Activities:						
General Government:						
Primary Government	11,590,827	9,325,503	0	0	11,590,827	9,325,503
Intergovernmental	1,161,760	0	0	0	1,161,760	0
Security of Persons and Property	983,560	13,428,192	0	0	983,560	13,428,192
Transportation:						
Primary Government	4,193,851	6,218,053	0	0	4,193,851	6,218,053
Intergovernmental	644,864	0	0	0	644,864	0
Public Health and Welfare:						
Primary Government	0	742,437	0	0	0	742,437
Intergovernmental	759,097	0	0	0	759,097	0
Leisure Time Activities	4,769,863	4,054,486	0	0	4,769,863	4,054,486
Basic Utility Service	69,945	36,114	0	0	69,945	36,114
Economic Development and Assistance	867,683	886,295	0	0	867,683	886,295
Urban Redevelopment and Housing	365,462	167,617	0	0	365,462	167,617
Interest and Fiscal Charges	801,248	881,036	0	0	801,248	881,036
Wastewater	0	0	9,885,445	8,130,966	9,885,445	8,130,966
Total Program Expenses	26,208,160	35,739,733	9,885,445	8,130,966	36,093,605	43,870,699
Change in Net Position						
before Transfers and Special Items	13,277,732	6,407,077	866,328	4,326,016	14,144,060	10,733,093
Transfers	0	92,204	0	(92,204)	0	0
Special Items	2,761,945	0	0	0	2,761,945	0
Change in Net Position	16,039,677	6,499,281	866,328	4,233,812	16,906,005	10,733,093
Net Position Beginning of Year - Restated	4,582,796	(1,916,485)	59,308,175	55,074,363	63,890,971	53,157,878
Net Position End of Year	$20,622,473	$4,582,796	$60,174,503	$59,308,175	$80,796,976	$63,890,971

For 2019, OP&F recognized a change in benefit terms for their OPEB plan. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for healthcare and Medicare Part B reimbursements. This new model replaced the self-insured healthcare plan used in prior years. These changes contributed to the City's OP&F OPEB expense decreasing from $1,206,126 in 2018 to a negative OPEB expense of ($12,385,248) for 2019.

Governmental Activities

The net position of governmental activities increased in 2019 mainly due to a significant decrease in program expenses, primarily a decrease in security of persons and property expense resulting from the decrease in OPEB expense.

Despite an increase in capital grants, total revenues decreased due to the drop in unrestricted contributions. The high amount of unrestricted contributions in 2018 was related to the acquisition of the Affinity Medical Center. The impact of the decrease in revenues was offset by special items recognized in 2019 related to the Aultman agreement and the transfer of Board of Health operations.

For 2019, general government expense represented the largest program expense for the City and consists of costs associated with the general administration of the City and courts operations.

Security of persons and property typically represents the highest program expense for the City but was significantly reduced by negative OPEB expense in 2019. 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, building department, 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 small increase in total net position from 2018. This increase was due to revenues continuing to outpace expenses, despite a decrease in capital grants and contributions and an increase in depreciation expense related to the completion of the wastewater treatment plant upgrade project in 2019.

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 $1.56 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 2019 was due to the special item related to the Aultman agreement, despite a significant decrease in revenues and an increase in expenditures. The decrease in revenues was primarily due to contributions and donations recognized in 2018 related to the acquisition of Affinity Medical Center.

The street construction special revenue fund had an increase in fund balance. This was due to an increase in intergovernmental revenues related to gasoline excise tax and a small decrease in transportation costs related to street repairs.

The parks and recreation special revenue fund had an increase in fund balance. This was due to revenues continuing to exceed expenditures, despite an increase in expenditures. The increase in expenditures was related primarily to an increase in contractual services for the parks department, as well as smaller increases in salaries and contractual services for the golf course.

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 slightly more than 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 2019, the City had $118,781,003 in capital assets (net of accumulated depreciation). Of this total, $47,463,898 was reported in governmental activities and $71,317,105 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 infrastructure. For business-type activities, the decrease in total capital assets was due to an increase in depreciation expense related to the completion of the wastewater treatment plant upgrade project in 2019. See Note 15 to the basic financial statements for detail on governmental and business-type activities capital assets.

Debt Administration

At December 31, 2019, the City had total long-term debt obligations outstanding of $61,208,508. Of this total, $3,782,662 is due within one year and $57,425,846 is due in more than one year.

All governmental long-term debt will be repaid by the general fund, the parks and recreation special revenue fund, the Lincoln Center bond retirement, senior housing bond retirement, parks and recreation bond retirement, tax increment financing, and OPWC loan payment debt service funds, and the income tax capital improvements fund.

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, 2019, the City's overall legal debt margin was $52,550,154 with an unvoted debt margin of $21,397,824. See Notes 18 and 19 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. Healthcare 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.

Due to the current situation with the Coronavirus (COVID-19) the City will notice a decrease in income tax collections in 2020. It is difficult to say what the decrease will be as the filing deadline was extended to July 15, 2020. We do believe that the biggest impact from income tax collections will be realized in 2021. This is due to business closures and employee layoffs during the pandemic. The City will adjust the revenue certification in 2021 to reflect the loss of revenue for income tax, along with the potential loss of revenue for gasoline excise taxes. The budget will be implemented to stay within the certification to maintain a balanced budget for 2021.

The City Parks and Recreation was also impacted with the Coronavirus (COVID-19). The closing of the Rec Center impacted revenue streams from rentals, parties, day passes, Silver Sneakers payments, basketball, volleyball, softball and baseball tournaments, along with softball leagues. Events are being cancelled on a monthly basis and reviewed subject to the Governor's Stay at Home orders. The Senior Center is also closed and the Director is on a temporary leave of absence. Due to the expected loss of revenue, purchasing limits and cutting of staff have been implemented. In addition, less resources are being used to maintain all buildings at a safe level.

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 website at www.massillonohio.com.

City of Massillon, Ohio
Statement of Net Position
December 31, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total *	City of Massillon Board of Health
Assets				
Equity in Pooled Cash and Cash Equivalents	$17,377,581	$12,570,879	$29,948,460	$45,624
Cash and Cash Equivalents in Segregated Accounts	169,322	0	169,322	0
Materials and Supplies Inventory	131,077	1,660	132,737	0
Accrued Interest Receivable	34,515	0	34,515	0
Accounts Receivable	970,541	2,748,464	3,719,005	0
Intergovernmental Receivable	3,046,445	21,828,267	24,874,712	407,361
Prepaid Items	293,044	35,127	328,171	8,322
Income Taxes Receivable	3,377,183	0	3,377,183	0
Property Taxes Receivable	2,805,748	0	2,805,748	0
Payment in Lieu of Taxes Receivable	953,252	0	953,252	0
Assets Held for Resale	3,555,700	0	3,555,700	0
Net Pension Asset (See Note 16)	10,974	2,726	13,700	646
Nondepreciable Capital Assets	14,065,025	247,966	14,312,991	0
Depreciable Capital Assets, Net	33,398,873	71,069,139	104,468,012	0
Total Assets	80,189,280	108,504,228	188,693,508	461,953
Deferred Outflows of Resources				
Deferred Charge on Refunding	187,635	0	187,635	0
Pension	9,933,731	900,113	10,795,238 *	219,760
OPEB	2,246,229	115,829	2,342,661 *	32,295
Total Deferred Outflows of Resources	12,367,595	1,015,942	13,325,534	252,055
Liabilities				
Accounts Payable	314,125	182,708	496,833	186
Accrued Wages	352,458	42,579	395,037	8,375
Contracts Payable	2,348,588	325,711	2,674,299	0
Intergovernmental Payable	705,175	27,394	732,569	17,034
Retainage Payable	169,083	192,617	361,700	0
Matured Compensated Absences Payable	69,744	0	69,744	0
Accrued Interest Payable	78,034	3,310	81,344	0
Unearned Revenue	91,829	0	91,829	0
Deposits Held Payable	371,470	0	371,470	0
Long-Term Liabilities:				
Due Within One Year	1,620,420	2,396,772	4,017,192	2,432
Due in More Than One Year:				
Net Pension Liability (See Note 16)	34,735,457	3,017,322	37,752,779	714,629
Net OPEB Liability (See Note 17)	8,160,638	1,400,978	9,561,616	331,811
Other Amounts	18,160,257	41,653,707	59,813,964	70,516
Total Liabilities	67,177,278	49,243,098	116,420,376	1,144,983
Deferred Inflows of Resources				
Property Taxes	2,451,188	0	2,451,188	0
Payment in Lieu of Taxes	953,252	0	953,252	0
Pension	466,391	79,371	507,156 *	9,677
OPEB	886,293	23,198	890,094 *	900
Total Deferred Inflows of Resources	4,757,124	102,569	4,801,690	10,577
Net Position				
Net Investment in Capital Assets	28,827,606	48,438,372	77,265,978	0
Restricted for:				
Capital Projects	2,672,582	0	2,672,582	0
Debt Service	308,599	0	308,599	0
Transportation	2,940,402	0	2,940,402	0
Court Operations	807,592	0	807,592	0
Security Services	674,979	0	674,979	0
Vacant/Foreclosure Property Programs	614,213	0	614,213	0
Other Purposes	468,661	0	468,661	0
Unclaimed Monies	85,603	0	85,603	0
Women, Infants and Children Program	0	0	0	18,983
Unrestricted (Deficit)	(16,777,764)	11,736,131	(5,041,633)	(460,535)
Total Net Position	$20,622,473	$60,174,503	$80,796,976	($441,552)

* After deferred outflows of resources and deferred inflows of resources related to the change in internal proportionate share of pension-related and OPEB-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, 2019

	Expenses	Program Revenues: Charges for Services, Sales and Assessments	Program Revenues: Operating Grants, Contributions and Interest	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government - Primary Government	$11,590,827	$3,604,214	$49,077	$0
General Government - Intergovernmental	1,161,760	0	67,976	0
Security of Persons and Property	983,560	1,400,149	46,533	0
Transportation - Primary Government	4,193,851	20,565	2,109,211	3,046,938
Transportation - Intergovernmental	644,864	0	0	434,126
Public Health and Welfare - Intergovernmental	759,097	0	0	0
Leisure Time Activities	4,769,863	2,063,140	60,214	0
Basic Utility Service	69,945	0	45,751	0
Economic Development and Assistance	867,683	2,000	618,179	0
Urban Redevelopment and Housing	365,462	41,826	166,090	0
Interest and Fiscal Charges	801,248	0	0	0
Total Governmental Activities	26,208,160	7,131,894	3,163,031	3,481,064
Business-Type Activities:				
Wastewater	9,885,445	9,988,526	0	695,804
Total Primary Government	$36,093,605	$17,120,420	$3,163,031	$4,176,868
Component Unit:				
City of Massillon Board of Health	$848,451	$192,139	$901,261	$0

General Revenues:
Property Taxes Levied for:
- General Purposes
- Police and Fire Pension
- Massillon Museum

Income Tax Levied for:
- General Purposes
- Transportation
- Debt Services
- Capital Improvements
- Leisure Time Activities

Grants and Entitlements not Restricted to Specific Programs
Unrestricted Contributions
Payment in Lieu of Taxes
Interest
Other

Total General Revenues

Special Item - Aultman Agreement
Special Item - Transfer of Board of Health Operations

Total General Revenues and Special Items

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			
Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	City of Massillon Board of Health
($7,937,536)	$0	($7,937,536)	$0
(1,093,784)	0	(1,093,784)	0
463,122	0	463,122	0
982,863	0	982,863	0
(210,738)	0	(210,738)	0
(759,097)	0	(759,097)	0
(2,646,509)	0	(2,646,509)	0
(24,194)	0	(24,194)	0
(247,504)	0	(247,504)	0
(157,546)	0	(157,546)	0
(801,248)	0	(801,248)	0
(12,432,171)	0	(12,432,171)	0
0	798,885	798,885	0
(12,432,171)	798,885	(11,633,286)	0
0	0	0	244,949
1,436,820	0	1,436,820	0
320,894	0	320,894	0
722,587	0	722,587	0
13,727,722	0	13,727,722	0
1,928,948	0	1,928,948	0
1,179,421	0	1,179,421	0
973,017	0	973,017	0
1,478,176	0	1,478,176	0
1,396,660	0	1,396,660	0
5,279	0	5,279	0
950,198	0	950,198	0
527,784	0	527,784	0
1,062,397	67,443	1,129,840	15,444
25,709,903	67,443	25,777,346	15,444
2,060,000	0	2,060,000	0
701,945	0	701,945	0
28,471,848	67,443	28,539,291	15,444
16,039,677	866,328	16,906,005	260,393
4,582,796	59,308,175	63,890,971	(701,945)
$20,622,473	$60,174,503	$80,796,976	($441,552)

City of Massillon, Ohio
Balance Sheet
Governmental Funds
December 31, 2019

	General	Street Construction	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$7,518,320	$1,307,617	$1,443,069	$6,785,762	$17,054,768
Cash and Cash Equivalents					
in Segregated Accounts	104,755	0	0	64,567	169,322
Materials and Supplies Inventory	106,017	0	25,060	0	131,077
Accrued Interest Receivable	34,510	0	0	5	34,515
Accounts Receivable	410,038	0	0	560,503	970,541
Intergovernmental Receivable	543,874	935,899	13,658	1,553,014	3,046,445
Prepaid Items	231,075	19,455	34,130	8,384	293,044
Income Taxes Receivable	2,406,242	337,719	263,420	369,802	3,377,183
Property Taxes Receivable	1,602,147	0	0	1,203,601	2,805,748
Payment in Lieu of Taxes Receivable	0	0	0	953,252	953,252
Assets Held for Resale	3,555,700	0	0	0	3,555,700
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	87,576	0	0	0	87,576
Total Assets	$16,600,254	$2,600,690	$1,779,337	$11,498,890	$32,479,171
Liabilities					
Accounts Payable	$198,449	$22,054	$45,196	$48,426	$314,125
Accrued Wages	302,118	20,699	25,871	3,770	352,458
Contracts Payable	756,782	133,458	0	1,458,348	2,348,588
Intergovernmental Payable	527,039	14,912	21,023	137,872	700,846
Retainage Payable	0	55,586	0	113,497	169,083
Matured Compensated Absences Payable	69,744	0	0	0	69,744
Unearned Revenue	0	0	91,829	0	91,829
Deposits Held Payable	0	0	0	371,470	371,470
Total Liabilities	1,854,132	246,709	183,919	2,133,383	4,418,143
Deferred Inflows of Resources					
Property Taxes	1,385,511	0	0	1,065,677	2,451,188
Payment in Lieu of Taxes	0	0	0	953,252	953,252
Unavailable Revenues	1,793,877	758,742	114,714	1,152,536	3,819,869
Total Deferred Inflows of Resources	3,179,388	758,742	114,714	3,171,465	7,224,309
Fund Balances					
Nonspendable	3,978,395	19,455	59,190	8,384	4,065,424
Restricted	0	1,575,784	0	4,081,707	5,657,491
Committed	5,573	0	1,421,514	2,198,960	3,626,047
Assigned	2,139,686	0	0	201,507	2,341,193
Unassigned (Deficit)	5,443,080	0	0	(296,516)	5,146,564
Total Fund Balances	11,566,734	1,595,239	1,480,704	6,194,042	20,836,719
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$16,600,254	$2,600,690	$1,779,337	$11,498,890	$32,479,171

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, 2019

Total Governmental Fund Balances		$20,836,719
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.		47,463,898
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	354,560	
Income Taxes	1,295,587	
Intergovernmental	1,217,617	
Charges for Services	834,834	
Other	117,271	
Total		3,819,869
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		198,216
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(78,034)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(14,165,542)	
Loans	(1,547,421)	
Judgments	(70,000)	
Capital Leases	(703,040)	
Compensated Absences	(2,216,255)	
Police and Fireman's Pension Liability	(1,045,727)	
Total		(19,747,985)
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.		187,635
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	10,974	
Deferred Outflows - Pension	9,933,731	
Deferred Outflows - OPEB	2,246,229	
Net Pension Liability	(34,735,457)	
Net OPEB Liability	(8,160,638)	
Deferred Inflows - Pension	(466,391)	
Deferred Inflows - OPEB	(886,293)	
Total		(32,057,845)
Net Position of Governmental Activities		$20,622,473

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, 2019

	General	Street Construction	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	$1,424,741	$0	$0	$1,029,884	$2,454,625
Income Taxes	14,840,946	2,085,190	1,600,044	2,323,522	20,849,702
Payment in Lieu of Taxes	1,105	0	0	949,093	950,198
Intergovernmental	1,338,409	1,613,613	0	4,639,371	7,591,393
Interest	527,784	0	0	342	528,126
Licenses and Permits	660,680	0	31,589	0	692,269
Fines and Forfeitures	1,388,404	0	0	855,073	2,243,477
Charges for Services	1,877,344	0	2,006,993	224,749	4,109,086
Rent	91,577	0	0	0	91,577
Contributions and Donations	7,199	0	0	75,714	82,913
Other	491,095	23,953	63,975	463,119	1,042,142
Total Revenues	22,649,284	3,722,756	3,702,601	10,560,867	40,635,508
Expenditures					
Current:					
General Government	9,537,875	0	0	656,615	10,194,490
Security of Persons and Property	10,556,552	0	0	1,533,256	12,089,808
Transportation	1,612,927	3,257,841	0	192,492	5,063,260
Leisure Time Activities	0	0	3,552,037	78,035	3,630,072
Basic Utility Service	0	0	0	69,945	69,945
Economic Development and Assistance	88,662	0	0	716,398	805,060
Urban Redevelopment and Housing	0	0	0	365,462	365,462
Intergovernmental	759,097	0	0	1,806,624	2,565,721
Capital Outlay	0	0	0	4,313,459	4,313,459
Debt Service:					
Principal Retirement	47,045	0	5,671	2,254,916	2,307,632
Interest and Fiscal Charges	45,948	0	824	740,052	786,824
Total Expenditures	22,648,106	3,257,841	3,558,532	12,727,254	42,191,733
Excess of Revenues Over (Under) Expenditures	1,178	464,915	144,069	(2,166,387)	(1,556,225)
Other Financing Sources (Uses)					
Transfers In	0	0	0	1,604,169	1,604,169
Transfers Out	(1,551,225)	0	0	(52,944)	(1,604,169)
Total Other Financing Sources (Uses)	(1,551,225)	0	0	1,551,225	0
Special Items					
Aultman Agreement	2,060,000	0	0	0	2,060,000
Transfer of Board of Health Operations	2,140	0	0	(25,933)	(23,793)
Total Special Items	2,062,140	0	0	(25,933)	2,036,207
Net Change in Fund Balances	512,093	464,915	144,069	(641,095)	479,982
Fund Balances Beginning of Year - Restated (See Note 3)	11,054,641	1,130,324	1,336,635	6,835,137	20,356,737
Fund Balances End of Year	$11,566,734	$1,595,239	$1,480,704	$6,194,042	$20,836,719

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, 2019

Net Change in Fund Balances - Total Governmental Funds		$479,982
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	8,090,528	
Current Year Depreciation	(2,631,059)	
Total		5,459,469
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(24,950)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds:		
Delinquent Property Taxes	25,676	
Income Taxes	(1,562,418)	
Intergovernmental	371,386	
Charges for Services	(4,515)	
Other	20,255	
Total		(1,149,616)
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.		2,307,632
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	20,576	
Amortization of Deferred Charges	(27,819)	
Amortization of Discount	(7,181)	
Total		(14,424)
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:		
Judgment Payable	70,000	
Compensated Absences	(122,099)	
Total		(52,099)
The change in net position of the internal service fund is reported with governmental activities in the statement of activities.		37,119
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	2,304,334	
OPEB	43,212	
Total		2,347,546
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	(5,868,356)	
OPEB	11,791,636	
Total		5,923,280
The special item for the transfer of Board of Health operations on the statement of activities differs from the amount reported in the governmental funds due to the transfer of long-term assets, deferred outflows, liabilities, and deferred inflows.		725,738
Change in Net Position of Governmental Activities		$16,039,677

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, 2019

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Property Taxes	$1,220,996	$1,425,430	$1,425,430	$0
Income Taxes	12,600,404	14,756,626	14,756,626	0
Payments in the Lieu of Taxes	947	1,105	1,105	0
Intergovernmental	1,137,172	1,327,571	1,327,571	0
Interest	460,856	538,018	537,681	(337)
Licenses and Permits	567,320	662,308	662,308	0
Fines and Forfeitures	1,179,942	1,377,502	1,377,502	0
Charges for Services	1,571,685	1,834,835	1,834,835	0
Rent	78,443	91,577	91,577	0
Contributions and Donations	4,522	5,279	5,279	0
Other	393,991	459,959	485,208	25,249
Total Revenues	19,216,278	22,480,210	22,505,122	24,912
Expenditures				
Current:				
General Government	8,494,723	9,695,479	9,329,364	366,115
Security of Persons and Property	11,155,602	11,376,440	11,058,709	317,731
Transportation	1,754,828	1,919,915	1,843,030	76,885
Economic Development and Assistance	80,415	80,415	80,228	187
Intergovernmental	367,461	367,461	367,021	440
Total Expenditures	21,853,029	23,439,710	22,678,352	761,358
Excess of Revenues Under Expenditures	(2,636,751)	(959,500)	(173,230)	786,270
Other Financing Sources (Uses)				
Proceeds from the Sale of Assets Held for Resale	1,000,754	1,513,222	1,513,222	0
Transfers Out	(1,583,902)	(1,596,225)	(1,581,225)	15,000
Total Other Financing Sources (Uses)	(583,148)	(83,003)	(68,003)	15,000
Special Item				
Aultman Agreement	2,060,000	2,060,000	2,060,000	0
Net Change in Fund Balance	(1,159,899)	1,017,497	1,818,767	801,270
Fund Balance Beginning of Year	2,788,784	2,788,784	2,788,784	0
Prior Year Encumbrances Appropriated	1,178,551	1,178,551	1,178,551	0
Fund Balance End of Year	$2,807,436	$4,984,832	$5,786,102	$801,270

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, 2019

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Income Taxes	$1,861,006	$2,073,355	$2,073,355	$0
Intergovernmental	1,357,650	1,509,567	1,509,567	0
Other	19,631	21,828	23,953	2,125
Total Revenues	3,238,287	3,604,750	3,606,875	2,125
Expenditures				
Current:				
Transportation	3,578,254	3,606,639	3,238,468	368,171
Net Change in Fund Balance	(339,967)	(1,889)	368,407	370,296
Fund Balance Beginning of Year	452,199	452,199	452,199	0
Prior Year Encumbrances Appropriated	339,994	339,994	339,994	0
Fund Balance End of Year	$452,226	$790,304	$1,160,600	$370,296

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, 2019

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Income Taxes	$1,649,484	$1,590,814	$1,590,814	$0
Licenses and Permits	32,715	31,589	31,589	0
Charges for Services	2,116,337	2,043,493	2,043,493	0
Other	62,394	60,246	63,975	3,729
Total Revenues	3,860,930	3,726,142	3,729,871	3,729
Expenditures				
Current:				
Leisure Time Activities	3,665,288	3,893,390	3,663,082	230,308
Net Change in Fund Balance	195,642	(167,248)	66,789	234,037
Fund Balance Beginning of Year	1,173,040	1,173,040	1,173,040	0
Prior Year Encumbrances Appropriated	90,988	90,988	90,988	0
Fund Balance End of Year	$1,459,670	$1,096,780	$1,330,817	$234,037

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2019

	Wastewater	Governmental Activities - Internal Service
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$12,570,879	$235,237
Accounts Receivable	2,748,464	0
Intergovernmental Receivable	21,828,267	0
Materials and Supplies Inventory	1,660	0
Prepaid Items	35,127	0
Total Current Assets	37,184,397	235,237
Non-Current Assets:		
Net Pension Asset	2,726	0
Nondepreciable Capital Assets	247,966	0
Depreciable Capital Assets, Net	71,069,139	0
Total Non-Current Assets	71,319,831	0
Total Assets	108,504,228	235,237
Deferred Outflows of Resources		
Pension	900,113	0
OPEB	115,829	0
Total Deferred Outflows of Resources	1,015,942	0
Liabilities		
Current Liabilities:		
Accounts Payable	182,708	0
Accrued Wages	42,579	0
Contracts Payable	325,711	0
Intergovernmental Payable	27,394	4,329
Retainage Payable	192,617	0
Accrued Interest Payable	3,310	0
Compensated Absences Payable	5,930	0
Loans Payable	2,325,066	0
Capital Leases Payable	65,776	0
Claims Payable	0	8,886
Total Current Liabilities	3,171,091	13,215
Long-Term Liabilities (net of current portion):		
Compensated Absences Payable	367,771	0
Loans Payable	41,217,989	0
Capital Leases Payable	67,947	0
Claims Payable	0	23,806
Net Pension Liability	3,017,322	0
Net OPEB Liability	1,400,978	0
Total Long-Term Liabilities	46,072,007	23,806
Total Liabilities	49,243,098	37,021
Deferred Inflows of Resources		
Pension	79,371	0
OPEB	23,198	0
Total Deferred Inflows of Resources	102,569	0
Net Position		
Net Investment in Capital Assets	48,438,372	0
Unrestricted	11,736,131	198,216
Total Net Position	$60,174,503	$198,216

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, 2019

	Wastewater	Governmental Activities - Internal Service
Operating Revenues		
Charges for Services	$9,988,526	$0
Special Assessments	11,956	0
Other	67,443	0
Total Operating Revenues	10,067,925	0
Operating Expenses		
Personal Services	1,666,373	0
Fringe Benefits	1,446,614	0
Contractual Services	2,261,080	0
Materials and Supplies	788,230	0
Depreciation	3,472,456	0
Claims	0	3,325
Change in Workers' Compensation Estimate	0	(40,444)
Refunds	1,512	0
Total Operating Expenses	9,636,265	(37,119)
Operating Income	431,660	37,119
Non-Operating Expenses		
Interest and Fiscal Charges	(249,180)	0
Income before Contributions	182,480	37,119
Capital Contributions	683,848	0
Change in Net Position	866,328	37,119
Net Position Beginning of Year	59,308,175	161,097
Net Position End of Year	$60,174,503	$198,216

See accompanying notes to the basic financial statements

City of Massillon, Ohio

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Wastewater	Governmental Activities - Internal Service
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	$10,070,740	$0
Cash Received from Other Operating Sources	77,019	0
Cash Payments for Employee Services and Benefits	(2,490,154)	0
Cash Payments to Suppliers for Goods and Services	(3,030,685)	0
Cash Payments for Claims	0	(3,325)
Net Cash Provided by (Used for) Operating Activities	4,626,920	(3,325)
Cash Flows from Capital and Related Financing Activities		
Capital Contributions	1,555,967	0
OWDA Loans Issued	1,966,023	0
Payments for Capital Acquisitions	(3,328,979)	0
Principal Paid on Loans	(4,178,518)	0
Interest Paid on Loans	(244,242)	0
Principal Paid on Capital Leases	(63,675)	0
Interest Paid on Capital Leases	(6,514)	0
Net Cash Used for Capital and Related Financing Activities	(4,299,938)	0
Net Increase (Decrease) in Cash and Cash Equivalents	326,982	(3,325)
Cash and Cash Equivalents Beginning of Year	12,243,897	238,562
Cash and Cash Equivalents End of Year	$12,570,879	$235,237

(continued)

City of Massillon, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2019

Reconciliation of Operating Income to Net Cash Provided by (Used for) Operating Activities

Operating Income	$431,660	$37,119
Adjustments:		
Depreciation	3,472,456	0
(Increase) Decrease in Assets and Deferred Outflows:		
Accounts Receivable	302,668	0
Intergovernmental Receivable	(222,834)	0
Materials and Supplies Inventory	(760)	0
Prepaid Items	5,353	0
Net Pension Asset	(819)	0
Deferred Outflows - Pension	667,445	0
Deferred Outflows - OPEB	77,088	0
Increase (Decrease) in Liabilities and Deferred Inflows:		
Accounts Payable	21,064	0
Accrued Wages	6,388	0
Intergovernmental Payable	2,449	4,329
Compensated Absences Payable	55,205	0
Claims Payable	0	(44,773)
Net Pension Liability	(3,274)	0
Net OPEB Liability	76,743	0
Deferred Inflows - Pension	(230,755)	0
Deferred Inflows - OPEB	(33,157)	0
Net Cash Provided by (Used for) Operating Activities	$4,626,920	($3,325)

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

At December 31, 2019, the City had an intergovernmental receivable related to capital contributions of $21,322,681 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.

At December 31, 2019, the City had accounts payable, contracts payable and retainage payable related to the acquisition of capital assets of $6,308, $325,711 and $192,617, respectively, in the wastewater fund.

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Statement of Fiduciary Net Position
Custodial Funds
December 31, 2019

Assets	
Cash and Cash Equivalents in Segregated Accounts	$201,412
Liabilities	
Accounts Payable	78,910
Intergovernmental Payable	122,502
Total Liabilities	201,412
Net Position	
Restricted for Individuals, Organizations and Other Governments	$0

See accompanying notes to the basic financial statements

City of Massillon, Ohio

Statement of Changes in Fiduciary Net Position
Custodial Funds
For the Year Ended December 31, 2019

Additions	
Fines and Forfeitures for Other Governments	$1,450,941
Fines and Forfeitures for Others	1,532,305
Total Additions	2,983,246
Deductions	
Distributions of Fines and Forfeitures to Other Governments	1,450,941
Distributions of Fines and Forfeitures to Others	1,532,305
Total Deductions	2,983,246
Net Increase (Decrease) in Fiduciary Net Position	0
Net Position at Beginning of Year	0
Net Position at End of Year	$0

See accompanying notes to the basic financial statements

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 32,393 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's only component unit is the City of Massillon Board of Health (Board of Health).

The Board of Health was created as a legally separate organization under chapter 3709 of the Ohio Revised Code. Among its various duties, the Board of Health provides for the prompt diagnosis and control of communicable diseases. The Board of Health may also inspect businesses where food is manufactured, handled, stored, or offered for sale. The Board of Health is operated by a board with all five voting members being appointed by the City. The mayor of the City of Massillon also serves on the board as president, voting only to break a tie. The rates charged by the Board are subject to the approval of City Council. In addition, the City provides funding to the Board of Health, thus the City can impose will on the Board of Health, and the Board of Health imposes a financial burden to the City. Therefore, the Board of Health is considered a discretely presented component unit of the City of Massillon. Separately issued financial statements can be obtained from City Auditor Jayne Ferrero at the City of Massillon, One James Duncan Plaza, Massillon, Ohio 44646. (See Note 26.)

The City is associated with the Stark Council of Governments, the Stark Area Regional Transit Authority, Stark County Tax Incentive Review Council, Stark County Regional Planning Commission, and Massillon Community Improvement Corporation, 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 12 and 13 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 10.

Fiduciary Funds Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension (and other employment benefit) trust funds, investment trust funds, private purpose trust funds and custodial funds. Trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. The City does not have any trust funds. Custodial funds are used to report fiduciary activities that are not required to be reported in a trust fund. The City's custodial funds account assets held by the City as fiscal agent for the municipal court for various fine and forfeitures collected for the benefit of and distributed to individuals and other governments and organizations.

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 and fiduciary funds are accounted for on a flow of economic resources measurement focus. All assets and deferred outflows of resources and all liabilities and deferred inflows of resources associated with the operation of these funds are included on the statement of fund net position. In fiduciary funds, a liability to the beneficiaries of fiduciary activity is recognized when an event has occurred that compels the government to disburse fiduciary resources. Fiduciary fund liabilities other than those to beneficiaries are recognized using the economic resources measurement focus.

For proprietary funds, the statement of 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.

Fiduciary funds present a statement of changes in fiduciary net position which reports additions to and deductions from custodial funds.

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 16 and 17.

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, 2019, but which were levied to finance 2020 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, charges for services, and other. 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 17. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 16 and 17).

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 custodial fund maintains separate accounts and is reported as “cash and cash equivalents in segregated accounts” in the financial statements.

During 2019, the City had investments limited to a first American government obligations fund, commercial paper, federal farm credit bank bonds, federal national mortgage association bonds, negotiable certificates of deposit, federal home loan bank bonds, federal home loan mortgage corporation bonds, and U.S. treasury notes.

Except for the first American government obligations fund, investments are reported at fair value. The first American government obligations fund account is measured at the net asset value (NAV) per share provided by First American Funds. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

Interest revenue credited to the general fund during 2019 amounted to $527,784, $393,473 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, 2019, 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 and deposits held for individuals.

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.

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.

Discounts

On the financial statements, discounts are deferred and amortized over the term of the debt issuances using the straight line method. On the financial statements, discounts are presented as a decrease of the face amount of the debt issuances payable. On fund financial statements, discounts are financing uses in the year the debt issuances 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 and OPEB 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.

On the governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “matured compensated absences payable” in the fund(s) from which the employees who have resigned or retired will be paid.

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 2020 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 indigent drivers interlock, Massillon Museum, basic utility services, community improvement, and Massillon bicentennial.

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 custodial 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.

Extraordinary and Special Items

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Administration and that are either unusual in nature or infrequent in occurrence. During 2019, the City recognized a loss of $23,793 on the statement of revenues, expenditures, and changes in fund balances of governmental funds and a gain of $701,945 on the statement of activities for the transfer of the board of health operations, recorded as a special item. Also during 2019, the City recognized a gain of $2,060,000, recorded as a special item, on an agreement with Aultman Hospital that awarded the City in order 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.

Note 3 – Changes in Accounting Principles and Restatement of Fund Balances and Net Position

Changes in Accounting Principles

The Governmental Accounting Standards Board (GASB) recently issued GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The City evaluated implementing these certain GASB pronouncements based on the guidance in GASB 95.

For 2019, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities,* Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements,* and related guidance from (GASB) Implementation Guide No. 2019-2, *Fiduciary Activities.*

GASB Statement No. 84 established specific criteria for identifying activities that should be reported as fiduciary activities and clarifies whether and how business type activities should report their fiduciary activities. Due to the implementation of GASB Statement No. 84, the City will no longer be reporting agency funds. At December 31, 2018, the City's agency funds reported assets and liabilities of $1,117,695. The City reviewed its agency funds and certain funds will be reported in the new fiduciary fund classification of custodial funds, while other funds have been reclassified as governmental funds. These fund reclassifications resulted in the restatement of the City's financial statements. The implementation of GASB Statement No. 84 had no effect on fiduciary net position as of December 31, 2018, as the amounts reclassified to custodial funds were offset by corresponding liabilities.

GASB Statement 88 improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. These changes were incorporated in the City's fiscal year 2019 financial statements; however, there was no effect on beginning net position/fund balance.

For 2019, the City also implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2018-1*. These changes were incorporated in the City's 2019 financial statements; however, there was no effect on beginning net position/fund balance.

Restatement of Fund Balances and Net Position

The implementation of GASB Statement No. 84 had the following effect on fund balance as of December 31, 2018:

	General	Street Construction	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Fund Balances, December 31, 2018	$11,045,811	$1,130,324	$1,336,635	$6,805,648	$20,318,418
Adjustments:					
GASB Statement 84	8,830	0	0	29,489	38,319
Restated Fund Balances, December 31, 2018	$11,054,641	$1,130,324	$1,336,635	$6,835,137	$20,356,737

The implementation of GASB Statement No. 84 had the following effect on net position as of December 31, 2018:

	Governmental Activities	Business-Type Activities	Total
Net Position, December 31, 2018	$4,439,920	$59,308,175	$63,748,095
Adjustments:			
GASB Statement 84	142,876	0	142,876
Restated Net Position, December 31, 2018	$4,582,796	$59,308,175	$63,890,971

Note 4 – Accountability

As of December 31, 2019, the following funds had deficit fund balances:

	Amount
Special Revenue:	
Community Development	$40,710
Police Pension	53,160
Fire Pension	80,148
Capital Projects:	
Project Grants	122,498

The deficits in the special revenue funds and the capital projects fund 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. Investments are reported at cost (budget) rather than fair value (GAAP).

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

5. Budgetary revenues and expenditures of the budget stabilization, COBRA and retiree life insurance, parking enforcement, special, enterprise zone, and donations funds are reclassified to the general fund for GAAP reporting.

6. 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	$512,093	$464,915	$144,069
Adjustment for Revenue Accruals	1,361,089	(115,881)	27,270
Beginning Unrecorded Cash	39,478	0	0
Ending Unrecorded Cash	(1,370)	0	0
Ending Fair Value Adjustment for Investments	4,774	0	0
Adjustment for Expenditure Accruals	1,317,955	166,390	7,702
Perspective Differences:			
Budget Stabilization	(30,000)	0	0
COBRA and Retiree Life Insurance	1,910	0	0
Parking Enforcement	(7,500)	0	0
Special	(11,768)	0	0
Enterprise Zone	(2,000)	0	0
Donations	1,951	0	0
Adjustment for Encumbrances	(1,367,845)	(147,017)	(112,252)
Budget Basis	$1,818,767	$368,407	$66,789

Note 6 – Deposits and Investments

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

Active deposits are public deposits 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 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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, or by the financial institution’s 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.

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 including a requirement for maturity within ten years from the date of settlement, bonds and other obligations of political subdivisions of the State of Ohio, if training requirements have been met;

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

7. Certain bankers' acceptances (for a period not to exceed one hundred eighty days) and commercial paper notes (for a period not to exceed two hundred seventy 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.

Investments

Investments are reported at fair value. As of December 31, 2019, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Net Asset Value Per Share:				
First American Government Obligations Fund	$11,894	Less than one year	AAAm	N/A
Fair Value - Level Two Inputs:				
Commercial Paper	496,290	Less than one year	A-1+	4.96 %
Commercial Paper	2,480,805	Less than one year	A-1	24.81
Federal Farm Credit Bank Bonds	997,980	Less than four years	AA+	9.98
Federal Farm Credit Bank Bonds	1,250,051	Less than five years	AA+	12.50
Federal National Mortgage Association Bonds	1,537,376	Less than one year	AA+	15.37
Federal National Mortgage Association Bonds	497,720	Less than five years	AA+	4.98
Negotiable Certificates of Deposit	495,079	Less than two years	N/A	4.95
Negotiable Certificates of Deposit	740,375	Less than five years	N/A	7.40
Federal Home Loan Bank Bonds	499,855	Less than one year	AA+	5.00
Federal Home Loan Mortgage Corporation Bonds	497,510	Less than five years	AA+	N/A
U.S. Treasury Notes	495,020	Less than four years	N/A	N/A
Total Investments	$9,999,955			

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The preceding chart identifies the City's recurring fair value measurements as of December 31, 2019. The City's investments measured at fair value are valued using methodologies that incorporate market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data including market research publications. Market indicators and industry and economic events are also monitored, which could require the need to acquire further market data (level 2 inputs).

Interest Rate Risk As a means of limiting its exposure to fair value losses caused by rising interest rates, the City's investment policy requires that the City's investment portfolio be structured so that securities mature to meet cash requirements for ongoing operations and/or long-term debt payments, and that funds are not directly invested in securities maturing more than five years from the date of purchase, unless matched to a specific cash flow requirement.

Credit Risk Credit Risk is addressed by the City's investment policy by the requirements that all investments are authorized by Ohio Revised Code and that the portfolio be diversified.

Custodial Credit Risk For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that requires securities purchased pursuant to this division shall be delivered into the custody of the Treasurer or an agent designated by the Treasurer.

Concentration of Credit Risk Concentration of credit risk is defined by the Governmental Accounting Standards Board as having five percent or more invested in the securities of a single issuer. The City's investment policy places no limit on the amount it may invest in any one issuer.

Note 7 – Receivables

Receivables at December 31, 2019, 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 2019 for real and public utility property taxes represents collections of 2018 taxes.

2019 real property taxes were levied after October 1, 2019, on the assessed value as of January 1, 2019, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2019 real property taxes are collected in and intended to finance 2020.

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. 2019 public utility property taxes which became a lien December 31, 2018, are levied after October 1, 2019, and are collected in 2020 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2019, was $5.20 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2019 property tax receipts were based are as follows:

Category	Assessed Values
Real Estate:	
Residential/Agricultural	$387,545,000
Other Real Estate	206,414,320
Tangible Personal Property	
Public Utility	29,087,280
Total	$623,046,600

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, 2019, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2019 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:	
Ohio Department of Transportation Grants	$926,480
Gasoline Tax	879,923
Ohio Public Works Commission Grants	344,563
Local Government	308,944
Homestead and Rollback	140,756
Motor Vehicle License Tax	123,442
MRF Levy Fees	121,805
Workers' Compensation Refund	117,271
Prisoner Transport	43,065
Domestic Violence Grant	11,325
Recycling Grant	10,007
Stark County Project Reimbursement	9,410
Judges Insurance Reimbursement	4,389
Fines and Forfeitures from Courts	3,554
Other	1,511
Total	$3,046,445
Business-Type Activities:	
Wastewater	
Stark County - Loan Commitment	$21,322,681
Stark County - Maintenance Share	491,529
Workers' Compensation Refund	14,057
Total	$21,828,267

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, 2019, is $21,322,681. 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, 2019, 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 2019 Taxes Abated
Community Reinvestment Area (CRA):	
Massillon Senior	$6,660
Midwest Health	650
Enterprise Zone Tax Exemptions:	
Quest Automotive	1,376

Note 9 – 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	$106,017	$0	$25,060	$0	$131,077
Prepaids	231,075	19,455	34,130	8,384	293,044
Assets Held for Resale	3,555,700	0	0	0	3,555,700
Unclaimed Monies	85,603	0	0	0	85,603
Total Nonspendable	3,978,395	19,455	59,190	8,384	4,065,424
Restricted for:					
Capital Projects	0	0	0	1,450,384	1,450,384
Debt Service	0	0	0	386,633	386,633
Transportation	0	1,575,784	0	373,400	1,949,184
Court Operations	0	0	0	803,389	803,389
Security Services	0	0	0	672,695	672,695
Vacant/Foreclosure Property Programs	0	0	0	53,710	53,710
Other Purposes:					
Indigent Drivers Interlock	0	0	0	277,310	277,310
Basic Utility Services	0	0	0	33,481	33,481
Community Improvement	0	0	0	23,771	23,771
Massillon Bicentennial	0	0	0	6,934	6,934
Total Restricted	0	1,575,784	0	4,081,707	5,657,491
Committed to:					
Capital Projects	0	0	0	602,059	602,059
Debt Service	0	0	0	958,685	958,685
Police Department	0	0	0	57,584	57,584
Leisure Time Activities	0	0	1,421,514	36,594	1,458,108
Veterans Park and Duncan Plaza	0	0	0	90,312	90,312
Fines and Forfeitures	0	0	0	81,549	81,549
Economic Development	0	0	0	15,570	15,570
Streetscape Project	0	0	0	356,607	356,607
Donor Purposes	5,573	0	0	0	5,573
Total Committed	5,573	0	1,421,514	2,198,960	3,626,047
Assigned to:					
Purchases on Order:					
City Administration	115,329	0	0	0	115,329
Court Operations	13,716	0	0	0	13,716
Police and Fire Departments	124,308	0	0	0	124,308
Engineering and Street Maintenance	156,430	0	0	0	156,430
2020 Operations	1,672,096	0	0	0	1,672,096
Capital Projects	0	0	0	201,507	201,507
Parking Enforcement	21,304	0	0	0	21,304
Community and Economic Development	36,503	0	0	0	36,503
Total Assigned	2,139,686	0	0	201,507	2,341,193
Unassigned (Deficit)	5,443,080	0	0	(296,516)	5,146,564
Total Fund Balances	$11,566,734	$1,595,239	$1,480,704	$6,194,042	$20,836,719

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, 2019, is $390,000.

Note 10 – 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., a Sedgwick Company, (York) functions as the administrator of PEP and provides program management, 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, 2019, 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 PEP and other market conditions to determine the appropriate level of risk PEP 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, 2019 and 2018:

Casualty and Property Coverage	2019	2018
Assets	$54,973,597	$49,921,998
Liabilities	16,440,940	14,676,199
Net Position - Unrestricted	$38,532,657	$35,245,799

At December 31, 2019 and 2018, the liabilities in the preceding table include unknown amounts of estimated incurred claims payable. The casualty coverage assets and net position in the preceding table include approximately $13.7 million and $11.8 million of unpaid claims to be billed to approximately 553 member governments in the future, as of December 31, 2019 and 2018, 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 expected to increase slightly 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
2019	$389,714
2018	407,001
2017	413,950

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 may receive a partial refund of their capital contributions as defined by the contract. 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 2019 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 intergovernmental payable includes the actual claim costs of $4,329. The maintenance of these benefits is accounted for in the retrospective workers' compensation internal service fund.

Incurred but not reported claims of $32,692 have been accrued as a liability at December 31, 2019, based on information and an estimate by the Bureau of Workers' Compensation. The intergovernmental and claims liability reported in the retrospective workers' compensation internal service fund at December 31, 2019, 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 intergovernmental and claims liability amounts for 2018 and 2019 were as follows:

Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Change in Workers' Compensation Estimate	Balance at End of Year
2018	$99,462	$0	$0	($21,997)	$77,465
2019	77,465	3,325	3,325	(40,444)	37,021

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 11 – 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, are unlikely to have a materially adverse effect on the overall financial position of the City at December 31, 2019.

Litigation

Several claims and lawsuits are pending against the City. The amount of the City's liability, if any, cannot be reasonably estimated at this time. However, in the opinion of the City's management, these claims and lawsuits are unlikely to have a materially adverse effect on the overall financial position of the City at December 31, 2019.

Note 12 – 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, and operates under the direction of a fifteen member Executive Committee, which is elected by the general membership of the Council. 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 2019, the City contributed $1,500 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 sixty-one 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 2019, the City contributed $17,540 to the Commission. Complete financial statements may be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

Massillon Community Improvement Corporation

The Corporation was formed to advance, encourage, and promote the industrial, economic, commercial and civic development and is operated by the City of Massillon and representatives from area businesses. It is controlled by seventeen trustees consisting of six appointed or elected City officials and eleven self-elected trustees. The Board exercises total control over the operations of the Corporation including budgeting, appropriating, contracting and designating management. Each participant's degree of control is limited to its representation on the Board. In 2019, the City made no contributions to the Corporation.

Note 13 – 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, Hills and Dales Village, and Lawrence Township, 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 2019, the City made contributions of $665,904, 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 14 – 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 and multiple parcels and equipment in 2019 for $1,525,318 (including $12,096 in proceeds receivable at year end). At December 31, 2019, the City had assets held for resale with a value of $3,555,700.

Note 15 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2019, was as follows:

	Balance 12/31/2018	Additions	Deductions	Balance 12/31/2019
Governmental Activities				
Capital Assets, not being depreciated				
Land	$10,862,789	$0	$0	$10,862,789
Construction in Progress	1,707,360	3,597,025	(2,102,149)	3,202,236
Total Capital Assets, not being depreciated	12,570,149	3,597,025	(2,102,149)	14,065,025
Capital Assets, being depreciated				
Land Improvements	7,020,323	47,129	0	7,067,452
Buildings and Improvements	15,928,652	822,658	0	16,751,310
Vehicles	7,207,478	482,925	0	7,690,403
Machinery and Equipment	6,104,259	335,900	(49,900)	6,390,259
Infrastructure	34,705,604	4,907,040	0	39,612,644
Total Capital Assets, being depreciated	70,966,316	6,595,652	(49,900)	77,512,068
Less Accumulated Depreciation:				
Land Improvements	(5,497,389)	(248,075)	0	(5,745,464)
Buildings and Improvements	(9,643,429)	(339,466)	0	(9,982,895)
Vehicles	(3,708,197)	(400,607)	0	(4,108,804)
Machinery and Equipment	(4,568,222)	(281,924)	24,950	(4,825,196)
Infrastructure	(18,089,849)	(1,360,987)	0	(19,450,836)
Total Accumulated Depreciation	(41,507,086)	(2,631,059) *	24,950	(44,113,195)
Total Capital Assets being depreciated, Net	29,459,230	3,964,593	(24,950)	33,398,873
Governmental Activities Capital Assets, Net	$42,029,379	$7,561,618	($2,127,099)	$47,463,898

* Depreciation expense was charged to governmental activities as follows:

General Government	$97,325
Security of Persons and Property	386,509
Leisure Time Activities	667,701
Transportation	1,479,524
Total Depreciation Expense	$2,631,059

Capital asset activity for business-type activities for the year ended December 31, 2019, was as follows:

	Balance 12/31/2018	Additions	Deductions	Balance 12/31/2019
Business-Type Activities				
Capital Assets, not being depreciated				
Land	$59,400	$0	$0	$59,400
Construction in Progress	34,543,133	1,576,366	(35,930,933)	188,566
Total Capital Assets, not being depreciated	34,602,533	1,576,366	(35,930,933)	247,966
Capital Assets, being depreciated				
Land Improvements	0	20,325	0	20,325
Buildings and Improvements	7,460,481	36,384,726	0	43,845,207
Vehicles	1,698,439	21,000	0	1,719,439
Machinery and Equipment	3,047,419	572,938	0	3,620,357
Infrastructure	59,575,074	276,957	0	59,852,031
Total Capital Assets, being depreciated	71,781,413	37,275,946	0	109,057,359
Less Accumulated Depreciation:				
Land Improvements	0	(1,016)	0	(1,016)
Buildings and Improvements	(6,989,004)	(1,853,504)	0	(8,842,508)
Vehicles	(1,067,799)	(118,528)	0	(1,186,327)
Machinery and Equipment	(1,970,284)	(196,155)	0	(2,166,439)
Infrastructure	(24,488,677)	(1,303,253)	0	(25,791,930)
Total Accumulated Depreciation	(34,515,764)	(3,472,456)	0	(37,988,220)
Total Capital Assets being depreciated, Net	37,265,649	33,803,490	0	71,069,139
Business-Type Activities Capital Assets, Net	$71,868,182	$35,379,856	($35,930,933)	$71,317,105

Note 16 – 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 plans' collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plans' 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 and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code (ORC) 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 assume 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 includes 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 ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net pension 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 17 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System

Plan Description – City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan 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 (COLA) to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). 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' annual 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 five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten 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 and Service Requirements:**	**Age and Service Requirements:**
Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Traditional Plan Formula:	**Traditional Plan Formula:**	**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	2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	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:	**Combined Plan Formula:**	**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	1% of FAS multiplied by years of service for the first 30 years and 1.25% for service years in excess of 30	1% of FAS multiplied by years of service for the first 35 years and 1.25% for service years in excess of 35

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, current law provides for a COLA. 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 on the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that 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 member's contributions plus or minus the investment gains or losses resulting from the member's 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 annuitization of the benefit (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 ORC provides statutory authority for member and employer contributions as follows:

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2019 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 healthcare rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for healthcare with the remainder going to pension.

For 2019, the City's contractually required contribution was $1,090,989 for the traditional plan, $7,553 for the combined plan and $30,973 for the member-directed plan. Of these amounts, $104,454, $721 and $2,967, respectively, are reported as intergovernmental payables.

Plan Description – Ohio Police & Fire Pension Fund

Plan Description – City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OP&F), 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 (ORC). OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that 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 member's 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 after 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 annual 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 COLA. 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, will receive a COLA equal to either 3 percent or the percent increase, if any, in the Consumer Price Index over the 13 month period ending on September 30th of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

Funding Policy – The ORC provides statutory authority for member and employer contributions as follows:

	Police	Firefighters
2019 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2019 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 $1,424,350 for 2019. Of this amount, $170,720 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, 2019, the specific liability of the City was $1,045,727 payable in semi-annual payments through the year 2035.

Pension Liabilities (Asset), 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, 2018, 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, 2018, and was determined by rolling forward the total pension liability as of January 1, 2018, to December 31, 2018. 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	0.05537472%	0.01225170%	0.27670900%	
Prior Measurement Date	0.05671800%	0.01197400%	0.27147100%	
Change in Proportionate Share	-0.00134328%	0.00027770%	0.00523800%	
Proportionate Share of the:				
Net Pension Liability	$15,166,013	$0	$22,586,766	$37,752,779
Net Pension Asset	0	13,700	0	13,700
Pension Expense	3,494,857	4,240	3,020,414	6,519,511

2019 pension expense for the member-directed defined contribution plan was $30,973. The aggregate pension expense for all pension plans was $6,550,484 for 2019.

At December 31, 2019, 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	$700	$0	$928,000	$928,700
Changes of assumptions	1,320,237	3,060	598,806	1,922,103
Net difference between projected and actual earnings on pension plan investments	2,058,453	2,951	2,782,671	4,844,075
Changes in proportion and differences between City contributions and proportionate share of contributions	175,668	4,106	397,694	577,468
City contributions subsequent to the measurement date	1,090,989	7,553	1,424,350	2,522,892
Total Deferred Outflows of Resources	$4,646,047	$17,670	$6,131,521	$10,795,238

	OPERS Traditional Plan	OPERS Combined Plan	OP&F	Total
Deferred Inflows of Resources				
Differences between expected and actual experience	$199,138	$5,596	$21,092	$225,826
Changes in proportion and differences between City contributions and proportionate share of contributions	0	626	280,704	281,330
Total Deferred Inflows of Resources	$199,138	$6,222	$301,796	$507,156

$2,522,892 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 2020. 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:				
2020	$1,478,389	$946	$1,351,034	$2,830,369
2021	729,235	357	742,548	1,472,140
2022	190,963	419	925,193	1,116,575
2023	957,333	1,345	1,309,229	2,267,907
2024	0	131	77,371	77,502
Thereafter	0	697	0	697
Total	$3,355,920	$3,895	$4,405,375	$7,765,190

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, 2018, 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, 2018, 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	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation.

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 2018, 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 a loss of 2.94 percent for 2018.

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 following table displays the Board-approved asset allocation policy for 2018 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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate For 2018, the discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. For 2017, 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 for the traditional pension plan, combined plan and member-directed plan 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 7.2 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 (6.2 percent) or one percentage point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's proportionate share of the net pension liability (asset):			
OPERS Traditional Plan	$22,404,612	$15,166,013	$9,150,672
OPERS Combined Plan	(4,533)	(13,700)	(20,338)

Actuarial Assumptions – OP&F

OP&F's total pension liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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, 2018, are presented as follows:

Valuation Date	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
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
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 Buck 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 Buck 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 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, 2018, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	0.80 %
Domestic Equity	16.00	5.50
Non-US Equity	16.00	5.90
Private Markets	8.00	8.40
Core Fixed Income *	23.00	2.60
High Yield Fixed Income	7.00	4.80
Private Credit	5.00	7.50
U.S. Inflation Linked Bonds *	17.00	2.30
Master Limited Partnerships	8.00	6.40
Real Assets	8.00	7.00
Private Real Estate	12.00	6.10
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 their relationship between asset classes and economic environments. From the notional portfolio perspective previously disclosed, 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 The total pension liability was calculated using the discount rate of 8.00 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 of 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	$29,688,748	$22,586,766	$16,652,035

Note 17 – Defined Benefit OPEB Plans

See Note 16 for a description of the net OPEB liability.

Plan Description – Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care 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 with a minimum age of 60, or generally 30 years of qualifying service at any age. 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 No. 75. See OPERS' annual financial report referenced later for additional information.

The Ohio Revised Code (ORC) 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 ORC.

Disclosures for the health care plan are presented separately in the OPERS' annual 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 ORC provides the statutory authority allowing 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. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the ORC. 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. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. 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 2019 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 $12,389 for 2019. Of this amount, $1,187 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare 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. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code (ORC) 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 ORC.

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 ORC 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.

The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2019, 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.

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 $33,288 for 2019. Of this amount, $3,964 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, 2017, rolled forward to the measurement date of December 31, 2018, 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, 2018, and was determined by rolling forward the total OPEB liability as of January 1, 2018, to December 31, 2018. 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	0.05401098%	0.27670900%	
Prior Measurement Date	0.05506000%	0.27147100%	
Change in Proportionate Share	-0.00104902%	0.00523800%	
Proportionate Share of the Net OPEB Liability	$7,041,756	$2,519,860	$9,561,616
OPEB Expense	716,751	(12,385,248)	(11,668,497)

At December 31, 2019, 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	$2,384	$0	$2,384
Changes of assumptions	227,035	1,306,174	1,533,209
Net difference between projected and actual earnings on OPEB plan investments	322,823	85,300	408,123
Changes in proportion and differences between City contributions and proportionate share of contributions	120,733	232,535	353,268
City contributions subsequent to the measurement date	12,389	33,288	45,677
Total Deferred Outflows of Resources	$685,364	$1,657,297	$2,342,661

	OPERS	OP&F	Total
Deferred Inflows of Resources			
Differences between expected and actual experience	$19,107	$67,513	$86,620
Changes of assumptions	0	697,616	697,616
Changes in proportion and differences between City contributions and proportionate share of contributions	0	105,858	105,858
Total Deferred Inflows of Resources	$19,107	$870,987	$890,094

$45,677 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 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	OPERS	OP&F	Total
2020	$318,924	$132,103	$451,027
2021	117,582	132,103	249,685
2022	54,735	132,103	186,838
2023	162,627	157,902	320,529
2024	0	117,227	117,227
Thereafter	0	81,584	81,584
Total	$653,868	$753,022	$1,406,890

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 health care costs 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 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, 2017, rolled forward to the measurement date of December 31, 2018. 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	3.96 percent
Prior Measurement Date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current Measurement Date	3.71 percent
Prior Measurement Date	3.31 percent
Health Care Cost Trend Rate:	
Current Measurement Date	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior Measurement Date	7.25 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

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 was effective for the 2018 valuation.

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 2018, 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 was a loss of 5.6 percent for 2018.

The allocation of investment assets within 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 pension plans. Health care is a discretionary benefit. The following table displays the Board-approved asset allocation policy for 2018 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 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. 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 6.00 percent and a municipal bond rate of 3.71 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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, 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 3.96 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 (2.96 percent) or one percentage point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
City's proportionate share of the net OPEB liability	$9,009,031	$7,041,756	$5,477,253

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 expected proportionate share of the 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 2019 is 10.00 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	$6,768,656	$7,041,756	$7,356,295

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2018, is based on the results of an actuarial valuation date of January 1, 2018, 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 the value 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, 2018, with actuarial liabilities rolled forward to December 31, 2018
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:	
Current Measurement Date	4.66 percent
Prior Measurement Date	3.24 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 Buck 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 Buck 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 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 16.

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 4.66 percent. For 2018, 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 of 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 4.13 percent at December 31, 2018, and 3.16 percent at December 31, 2017, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 4.66 percent for 2018 and 3.24 percent for 2017.

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 4.66 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 (3.66 percent), or one percentage point higher (5.66 percent) than the current rate.

	1% Decrease (3.66%)	Current Discount Rate (4.66%)	1% Increase (5.66%)
City's proportionate share of the net OPEB liability	$3,069,877	$2,519,860	$2,058,168

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

Note 18 – 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
From Direct Borrowings:			
OPWC Loan - 2006	0.00	492,629	July 1, 2026
OPWC Loan - Hankins Road - 2014	0.00	549,061	January 1, 2046
OPWC Loan - 9th St. Improvement - 2014	0.00	457,467	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 - from Direct Borrowings:			
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	0.28	Not Finalized	Not Finalized
OWDA Loan - WWTP Nutrient Removal Equipment Procurement HAB - 2015	0.00	Not Finalized	Not Finalized
OPWC Loan - Hankins Road - 2014	0.00	527,528	January 1, 2046
OPWC Loan - 9th St. Improvement - 2014	0.00	439,527	January 1, 2046
OPWC Loan - Levee Infrastructure Improvement - 2014	0.00	558,975	January 1, 2046

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

	Balance 12/31/2018	Issued	Retired	Balance 12/31/2019	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	4,075,000	0	(230,000)	3,845,000	245,000
Unamortized Discount	(18,098)	0	2,364	(15,734)	0
Marketplace Infrastructure TIF Bonds - 2004					
Serial Bonds	585,000	0	(110,000)	475,000	115,000
Lincoln Center Phase III Bonds - 2007					
Term Bonds	1,455,000	0	(135,000)	1,320,000	145,000
Various Purpose Improvement Refunding Bonds - 2012A					
Serial Bonds	4,605,000	0	(510,000)	4,095,000	525,000
Unamortized Discount	(38,541)	0	4,817	(33,724)	0
Various Purpose Improvement Refunding Bonds - 2012B					
Serial Bonds	615,000	0	(90,000)	525,000	95,000
Total General Obligation Bonds	15,233,361	0	(1,067,819)	14,165,542	1,125,000
Loans from Direct Borrowings:					
OPWC Loan - 2006	185,815	0	(24,632)	161,183	0
OPWC Loan - Hankins Road - 2014	494,155	0	(18,302)	475,853	0
OPWC Loan - 9th St. Improvement - 2014	411,720	0	(15,249)	396,471	0
OPWC Loan - Levee Infrastructure - 2014	533,307	0	(19,393)	513,914	0
HUD Section 108 Loan - 1999	965,000	0	(965,000)	0	0
Total Loans	2,589,997	0	(1,042,576)	1,547,421	0
Other Long-Term Obligations:					
Judgment Payable	140,000	0	(70,000)	70,000	70,000
Capital Leases Payable	846,051	0	(143,011)	703,040	147,755
Compensated Absences	2,164,610	416,794	(365,149)	2,216,255	219,714
Claims Payable	77,465	0	(44,773)	32,692	8,886
From Direct Borrowing:					
Police and Fireman's Pension Liability	1,092,772	0	(47,045)	1,045,727	49,065
Total Other Long-Term Obligations	4,320,898	416,794	(669,978)	4,067,714	495,420
Net Pension Liability:					
OPERS	7,118,364	5,430,735	(400,408)	12,148,691	0
OP&F	16,661,402	5,925,364	0	22,586,766	0
Total Net Pension Liability	23,779,766	11,356,099	(400,408)	34,735,457	0
Net OPEB Liability:					
OPERS	4,783,289	1,126,549	(269,060)	5,640,778	0
OP&F	15,381,167	0	(12,861,307)	2,519,860	0
Total Net OPEB Liability	20,164,456	1,126,549	(13,130,367)	8,160,638	0
Total Governmental Activities	$66,088,478	$12,899,442	($16,311,148)	$62,676,772	$1,620,420

	Balance 12/31/2018	Issued	Retired	Balance 12/31/2019	Amounts Due in One Year
Business-Type Activities:					
Loans from Direct Borrowings:					
OWDA Loans:					
WPCL Fothergill Loan - 1999	$146,218	$0	($96,556)	$49,662	$49,662
WWTP Upgrade OWDA Phase I - 2002	1,842,431	0	(325,590)	1,516,841	329,706
WWTP Upgrade OWDA Phase II - 2002	10,878,584	0	(1,920,648)	8,957,936	1,945,698
WWTP Nutrient Removal Upgrade - 2014	28,372,128	1,066,797	(1,555,589)	27,883,336	0
WWTP Nutrient Removal Equipment Procurement HAB - 2015	3,133,445	899,226	(229,268)	3,803,403	0
Total OWDA Loans	44,372,806	1,966,023	(4,127,651)	42,211,178	2,325,066
OPWC Loans:					
Hankins Road - 2014	474,776	0	(17,584)	457,192	0
9th Street Improvement - 2014	395,574	0	(14,651)	380,923	0
Levee Infrastructure Improvement Loan - 2014	512,394	0	(18,632)	493,762	0
Total OPWC Loans	1,382,744	0	(50,867)	1,331,877	0
Total Loans	45,755,550	1,966,023	(4,178,518)	43,543,055	2,325,066
Other Long-Term Obligations:					
Capital Leases	197,398	0	(63,675)	133,723	65,776
Compensated Absences	318,496	60,250	(5,045)	373,701	5,930
Total Other Long-Term Obligations	515,894	60,250	(68,720)	507,424	71,706
Net Pension Liability - OPERS:					
Wastewater	1,779,591	1,237,731	0	3,017,322	0
Net OPEB Liability - OPERS:					
Wastewater	1,195,822	205,156	0	1,400,978	0
Total Business-Type Activities	$49,246,857	$3,469,160	($4,247,238)	$48,468,779	$2,396,772

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.

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
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
	$145,000	$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 parks and recreation 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 senior housing 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, 2019, $4,130,000 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 were placed in an account with fiscal agents and were used to pay down the loan as payments came due. The loan was fully repaid in 2019.

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 113 percent of net revenues and about 44 percent of total revenues. The total principal and interest remaining to be paid on the debt is $43,884,480. The amount of principal and interest paid in the current year was $4,422,760. Net revenues available were $3,904,116 and total revenues were $10,067,925.

The City's outstanding OPWC loans from direct borrowings of $1,547,421 related to governmental activities and $1,331,877 related to business-type activities contain provisions that in the event of default (1) OPWC may apply late fees of 8 percent per year, (2) loans more than 60 days late will be turned over to the Attorney General's office for collection, and as provided by law, OPWC may require that such payment be taken from the City's share of the county undivided local government fund, and (3) the outstanding amounts shall, at OPWC's option, become immediately due and payable.

The City's outstanding OWDA loans from direct borrowings of $42,211,178 related to business-type activities contain provisions that in the event of default (1) the amount of such default shall bear interest at the default rate from the due date until the date of payment, (2) if any of the charges have not been paid within 30 days, in addition to the interest calculated at the default rate, a late charge of 1 percent on the amount of each default shall also be paid to the OWDA, and (3) for each additional 30 days during which the charges remain unpaid, the City shall continue to pay an additional late charge of 1 percent on the amount of the default until such charges are paid.

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, community development, police pension, fire pension, parks and recreation, clerk of courts computing, probation services, and alternative dispute resolution special revenue funds, and the wastewater enterprise fund. For additional information related to the net pension/OPEB liabilities, see Notes 16 and 17. Compensated absences will be paid from the general fund and the street construction, community development, and parks and recreation special revenue funds, and wastewater enterprise fund.

The governmental capital leases payable will be paid from the parks and recreation special revenue fund and the income tax capital improvement fund. 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 $52,550,154 and the unvoted legal debt margin was $21,397,824 at December 31, 2019. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2019, are as follows:

	Governmental Activities				
	General Obligation Bonds				*From Direct Borrowings*
	Serial Bonds		Term Bonds		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2020	$980,000	$588,681	$145,000	$53,481	$0
2021	1,010,000	548,451	150,000	47,681	155,151
2022	1,055,000	506,609	155,000	41,681	77,575
2023	1,100,000	461,444	160,000	35,481	77,575
2024	1,015,000	413,626	165,000	29,081	77,575
2025-2029	5,235,000	1,397,950	545,000	45,582	302,747
2030-2034	2,500,000	185,970	0	0	264,720
2035-2039	0	0	0	0	264,720
2040-2044	0	0	0	0	264,718
2045-2046	0	0	0	0	62,640
Totals	$12,895,000	$4,102,731	$1,320,000	$252,987	$1,547,421

	Business-Type Activities - From Direct Borrowings		
	OWDA Loans		OPWC Loans
	Principal	Interest	Principal
2020	$2,325,066	$128,507	$0
2021	2,304,968	98,348	101,734
2022	2,334,932	68,537	50,867
2023	2,365,304	38,326	50,867
2024	1,194,169	7,707	50,867
2025-2029	0	0	254,335
2030-2034	0	0	254,338
2035-2039	0	0	254,342
2040-2044	0	0	254,343
2045-2046	0	0	60,184
Totals	$10,524,439	$341,425	$1,331,877

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, 2019	Lines of Credit
OWDA Loans Not Finalized:		
City of Massillon Wastewater District:		
WWTP Nutrient Removal Upgrade	$27,883,336	$31,864,730
WWTP Nutrient Removal - Equipment Procurement HAB	3,803,403	4,585,350
Total OWDA Loans Not Finalized	$31,686,739	$36,450,080

Note 19 – Leases

Capital Leases

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 at the time the leases were entered into.

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	(6,243)	(27,400)	(84,550)	(118,193)	(98,768)
Total	$24,967	$109,600	$760,950	$895,517	$230,460

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

	Governmental Activities				Business-Type Activities
	Mower	Police Radios	Fire Truck	Total	Vactor
2020	$7,086	$29,174	$131,642	$167,902	70,189
2021	7,086	29,174	131,642	167,902	70,189
2022	1,180	29,174	131,641	161,995	0
2023	0	0	131,642	131,642	0
2024	0	0	131,642	131,642	0
Total Minimum Lease Payments	15,352	87,522	658,209	761,083	140,378
Less: Amount Representing Interest	(848)	(5,000)	(52,195)	(58,043)	(6,655)
Present Value of Minimum Lease Payments	$14,504	$82,522	$606,014	$703,040	$133,723

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, and paid them off completely in 2019. The City paid $375,010 on the leases in 2019.

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, 2019:

Fiscal Year	Golf Carts Lease	Mowers Lease	Total
2020	$89,400	$48,000	$137,400
2021	89,400	8,000	97,400
Total	$178,800	$56,000	$234,800

Note 20 – Internal Activity

Interfund Transfers

	Transfers In
Transfers Out	Other Governmental Funds
General	$1,551,225
Other Governmental Funds	52,944
Total	$1,604,169

The transfers of $1,551,225 from the general fund to the other governmental funds were made to support the operations of special revenue funds and to provide for debt payments. Transfers of $52,944 were also made between other governmental funds for the purpose of providing for debt payments.

Internal Balances – Change in Proportionate Share

The City uses an internal proportionate share to allocate its net pension/OPEB liabilities (asset) and corresponding deferred outflows/inflows of resources and pension/OPEB 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/OPEB deferred outflows/inflows of resources 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, thus allowing the total column to present the change in proportionate share for the City as a whole.

Balances related to the internal proportionate share for pension and OPEB at December 31, 2019, were as follows:

	Pension		OPEB	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Governmental Activities	$38,606	$0	$19,397	$0
Business-Type Activities:				
Wastewater	0	38,606	0	19,397
Total	$38,606	$38,606	$19,397	$19,397

Note 21 – 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

For 2019, the City provided health insurance to its employees through Medical Mutual of Ohio. Dental and vision insurance was provided through Ohio AFSCME. The City's portion of monthly premiums for health insurance for single, employee/spouse, employee/child, and family were $526, $1,158, $947, and $1,632, respectively. The City's portion of monthly insurance premiums was $48 for dental insurance and $14 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 22 – 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:

Governmental Funds:	
General	$1,367,845
Street Construction	147,017
Parks and Recreation	112,252
Other Governmental Funds	536,650
Total Governmental Funds	$2,163,764
Proprietary Funds:	
Wastewater	$1,551,376
Internal Service Fund	675
Total Proprietary Funds	$1,552,051

Note 23 – Transfer of Operations

Consistent with the provisions of Ohio Revised Code Section 3709.36, the City of Massillon's health department was reorganized as a legally separate organization (City of Massillon Board of Health) rather than continuing to operate as a department of the City. This change was effective January 1, 2019, and is being accounted for by the City as a transfer of operations. The Board of Health is reported as a discretely presented component unit of the City of Massillon. For 2019, the City is reporting a special item of ($23,793) on the statement of revenues, expenditures, and changes in fund balances of governmental funds and $701,945 on statement of activities for the transfer of operations. Other than the special item, the City did not report any revenues or expenditures/expenses related to the Board of Health operations prior to the transfer.

Note 24 – Affinity Medical Center

On 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. On January 28, 2019, the City finalized an agreement with Aultman Hospital that awarded the City $2,060,000, reported as a special item, 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 Affinity Medical Center is the only remaining related asset of the City after the legal proceedings by the City. A few remaining pieces of equipment will be sold in the near future. All other buildings, assets, and contents have been sold and removed. The City continues to market the former Affinity Medical Center to find a resolution of the property, with the goal being not to continue the facility as a City asset.

In 2019, the City finished paying two remaining equipment leases and one remaining property lease related to the Hospital acquisition. In addition, the City collected rental revenue in 2019 for two properties, one of which was sold in 2019; the second property lease extended into 2020.

Note 25 – Subsequent Events

COVID-19 Pandemic

The United States, the State of Ohio, and the City of Massillon declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the City. The City's investment portfolio and the investments of the pension and other employee benefit plans in which the City participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the City's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

Income Tax Credit Change

Effective for tax year 2020, the City's income tax credit for taxes paid to another municipality changed from 90 percent to 100 percent.

Note 26 – City of Massillon Board of Health

Description of the Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the City of Massillon Board of Health (Board of Health) as a body corporate and politic. A six member Board and a Health Commissioner govern the Board of Health. The Board consists of five voting members and a president, the mayor of the City of Massillon, who votes only to break a tie. The Health Commissioner is non-voting and serves as secretary. Consistent with the provisions of Ohio Revised Code Section 3709.36, the Board of Health is a legally separate organization. Among its various duties, the Board of Health provides for the prompt diagnosis and control of communicable diseases. The Board of Health may also inspect businesses where food is manufactured, handled, stored, or offered for sale. The Board of Health is operated by a board with all members being appointed by the City. The rates charged by the Board of Health are subject to the approval of City Council. In addition, the City provides funding to the Board of Health, thus the City can impose will on the Board of Health, and the Board of Health imposes a financial burden to the City. Therefore, the Board of Health is considered a discretely presented component unit of the City of Massillon.

Summary of Significant Accounting Policies

The financial statements of the Board of Health 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 Board of Health's accounting policies are described as follows.

Basis of Presentation of Government-wide Financial Statements The statement of net position and the statement of activities display information about the Board of Health as a whole. The statement of net position presents the financial condition of the Board of Health at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Board of Health's activities. 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 Board of Health, 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 Board of Health.

Measurement Focus of 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 Board of Health 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.

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.

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. Non-exchange transactions, in which the Board of Health receives value without directly giving equal value in return, includes grants and donations. Revenue from grants 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 Board of Health must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board of Health on a reimbursement basis.

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

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 Board of Health, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB.

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 Board of Health, deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position.

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.

Prepaid Items Payments made to vendors for services that will benefit periods beyond December 31, 2019, 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.

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 Board of Health's termination policy, which follows the City's policy.

The Board of Health does not accrue a liability for vacation benefits as of December 31. The Board of Health's policy, which follows the City's policy, allows 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 Board of Health's policy, 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.

Net Position Net position represents the difference between all other elements on the statement of financial position. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Board of Health's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Deposits and Investments

The City of Massillon Treasurer is custodian for the Board of Health's deposits. The City's deposit and investment pool holds the Board of Health's assets, valued at the Treasurer's reported carrying amount.

Receivables

Receivables at December 31, 2019, consisted primarily of intergovernmental receivables arising from grants and other revenues. All receivables are considered collectible in full within one year. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivable:	
Massillon City Grant	$392,076
Women, Infants and Children Grant	11,955
BWC Premium Refunds	3,330
Total	$407,361

Risk Management

The Board of Health is exposed to various risks of casualty losses and injuries to employees.

Property and Liability The Board of Health 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. The Board of Health's contributions for 2019 totaled $1,400.

Workers' Compensation The Board of Health 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.

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 Board of Health 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 Board of Health's policy, employees with at least 5 years of service are entitled to 40 percent of their sick balance at termination. Upon retirement, employees 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.

Insurance The Board of Health provided health insurance to its employees through Medical Mutual of Ohio. Dental and vision insurance was provided through Ohio AFSCME. The Board of Health's portion of monthly premiums for health insurance for single, employee/spouse, employee/child, and family were $526, $1,158, $947, and $1,632, respectively. The Board of Health's portion of monthly insurance premiums was $48 for dental insurance and $14 for vision insurance. The Board of Health also provides, at no cost to the employees, $10,000 of term life insurance through the Standard Insurance Company for all employees.

Contingencies

Grants Amounts grantor agencies pay to the Board of Health are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow; however, based on prior experience, management believes any refunds would be immaterial.

Litigation Management is not aware of any pending litigation.

Long-Term Obligations

A schedule of changes in long-term obligations of the Board of Health during 2019 follows:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019	Amounts Due In One Year
Governmental Activities					
Other Long-Term Obligations					
Net Pension Liability:					
OPERS	$400,408	$314,221	$0	$714,629	$0
Net OPEB Liability:					
OPERS	269,060	62,751	0	331,811	0
Compensated Absences	70,454	9,386	(6,892)	72,948	2,432
Total Governmental Activities	$739,922	$386,358	($6,892)	$1,119,388	$2,432

Defined Benefit Pension Plans

Plan descriptions and actuarial information for the Board of Health's defined benefit pension plans are the same as the City's (see Note 16).

For 2019, the Board of Health's contractually required contribution was $51,408 for the traditional plan, $356 for the combined plan, and $1,460 for the member-directed plan. Of these amounts, $4,869 is reported as an intergovernmental payable for the traditional plan, $34 for the combined plan, and $139 for the member-directed plan.

The net pension liability (asset) for OPERS was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Board of Health's proportion of the net pension liability (asset) was based on the Board of Health'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 Board of Health's defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	Total
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.00260928%	0.00057731%	
Prior Measurement Date	0.00255231%	0.00053883%	
Change in Proportionate Share	0.00005697%	0.00003848%	
Proportionate Share of the:			
Net Pension Liability	$714,629	$0	$714,629
Net Pension Asset	0	646	646
Pension Expense	164,678	200	164,878

2019 pension expense for the member-directed defined contribution plan was $1,460. The aggregate pension expense for all pension plans was $166,338 for 2019.

At December 31, 2019, the Board of Health 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	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$33	$0	$33
Changes of assumptions	62,211	144	62,355
Net difference between projected and actual earnings on pension plan investments	96,995	139	97,134
Changes in proportion and differences between Board of Health contributions and proportionate share of contributions	8,280	194	8,474
Board of Health contributions subsequent to the measurement date	51,408	356	51,764
Total Deferred Outflows of Resources	$218,927	$833	$219,760
Deferred Inflows of Resources			
Differences between expected and actual experience	$9,384	$263	$9,647
Changes in proportion and differences between Board of Health contributions and proportionate share of contributions	0	30	30
Total Deferred Inflows of Resources	$9,384	$293	$9,677

$51,764 reported as deferred outflows of resources related to pension resulting from Board of Health 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 2020. 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	Total
Year Ending December 31:			
2020	$69,664	$45	$69,709
2021	34,364	17	34,381
2022	8,998	20	9,018
2023	45,109	64	45,173
2024	0	5	5
Thereafter	0	33	33
Total	$158,135	$184	$158,319

Sensitivity of the Board of Health's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the Board of Health's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the Board of Health'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 (6.2 percent) or one percentage point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Board of Health's proportionate share of the net pension liability (asset):			
OPERS Traditional Plan	$1,055,715	$714,629	$431,184
OPERS Combined Plan	(214)	(646)	(958)

Defined Benefit OPEB Plan

Plan descriptions and actuarial information for the Board of Health's defined benefit OPEB plan are the same as the City's (see Note 17).

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Board of Health's contractually required contribution was $584. Of this amount, $55 is reported as an intergovernmental payable.

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Board of Health's proportion of the net OPEB liability was based on the Board of Health'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
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.00254502%
Prior Measurement Date	0.00247770%
Change in Proportionate Share	0.00006732%
Proportionate Share of the Net OPEB Liability	$331,811
OPEB Expense	33,773

At December 31, 2019, the Board of Health reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$113
Changes of assumptions	10,698
Net difference between projected and actual earnings on OPEB plan investments	15,212
Changes in proportion and differences between Board of Health contributions and proportionate share of contributions.	5,688
Board of Health contributions subsequent to the measurement date	584
Total Deferred Outflows of Resources	$32,295
Deferred Inflows of Resources	
Differences between expected and actual experience	$900

$584 reported as deferred outflows of resources related to OPEB resulting from Board of Health contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. 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
Year Ending December 31:	
2020	$15,028
2021	5,538
2022	2,581
2023	7,664
Total	$30,811

Sensitivity of the Board of Health's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Board of Health's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Board of Health's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.96 percent) or one percentage point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Board of Health's proportionate share of the net OPEB liability	$424,509	$331,811	$258,090

Sensitivity of the Board of Health'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 Board of Health's proportionate share of the net OPEB liability calculated using the assumed trend rates, and the expected proportionate share of the 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 2019 is 10.00 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
Board of Health's proportionate share of the net OPEB liability	$318,942	$331,811	$346,632

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 Six Years (1) **

	2019	2018	2017
City's Proportion of the Net Pension Liability	0.05537472%	0.05671800%	0.05601800%
City's Proportionate Share of the Net Pension Liability	$15,166,013	$8,897,955	$12,720,735
City's Covered Payroll	$7,831,771	$7,495,369	$7,241,500
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	193.65%	118.71%	175.66%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%	77.25%

(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

2016	2015	2014
0.05505400%	0.05640300%	0.05640300%
$9,536,047	$6,802,833	$6,649,179
$6,851,467	$6,915,008	$6,977,329
139.18%	98.38%	95.30%
81.08%	86.45%	86.36%

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
*Last Two Years (1) **

	2019	2018
City's Proportion of the Net Pension Asset	0.01225170%	0.01197400%
City's Proportionate Share of the Net Pension Asset	$13,700	$16,300
City's Covered Payroll	$54,871	$49,038
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	24.97%	33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	126.64%	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 Three Years (1) **

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.05401098%	0.05506000%	0.05457000%
City's Proportionate Share of the Net OPEB Liability	$7,041,756	$5,979,111	$5,511,755
City's Covered Payroll	$8,203,317	$7,798,532	$7,542,000
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	85.84%	76.67%	73.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	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 Six Years (1) **

	2019	2018	2017
City's Proportion of the Net Pension Liability	0.276709%	0.271471%	0.274004%
City's Proportionate Share of the Net Pension Liability	$22,586,766	$16,661,402	$17,355,140
City's Covered Payroll	$6,202,343	$5,876,511	$5,865,422
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	364.17%	283.53%	295.89%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.07%	70.91%	68.36%

(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

2016	2015	2014
0.268760%	0.279142%	0.279142%
$17,289,519	$14,460,694	$13,595,067
$5,819,720	$5,479,273	$6,334,725
297.09%	263.92%	214.61%
66.77%	71.71%	73.00%

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 Three Years (1) **

	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.276709%	0.271471%	0.274004%
City's Proportionate Share of the Net OPEB Liability	$2,519,860	$15,381,167	$13,006,354
City's Covered Payroll	$6,202,343	$5,876,511	$5,865,422
City's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	40.63%	261.74%	221.75%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.57%	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

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

	2019	2018	2017	2016
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	$1,090,989	$1,096,448	$974,398	$868,980
Contributions in Relation to the Contractually Required Contribution	(1,090,989)	(1,096,448)	(974,398)	(868,980)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$7,792,779	$7,831,771	$7,495,369	$7,241,500
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%
Net Pension Asset - Combined Plan				
Contractually Required Contribution	$7,553	$7,682	$6,375	$10,299
Contributions in Relation to the Contractually Required Contribution	(7,553)	(7,682)	(6,375)	(10,299)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$53,950	$54,871	$49,038	$85,825
Pension Contributions as a Percentage of Covered Payroll	14.00%	14.00%	13.00%	12.00%
Net OPEB Liability - OPEB Plan (2)				
Contractually Required Contribution	$12,389	$12,667	$85,609	$155,134
Contributions in Relation to the Contractually Required Contribution	(12,389)	(12,667)	(85,609)	(155,134)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll (3)	$8,156,454	$8,203,317	$7,798,532	$7,542,000
OPEB Contributions as a Percentage of Covered Payroll	0.15%	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.

Note: Prior to 2019, the City of Massillon Board of Health was included.

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

	2019	2018	2017	2016
Net Pension Liability				
Contractually Required Contribution	$1,424,350	$1,324,679	$1,254,365	$1,250,243
Contributions in Relation to the Contractually Required Contribution	(1,424,350)	(1,324,679)	(1,254,365)	(1,250,243)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll (1)	$6,657,638	$6,202,343	$5,876,511	$5,865,422
Pension Contributions as a Percentage of Covered Payroll	21.39%	21.36%	21.35%	21.32%
Net OPEB Liability				
Contractually Required Contribution	$33,288	$31,012	$29,382	$29,327
Contributions in Relation to the Contractually Required Contribution	(33,288)	(31,012)	(29,382)	(29,327)
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	21.89%	21.86%	21.85%	21.82%

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

See accompanying notes to the required supplementary information

2015	2014	2013	2012	2011	2010
$1,239,138	$1,168,189	$1,158,623	$863,008	$875,018	$827,512
(1,239,138)	(1,168,189)	(1,158,623)	(863,008)	(875,018)	(827,512)
$0	$0	$0	$0	$0	$0
$5,819,720	$5,479,273	$6,334,725	$5,731,190	$5,856,873	$5,529,132
21.29%	21.32%	18.29%	15.06%	14.94%	14.97%
$29,098	$27,396	$229,106	$386,856	$395,339	$373,216
(29,098)	(27,396)	(229,106)	(386,856)	(395,339)	(373,216)
$0	$0	$0	$0	$0	$0
0.50%	0.50%	3.62%	6.75%	6.75%	6.75%
21.79%	21.82%	21.91%	21.81%	21.69%	21.72%

Changes in Assumptions – OPERS Pension – Traditional Plan

Amounts reported beginning in 2019 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 2017 and in 2016 and prior are presented as follows:

	2019	2017	2016 and prior
Wage Inflation	3.25 percent	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage 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	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	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	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 above 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 – OPERS Pension – Combined Plan

For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

Changes in Assumptions – OP&F Pension

Amounts reported beginning in 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:

	Beginning in 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 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

Amounts reported beginning in 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 Buck/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 beginning in 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 Buck/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 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate was 10 percent, initial; 3.25 ultimate in 2029. For 2018, the health care cost tend rate was 7.25 percent, initial; 3.25 percent ultimate in 2028.

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

Changes in Assumptions – OP&F OPEB

For 2019, the single discount rate changed from 3.24 percent to 4.66 percent.

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

Changes in Benefit Terms – OP&F OPEB

For 2019, OP&F recognized a change in benefit terms. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements. This new model replaced the self-insured health care plan used in prior years.

City of Massillon, Ohio
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2019

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
(Passed through Ohio Department of Health)				
Special Supplemental Nutrition Program for Women Infants and Children	10.557	01-76201FCL389	$ -	$ 135,485
Total U.S. Department of Agriculture				135,485
U.S. Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster: Community Development Block Grants/ Entitlement Grants	14.218		-	622,593
(Passed through Stark County HOME Consortium)				
HOME Investment Partnerships Program	14.239	M04DC390204	-	146,928
Total U.S. Department of Housing and Urban Development				769,521
U.S. Department of Justice				
(Passed through Ohio Department of Public Safety)				
Violence Against Women Formula Grants	16.588	2017-WF-VA2-8225	-	68,269
Total U.S. Department of Justice				68,269
U.S. Department of Transportation				
(Passed through Ohio Department of Transportation)				
Highway Planning and Construction Cluster: Highway Planning and Construction Program	20.205	PID 104857 & 100471	-	983,527
Total U.S. Department of Transportation				983,527
Total			$ -	$ 1,956,802

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, Ohio (the "City") under programs of the federal government for the year ended December 31, 2019. The information in this Schedule is presented 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 assets, 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 OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – 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.

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

INDEPENDENT AUDITORS' REPORT

To the Members of City Council
City of Massillon, Ohio:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Massillon, Ohio (the "City") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 30, 2020, wherein we noted the City adopted GASB Statement No. 84 and the financial impact of COVID-19 on subsequent periods.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 30, 2020

CLARK SCHAEFER HACKETT
CPAs & Advisors

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

To the Members of City Council
City of Massillon, Ohio:

Report on Compliance for the Major Federal Program

We have audited the City of Massillon, Ohio's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended December 31, 2019. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on 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 that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion 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, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. 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 type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 was not designed to 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.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 30, 2020

City of Massillon, Ohio
Schedule of Findings and Questioned Costs
Year Ended December 31, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with the Uniform Guidance?	no

Identification of major programs:

CFDA 20.205 – Highway Planning and Construction Cluster

Dollar threshold to distinguish between Type A and Type B Programs:	$750,000
Auditee qualified as low-risk auditee?	yes

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

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CITY OF MASSILLON HEALTH DEPARTMENT

Basic Financial Statements

Year Ended December 31, 2019

With Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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TABLE OF CONTENTS

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CLARK SCHAEFER HACKETT
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INDEPENDENT AUDITORS' REPORT

To the Members of City of Massillon Health Department:

We have audited the accompanying financial statements of the governmental activities and each major fund of the City of Massillon Health Department (the "Health Department"), a component unit, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Health Department's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards general accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City of Massillon Health Department, of December 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Subsequent Event Footnote

As discussed in Note 14 to the financial statements, the financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Health Department. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension and OPEB schedules on pages 5 - 10 and 42 - 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2020 on our consideration of the Health Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Health Department's 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 Health Department's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 30, 2020

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The discussion and analysis of the City of Massillon Board of Health's financial performance provides an overall review of the Board of Health's financial activities for the year ended December 31, 2019. The intent of this discussion and analysis is to look at the Board of Health's financial performance as a whole. Readers are encouraged to consider information presented here in conjunction with the additional information contained in the basic financial statements and the notes to the basic financial statements to enhance their understanding of the Board of Health's financial performance.

Financial Highlights

Financial highlights for 2019 are as follows:

- Total net position increased during 2019 primarily due to a grant receivable from the City of Massillon, which contributed to the higher revenue amount that exceeded expenses for the year.

Using This Annual Financial Report

This discussion and analysis is intended to serve as an introduction to the City of Massillon Board of Health's basic financial statements. These statements are organized so that the reader can understand the Board of Health as a financial whole or as an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial conditions.

The statement of net position and statement of activities provide information about the activities of the whole Board of Health, presenting both an aggregate view of the Board of Health'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 Board of Health's most significant funds with all other non-major funds presented in total in one column. In the case of the Board of Health, there are two major governmental funds and no nonmajor funds.

Reporting the City of Massillon Board of Health as a Whole

Statement of Net Position and the Statement of Activities

The statement of net position presents information, excluding fiduciary funds, on all the City of Massillon Board of Health's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Board of Health is improving or deteriorating. However, in evaluating the overall position of the Board of Health, non-financial factors should also be considered. Both the statement of net position and the statement of activities use the accrual basis of accounting that is similar to the accounting method used by most private-sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash is received or paid.

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 Board of Health's Most Significant Funds

Fund Financial Statements

The analysis of the Board of Health's major funds begins on page 9. Fund financial statements provide detailed information about the Board of Health's major funds. The Board of Health has established a couple of funds, which account for the services provided. These fund financial statements focus on the Board of Health's most significant funds. The Board of Health's major governmental funds are the general fund and the women, infants and children special revenue fund.

Governmental Funds All of the Board of Health's activities are reported in the governmental funds which focus on how money flows into and out of those funds and the balances left at year end available for spending in future periods. These funds are reported using the modified accrual accounting method which 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 Board of Health's general operations and the basic services it provides. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds.

Government-wide Financial Analysis

While this document contains information about the funds used by the Board of Health to provide services to our citizens, the view of the Board of Health as a whole looks at all financial transactions and asks the question, "How did we do financially during 2019?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and all liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting used by the private sector. The basis for this 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 Board of Health's net position and the changes in that position. The change in position is important because it tells the reader whether, for the Board of Health as a whole, the financial position of the Board of Health has improved or diminished.

The City of Massillon Board of Health as a Whole

Recall that the statement of net position looks at the Board of Health as a whole. Table 1 provides a summary of the Board of Health's net position for December 31, 2019, compared to beginning net position on January 1, 2019, when the Board of Health became a separate entity from the City of Massillon.

Table 1
Net Position

	Governmental Activities		
	12/31/2019	1/1/2019	Change
Assets			
Current and Other Assets	$461,307	$59,873	$401,434
Net Pension Asset	646	734	(88)
Total Assets	461,953	60,607	401,346
Deferred Outflows of Resources			
Pension	219,760	103,448	116,312
OPEB	32,295	21,876	10,419
Total Deferred Outflows of Resources	252,055	125,324	126,731
Liabilities			
Current Liabilities	25,595	33,351	7,756
Long-Term Liabilities:			
Due Within One Year	2,432	3,789	1,357
Due in More Than One Year:			
Net Pension Liability	714,629	400,408	(314,221)
Net OPEB Liability	331,811	269,060	(62,751)
Other Amounts	70,516	66,665	(3,851)
Total Liabilities	1,144,983	773,273	(371,710)
Deferred Inflows of Resources			
Pension	9,677	94,560	84,883
OPEB	900	20,043	19,143
Total Deferred Inflows of Resources	10,577	114,603	104,026
Net Position			
Restricted	18,983	18,850	133
Unrestricted (Deficit)	(460,535)	(720,795)	260,260
Total Net Position	($441,552)	($701,945)	$260,393

The net pension liability (NPL) is the largest single liability reported by the Board of Health at December 31, 2019. 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 Board of Health 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.

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.

Total net position increased during 2019 primarily due to a grant receivable from the City of Massillon, which contributed to the high revenue amount that exceeded expenses for the year.

Table 2 shows the changes in net position for the year ended December 31, 2019. Prior to becoming a separate entity in January 2019, the activity of the Board of Health was reported as a department of the City of Massillon. Therefore, comparative information will be presented as it becomes available in future years.

Table 2
Changes in Net Position

	Governmental Activities 2019
Revenues	
Program Revenues:	
Charges for Services and Assessments	$192,139
Operating Grants and Contributions	901,261
Total Program Revenues	1,093,400
General Revenues:	
Other	15,444
Total Revenues	1,108,844
Program Expenses	
Public Health Services	848,451
Change in Net Position	260,393
Net Position Beginning of Year	(701,945)
Net Position End of Year	($441,552)

Governmental Activities

Several revenue sources fund the governmental activities with operating grants and contributions being the largest. These funds are received primarily from regular grant funding provided by the City of Massillon funding, and from the Women, Infants and Children (WIC) grant funding passed through the Canton City Board of Health. Revenues from charges for services represented the second largest of the total revenues.

Primary expenses for the Board of Health are payroll and benefits for employees, including pension and OPEB expense, with the remainder being composed primarily of contractual services and materials and supplies expenses.

The Board of Health's Funds

Information about the Board of Health's major funds begins with the balance sheet. These funds are accounted for using the modified accrual basis of accounting. Overall, governmental funds had an increase in fund balance during 2019 as revenues were significantly higher than expenditures. This is primarily due to a grant receivable from the City of Massillon.

The general fund is the operating fund of the Board of Health. The fund balance of the general fund increased during 2019 as revenues were significantly higher than expenditures. This is primarily due to a grant receivable from the City of Massillon.

The women, infants and children special revenue fund had a small increase in fund balance as revenues are closely matched to expenditures due to the reimburseable grant activity.

Long-Term Obligations

Table 3 summarizes the long-term obligations outstanding.

Table 3
Outstanding Long-Term Obligations at Year End

	Governmental Activities 2019
Net Pension Liability	$714,629
Net OPEB Liability	331,811
Compensated Absences	72,948
Total	$1,119,388

For more information about the Board of Health's long-term obligations, see Note 8 to the basic financial statements.

Current Financial Related Activities

The City of Massillon Board of Health continues to remain strong despite the challenging environment of the State and national economy. The administration has provided consistent fiscal management during this time, holding general operating expenses in check while maintaining Board of Health services at a high level in 2019. The Board of Health will continue to make needed adjustments in its daily operations to meet and overcome any future challenges. The administration will continue to monitor revenues and expenses and make appropriate adjustments as needed.

Contacting the City of Massillon Board of Health Financial Management

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

Basic Financial Statements

City of Massillon Board of Health, Ohio

Statement of Net Position

December 31, 2019

	Governmental Activities
Assets	
Cash and Cash Equivalents with Fiscal Agent	$45,624
Intergovernmental Receivable	407,361
Prepaid Items	8,322
Net Pension Asset (See Note 11)	646
Total Assets	461,953
Deferred Outflows of Resources	
Pension	219,760
OPEB	32,295
Total Deferred Outflows of Resources	252,055
Liabilities	
Accounts Payable	186
Accrued Wages	8,375
Intergovernmental Payable	17,034
Long-Term Liabilities:	
Due Within One Year	2,432
Due in More Than One Year:	
Net Pension Liability (See Note 11)	714,629
Net OPEB Liability (See Note 12)	331,811
Other Amounts	70,516
Total Liabilities	1,144,983
Deferred Inflows of Resources	
Pension	9,677
OPEB	900
Total Deferred Inflows of Resources	10,577
Net Position	
Restricted for Women, Infants and Children Program	18,983
Unrestricted (Deficit)	(460,535)
Total Net Position	($441,552)

See accompanying notes to the basic financial statements

City of Massillon Board of Health, Ohio

Statement of Activities

For the Year Ended December 31, 2019

	Expenses	Program Revenues: Charges for Services and Assessments	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:				
Public Health Services	$848,451	$192,139	$901,261	$244,949
		General Revenues:		
		Other		15,444
		Change in Net Position		260,393
		Net Position Beginning of Year		(701,945)
		Net Position End of Year		($441,552)

See accompanying notes to the basic financial statements

City of Massillon Board of Health, Ohio

Balance Sheet

Governmental Funds

December 31, 2019

	General	Women, Infants and Children	Total Governmental Funds
Assets			
Cash and Cash Equivalents with Fiscal Agent	$23,443	$22,181	$45,624
Intergovernmental Receivable	394,734	12,627	407,361
Prepaid Items	6,642	1,680	8,322
Total Assets	$424,819	$36,488	$461,307
Liabilities			
Accounts Payable	$186	$0	$186
Accrued Wages	6,246	2,129	8,375
Intergovernmental Payable	15,665	1,369	17,034
Total Liabilities	22,097	3,498	25,595
Deferred Inflows of Resources			
Unavailable Revenues	2,658	672	3,330
Fund Balances			
Nonspendable	6,642	1,680	8,322
Restricted	0	30,638	30,638
Assigned	1,302	0	1,302
Unassigned	392,120	0	392,120
Total Fund Balances	400,064	32,318	432,382
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$424,819	$36,488	$461,307

See accompanying notes to the basic financial statements

City of Massillon Board of Health, Ohio

Reconciliation of Total Governmental Fund Balances to
Net Position of Governmental Activities
December 31, 2019

Total Governmental Fund Balances		$432,382
Amounts reported for governmental activities in the statement of net position are different because:		
Certain long-term assets, such as other revenues receivable, are not available to pay for current-period expenditures and therefore are reported as unavailable revenue in the funds.		3,330
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	646	
Deferred Outflows - Pension	219,760	
Deferred Outflows - OPEB	32,295	
Net Pension Liability	(714,629)	
Net OPEB Liability	(331,811)	
Deferred Inflows - Pension	(9,677)	
Deferred Inflows - OPEB	(900)	
Total		(804,316)
Long-term liabilities, such as compensated absences, are not due and payable in the current period and therefore are not reported reported in the funds.		(72,948)
Net Position of Governmental Activities		($441,552)

See accompanying notes to the basic financial statements

City of Massillon Board of Health, Ohio

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General	Women, Infants and Children	Total Governmental Funds
Revenues			
Intergovernmental	$765,677	$135,584	$901,261
Licenses and Permits	73,176	0	73,176
Charges for Services	118,963	0	118,963
Other	12,774	2,069	14,843
Total Revenues	970,590	137,653	1,108,243
Expenditures			
Current:			
Public Health Services	563,324	136,330	699,654
Net Change in Fund Balances	407,266	1,323	408,589
Fund Balances (Deficit) Beginning of Year	(7,202)	30,995	23,793
Fund Balances End of Year	$400,064	$32,318	$432,382

See accompanying notes to the basic financial statements

City of Massillon Board of Health, 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, 2019

Net Change in Fund Balances - Total Governmental Funds		$408,589
Amounts reported for governmental activities in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources, such as other revenue, are not reported as revenues in the governmental funds.		601
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:		
Pension	51,764	
OPEB	584	
Total		52,348
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	(164,878)	
OPEB	(33,773)	
Total		(198,651)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		(2,494)
Change in Net Position of Governmental Activities		$260,393

See accompanying notes to the basic financial statements

Note 1 – Reporting Entity

The constitution and laws of the State of Ohio establish the rights and privileges of the City of Massillon Board of Health (Board of Health) as a body corporate and politic. A six member Board and a Health Commissioner govern the Board of Health. The Board consists of five voting members and a president, the mayor of the City of Massillon, who votes only to break a tie. The Health Commissioner is non-voting and serves as secretary. Consistent with the provisions of Ohio Revised Code Section 3709.36, the Board of Health is a legally separate organization. Among its various duties, the Board of Health provides for the prompt diagnosis and control of communicable diseases. The Board of Health may also inspect businesses where food is manufactured, handled, stored, or offered for sale. The Board of Health is operated by a board with all members being appointed by the City. The rates charged by the Board of Health are subject to the approval of City Council. In addition, the City provides funding to the Board of Health, thus the City can impose will on the Board of Health, and the Board of Health imposes a financial burden to the City. Therefore, the Board of Health is considered a discretely presented component unit of the City of Massillon.

A reporting entity is composed of the stand-alone government, component units, and other organizations that are included to ensure the financial statements are not misleading. The City of Massillon Board of Health consists of all funds, departments, boards, and agencies that are not legally separate from the Board of Health.

Component units are legally separate organizations for which the Board of Health is financially accountable. The Board of Health is financially accountable for an organization if the Board of Health appoints a voting majority of the organization's governing board and (1) the Board of Health is able to significantly influence the programs or services performed or provided by the organization; or (2) the Board of Health is legally entitled to or can otherwise access the organization's resources; the Board of Health is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization. Component units may also include organizations that are fiscally dependent on the Board of Health in that the Board of Health 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 Board of Health. There were no component units of the Board of Health in 2019.

The Board of Health's management believes these financial statements present all activities for which the Board of Health is financially accountable

The Board of Health participates in a public entity shared risk pool, the Public Entities Pool of Ohio, which is presented in Note 6 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the Board of Health 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 Board of Health's accounting policies are described as follows.

Basis of Presentation

The Board of Health'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 Board of Health as a whole.

The statement of net position presents the financial condition of the Board of Health at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Board of Health's activities. 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 Board of Health, 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 Board of Health.

Fund Financial Statements During the year, the Board of Health segregates transactions related to certain Board of Health 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 Board of Health at this more detailed level. The focus of governmental financial statements is on major funds. Each major fund is presented in a separate column. The Board of Health has no nonmajor funds.

Fund Accounting

The Board of Health 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. All of the Board of Health's funds are governmental funds.

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 purpose for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities and deferred inflows of resources is reported as fund balance. The following are the Board of Health's major governmental funds:

> ***General Fund*** The general fund accounts for and reports all financial resources not accounted for and reported in another fund. The general fund balance is available to the Board of Health for any purpose provided it is expended or transferred according to the general laws of Ohio.
>
> ***Women, Infants and Children Fund*** This fund accounts for and reports grant proceeds which are restricted to expenditure for the Women, Infants and Children program.

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 Board of Health 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.

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. 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 Board of Health, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the Board of Health receives value without directly giving equal value in return, includes grants and donations. Revenue from grants 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 Board of Health must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Board of Health 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 both measurable and available at year end: charges for services, grants, and other.

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 Board of Health, deferred outflows of resources are reported on the government-wide statement of net position for pension and OPEB. The deferred outflows of resources related to pension and OPEB plans are explained in Notes 11 and 12.

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 Board of Health, deferred inflows of resources include pension, OPEB, and unavailable revenue. 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 Board of Health, unavailable revenue includes other revenue. 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 15. Deferred inflows of resources related to pension and OPEB plans are reported on the government-wide statement of net position (see Notes 11 and 12).

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.

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.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, 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.

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 Board of Health's termination policy, which follows the City’s policy.

The Board of Health does not accrue a liability for vacation benefits as of December 31. The Board of Health's policy, which follows the City's policy, allows 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 Board of Health's policy, 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.

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

Net Position

Net position represents the difference between all other elements on the statement of financial position. Net position is reported as restricted when there are limitations imposed on its use either through constitutional provisions or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The Board of Health's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance

Fund balance is divided into five classifications based primarily on the extent to which the Board of Health must observe constraints imposed upon the use of its governmental-fund resources. The classifications are as follows:

> ***Nonspendable*** The Board of Health classifies assets as *nonspendable* when legally or contractually required to maintain the amounts intact. The "not in spendable form" includes items that are not expected to be converted to cash.

Restricted Fund balance is *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.

Committed The Board can *commit* amounts via formal action (resolution). The Board must adhere to these commitments unless the Board amends the resolution. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed to satisfy contractual requirements.

Assigned Assigned fund balances are intended for specific purposes but do not meet the criteria to be classified as *restricted* or *committed*. Governmental funds other than the general fund report all fund balances as *assigned* unless they are restricted or committed. In the general fund, *assigned* amounts represent intended uses established by the Board of Health or a Board of Health official delegated that authority by resolution, or by State Statute. State Statute authorizes the fiscal officer to assign fund balance for purchases on order, provided those amounts have been lawfully appropriated.

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

The Board of Health 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.

Interfund Transactions

Transfers within 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. Payments for interfund services provided and used are not eliminated.

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

Note 3 – Transfer of Operations

Consistent with the provisions of Ohio Revised Code Section 3709.36, the City of Massillon'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 1, 2019, and is being accounted for as a transfer of operations in 2019. The Board of Health is reported as a discretely presented component unit of the City of Massillon (See Note 1).

The amounts recognized as of the effective date of the transfer are as follows:

	General Fund	Women, Infants and Children	Total
Fund Balance at January 1, 2019	$0	$0	$0
Adjustments:			
Assets	25,233	34,640	59,873
Liabilities	(30,265)	(3,086)	(33,351)
Deferred Inflows of Resources	(2,170)	(559)	(2,729)
Total Adjusted Fund Balance (Deficit) at January 1, 2019	($7,202)	$30,995	$23,793
Adjusted Fund Balance at January 1, 2019			
Nonspendable	$3,833	$1,929	$5,762
Restricted	0	29,066	29,066
Unassigned (Deficit)	(11,035)	0	(11,035)
Total Adjusted Fund Balance (Deficit) at January 1, 2019	($7,202)	$30,995	$23,793

	Board of Health at 1/1/19
Assets	
Current and Other Assets	$59,873
Noncurrent Assets:	
Net Pension Asset	734
Total Assets	60,607
Deferred Outflows of Resources	
Pension	103,448
OPEB	21,876
Total Deferred Outflows of Resources	125,324
Liabilities	
Current Liabilities	33,351
Long-Term Liabilities:	
Due Within One Year	3,789
Due in More than One Year:	
Net Pension Liability	400,408
Net OPEB Liability	269,060
Other Amounts	66,665
Total Liabilities	$773,273

	Board of Health at 1/1/19
Deferred Inflows of Resources	
Pension	$94,560
OPEB	20,043
Total Deferred Inflows of Resources	114,603
Net Position	
Restricted for Women, Infants and Children Program	18,850
Unrestricted (Deficit)	(720,795)
Total Net Position	($701,945)

Note 4 – Deposits and Investments

The City of Massillon Treasurer is custodian for the Board of Health's deposits. The City's deposit and investment pool holds the Board of Health's assets, valued at the Treasurer's reported carrying amount.

Note 5 – Receivables

Receivables at December 31, 2019, consisted primarily of intergovernmental receivables arising from grants and other revenues. All receivables are considered collectible in full within one year. A summary of the principal items of intergovernmental receivables follows:

Intergovernmental Receivable:	
Massillon City Grant	$392,076
Women, Infants and Children Grant	11,955
BWC Premium Refunds	3,330
Total	$407,361

Note 6 – Risk Management

The Board of Health is exposed to various risks of casualty losses and injuries to employees.

Property and Liability

The Board of Health 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., a Sedgwick Company, (York) functions as the administrator of PEP and provides program management, 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, 2019, 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 PEP and other market conditions to determine the appropriate level of risk PEP 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, 2019 and 2018:

Casualty and Property Coverage	2019	2018
Assets	$54,973,597	$49,921,998
Liabilities	16,440,940	14,676,199
Net Position - Unrestricted	$38,532,657	$35,245,799

At December 31, 2019 and 2018, the liabilities in the preceding table include unknown amounts of estimated incurred claims payable. The casualty coverage assets and net position in the preceding table include approximately $13.7 million and $11.8 million of unpaid claims to be billed to approximately 553 member governments in the future, as of December 31, 2019 and 2018, 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 expected to increase slightly 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 Board of Health's contributions for 2019 totaled $1,400.

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 may receive a partial refund of their capital contributions as defined by the contract. 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.

Workers' Compensation

The Board of Health 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 7 – 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 Board of Health 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 Board of Health's policy, employees with at least 5 years of service are entitled to 40 percent of their sick balance at termination. Upon retirement, employees 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.

Insurance

The Board of Health provided health insurance to its employees through Medical Mutual of Ohio. Dental and vision insurance was provided through Ohio AFSCME. The Board of Health's portion of monthly premiums for health insurance for single, employee/spouse, employee/child, and family were $526, $1,158, $947, and $1,632, respectively. The Board of Health's portion of monthly insurance premiums was $48 for dental insurance and $14 for vision insurance. The Board of Health also provides, at no cost to the employees, $10,000 of term life insurance through the Standard Insurance Company for all employees.

Note 8 – Long-Term Obligations

A schedule of changes in long-term obligations of the Board of Health during 2019 follows:

	Balance 1/1/2019	Additions	Deletions	Balance 12/31/2019	Amounts Due In One Year
Governmental Activities					
Other Long-Term Obligations					
Net Pension Liability:					
OPERS	$400,408	$314,221	$0	$714,629	$0
Net OPEB Liability:					
OPERS	269,060	62,751	0	331,811	0
Compensated Absences	70,454	9,386	(6,892)	72,948	2,432
Total Governmental Activities	$739,922	$386,358	($6,892)	$1,119,388	$2,432

There is no repayment schedule for the net pension liability and net OPEB liability; however, employer pension and OPEB contributions are made from the general fund and the women, infants and children special revenue fund. For additional information related to the net pension liability and the net OPEB liability, see Notes 11 and 12. Compensated absences will be paid from the general fund and the women, infants and children special revenue fund. The Board of Health pays obligations related to employee compensation from the fund benefitting from their service.

Note 9 – Contingencies

Grants

Amounts grantor agencies pay to the Board of Health are subject to audit and adjustment by the grantor, principally the federal government. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow; however, based on prior experience, management believes any refunds would be immaterial.

Litigation

Management is not aware of any pending litigation.

Note 10 – Fund Balances

Fund balance is classified as nonspendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the Board of Health 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	Women, Infants and Children	Total
Nonspendable for Prepaids	$6,642	$1,680	$8,322
Restricted for Women, Infants and Children Program	0	30,638	30,638
Assigned to:			
Purchases on Order:			
Contractual Services	412	0	412
Materials and Supplies	890	0	890
Total Assigned	1,302	0	1,302
Unassigned	392,120	0	392,120
Total Fund Balances	$400,064	$32,318	$432,382

Note 11 – Defined Benefit Pension Plan

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 Board of Health's proportionate share of each pension/OPEB plans' collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plans' 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 and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

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

GASB 68/75 assume 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 includes 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 ORC permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net pension 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 12 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System

Plan Description – Board of Health employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan 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 (COLA) to members of the traditional and combined plans. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code (ORC). 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' annual 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 five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten 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

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, current law provides for a COLA. 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 on the defined benefit portion of their pension benefit. For those retiring prior to January 7, 2013, current law provides for a 3 percent

COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, current law provides that 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 member's contributions plus or minus the investment gains or losses resulting from the member's 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 annuitization of the benefit (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 ORC provides statutory authority for member and employer contributions as follows:

	State and Local
2019 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
2019 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 healthcare rates are for the traditional and combined plans. The employer contributions rate for the member-directed plan is allocated 4 percent for healthcare with the remainder going to pension.

For 2019, the Board of Health's contractually required contribution was $51,408 for the traditional plan, $356 for the combined plan, and $1,460 for the member-directed plan. Of these amounts, $4,869 is reported as an intergovernmental payable for the traditional plan, $34 for the combined plan, and $139 for the member-directed plan.

Pension Liabilities (Asset), 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, 2018, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date. The Board of Health's proportion of the net pension liability (asset) was based on the Board of Health'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 Board of Health's defined benefit pension plans:

	OPERS Traditional Plan	OPERS Combined Plan	Total
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.00260928%	0.00057731%	
Prior Measurement Date	0.00255231%	0.00053883%	
Change in Proportionate Share	0.00005697%	0.00003848%	
Proportionate Share of the:			
Net Pension Liability	$714,629	$0	$714,629
Net Pension Asset	0	646	646
Pension Expense	164,678	200	164,878

2019 pension expense for the member-directed defined contribution plan was $1,460. The aggregate pension expense for all pension plans was $166,338 for 2019.

At December 31, 2019, the Board of Health 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	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$33	$0	$33
Changes of assumptions	62,211	144	62,355
Net difference between projected and actual earnings on pension plan investments	96,995	139	97,134
Changes in proportion and differences between Board of Health contributions and proportionate share of contributions	8,280	194	8,474
Board of Health contributions subsequent to the measurement date	51,408	356	51,764
Total Deferred Outflows of Resources	$218,927	$833	$219,760

	OPERS Traditional Plan	OPERS Combined Plan	Total
Deferred Inflows of Resources			
Differences between expected and actual experience	$9,384	$263	$9,647
Changes in proportion and differences between Board of Health contributions and proportionate share of contributions	0	30	30
Total Deferred Inflows of Resources	$9,384	$293	$9,677

$51,764 reported as deferred outflows of resources related to pension resulting from Board of Health 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 2020. 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	Total
Year Ending December 31:			
2020	$69,664	$45	$69,709
2021	34,364	17	34,381
2022	8,998	20	9,018
2023	45,109	64	45,173
2024	0	5	5
Thereafter	0	33	33
Total	$158,135	$184	$158,319

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, 2018, 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, 2018, 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	7.2 percent	7.2 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

In October of 2018, the OPERS Board adopted a change in the investment return assumption, reducing it from 7.5 percent to 7.2 percent. This change was effective beginning with the 2018 valuation.

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 2018, 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 a loss of 2.94 percent for 2018.

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 following table displays the Board-approved asset allocation policy for 2018 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 %	2.79 %
Domestic Equities	19.00	6.21
Real Estate	10.00	4.90
Private Equity	10.00	10.81
International Equities	20.00	7.83
Other Investments	18.00	5.50
Total	100.00 %	5.95 %

Discount Rate For 2018, the discount rate used to measure the total pension liability was 7.2 percent for the traditional plan and the combined plan. For 2017, 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 for the traditional pension plan, combined plan and member-directed plan was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Board of Health's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate The following table presents the Board of Health's proportionate share of the net pension liability (asset) calculated using the current period discount rate assumption of 7.2 percent, as well as what the Board of Health'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 (6.2 percent) or one percentage point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Board of Health's proportionate share of the net pension liability (asset):			
OPERS Traditional Plan	$1,055,715	$714,629	$431,184
OPERS Combined Plan	(214)	(646)	(958)

Note 12 – Defined Benefit OPEB Plans

See Note 11 for a description of the net pension liability.

Plan Description – Ohio Public Employees Retirement System

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

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care 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 with a minimum age of 60, or generally 30 years of qualifying service at any age. 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 No. 75. See OPERS' annual financial report referenced later for additional information.

The Ohio Revised Code (ORC) 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 ORC.

Disclosures for the health care plan are presented separately in the OPERS' annual 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 ORC provides the statutory authority allowing 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. Beginning in 2018, health care was no longer being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2019, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the ORC. 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. As recommended by OPERS' actuary, beginning January 1, 2018, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan. 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 2019 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Board of Health's contractually required contribution was $584. Of this amount, $55 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, 2017, rolled forward to the measurement date of December 31, 2018, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Board of Health's proportion of the net OPEB liability was based on the Board of Health'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
Proportion of the Net OPEB Liability:	
Current Measurement Date	0.00254502%
Prior Measurement Date	0.00247770%
Change in Proportionate Share	0.00006732%
Proportionate Share of the Net OPEB Liability	$331,811
OPEB Expense	33,773

At December 31, 2019, the Board of Health reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS
Deferred Outflows of Resources	
Differences between expected and actual experience	$113
Changes of assumptions	10,698
Net difference between projected and actual earnings on OPEB plan investments	15,212
Changes in proportion and differences between Board of Health contributions and proportionate share of contributions.	5,688
Board of Health contributions subsequent to the measurement date	584
Total Deferred Outflows of Resources	$32,295
Deferred Inflows of Resources	
Differences between expected and actual experience	$900

$584 reported as deferred outflows of resources related to OPEB resulting from Board of Health contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2020. 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
Year Ending December 31:	
2020	$15,028
2021	5,538
2022	2,581
2023	7,664
Total	$30,811

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 health care costs 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 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, 2017, rolled forward to the measurement date of December 31, 2018. 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	3.96 percent
Prior Measurement Date	3.85 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current Measurement Date	3.71 percent
Prior Measurement Date	3.31 percent
Health Care Cost Trend Rate:	
Current Measurement Date	10.0 percent, initial 3.25 percent, ultimate in 2029
Prior Measurement Date	7.25 percent, initial 3.25 percent, ultimate in 2028
Actuarial Cost Method	Individual Entry Age Normal

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 was effective for the 2018 valuation.

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 2018, 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 was a loss of 5.6 percent for 2018.

The allocation of investment assets within 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 pension plans. Health care is a discretionary benefit. The following table displays the Board-approved asset allocation policy for 2018 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 %	2.42 %
Domestic Equities	21.00	6.21
Real Estate Investment Trust	6.00	5.98
International Equities	22.00	7.83
Other Investments	17.00	5.57
Total	100.00 %	5.16 %

Discount Rate A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. A single discount rate of 3.85 percent was used to measure the OPEB liability on the measurement date of December 31, 2017. 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 6.00 percent and a municipal bond rate of 3.71 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 2031. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2031, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Board of Health's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the Board of Health's proportionate share of the net OPEB liability calculated using the single discount rate of 3.96 percent, as well as what the Board of Health's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.96 percent) or one percentage point higher (4.96 percent) than the current rate:

	1% Decrease (2.96%)	Current Discount Rate (3.96%)	1% Increase (4.96%)
Board of Health's proportionate share of the net OPEB liability	$424,509	$331,811	$258,090

Sensitivity of the Board of Health'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 Board of Health's proportionate share of the net OPEB liability calculated using the assumed trend rates, and the expected proportionate share of the 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 2019 is 10.00 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
Board of Health's proportionate share of the net OPEB liability	$318,942	$331,811	$346,632

Note 13 – 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	$1,576
Women, Infants and Children	990
Total	$2,566

Note 14 – Subsequent Event

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. The financial impact of COVID-19 and the ensuing emergency measures will impact subsequent periods of the Board of Health. The investments of the pension and other employee benefit plans in which the Board of Health participates have incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, and due to market volatility, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined. In addition, the impact on the Board of Health's future operating costs, revenues, and any recovery from emergency funding, either federal or state, cannot be estimated.

City of Massillon Board of Health, Ohio

Required Supplementary Information

Schedule of the Board of Health's Proportionate Share of the Net Pension Liability

Ohio Public Employees Retirement System - Traditional Plan

*Last Two Years (1) **

	2019	2018 (2)
Board of Health's Proportion of the Net Pension Liability	0.00260928%	0.00255231%
Board of Health's Proportionate Share of the Net Pension Liability	$714,629	$400,408
Board of Health's Covered Payroll	$352,429	$337,292
Board of Health's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	202.77%	118.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.70%	84.66%

(1) Although this schedule is intended to show information for ten years, information prior to 2018 is not available. An additional column will be added each year.

(2) Amounts presented for 2018 correspond to the Board of Health's net pension liability recognized at the effective date of the transfer of operations, January 1, 2019.

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

See accompanying notes to the required supplementary information

City of Massillon Board of Health, Ohio

Required Supplementary Information

Schedule of the Board of Health's Proportionate Share of the Net Pension Asset

Ohio Public Employees Retirement System - Combined Plan

*Last Two Years (1) **

	2019	2018 (2)
Board of Health's Proportion of the Net Pension Asset	0.00057731%	0.00053883%
Board of Health's Proportionate Share of the Net Pension Asset	$646	$734
Board of Health's Covered Payroll	$2,471	$2,208
Board of Health's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	26.14%	33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	126.64%	137.28%

(1) Although this schedule is intended to show information for ten years, information prior to 2018 is not available. An additional column will be added each year.

(2) Amounts presented for 2018 correspond to the Board of Health's net pension liability recognized at the effective date of the transfer of operations, January 1, 2019.

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

See accompanying notes to the required supplementary information

City of Massillon Board of Health, Ohio

Required Supplementary Information

Schedule of the Board of Health's Proportionate Share of the Net OPEB Liability

Ohio Public Employees Retirement System - OPEB Plan

*Last Two Years (1) **

	2019	2018 (2)
Board of Health's Proportion of the Net OPEB Liability	0.00254502%	0.00247770%
Board of Health's Proportionate Share of the Net OPEB Liability	$331,811	$269,060
Board of Health's Covered Payroll	$369,150	$350,925
Board of Health's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	89.89%	76.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	46.33%	54.14%

(1) Although this schedule is intended to show information for ten years, information prior to 2018 is not available. An additional column will be added each year.

(2) Amounts presented for 2018 correspond to the Board of Health's net pension liability recognized at the effective date of the transfer of operations, January 1, 2019.

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

See accompanying notes to the required supplementary information

City of Massillon Board of Health, Ohio

Required Supplementary Information

Schedule of the Board of Health's Contributions

Ohio Public Employees Retirement System

2019 (1)

	2019
Net Pension Liability - Traditional Plan	
Contractually Required Contribution	$51,408
Contributions in Relation to the Contractually Required Contribution	(51,408)
Contribution Deficiency (Excess)	$0
Board of Health Covered Payroll	$367,200
Pension Contributions as a Percentage of Covered Payroll	14.00%
Net Pension Asset - Combined Plan	
Contractually Required Contribution	$356
Contributions in Relation to the Contractually Required Contribution	(356)
Contribution Deficiency (Excess)	$0
Board of Health Covered Payroll	$2,543
Pension Contributions as a Percentage of Covered Payroll	14.00%
Net OPEB Liability - OPEB Plan	
Contractually Required Contribution	$584
Contributions in Relation to the Contractually Required Contribution	(584)
Contribution Deficiency (Excess)	$0
Board of Health Covered Payroll (2)	$384,343
OPEB Contributions as a Percentage of Covered Payroll	0.15%

(1) Although this schedule is intended to show information for ten years, information prior to 2019 is not available. An additional column will be added each year.

(2) 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

Changes in Assumptions – OPERS Pension – Traditional Plan

Amounts reported beginning in 2019 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 2018 are presented as follows:

	2019	2018
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 10.75 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	7.2 percent	7.5 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Changes in Assumptions – OPERS Pension – Combined Plan

For 2019, the investment rate of return changed from 7.5 percent to 7.2 percent.

Changes in Assumptions – OPERS OPEB

For 2019, the single discount rate changed from 3.85 percent to 3.96 percent and the municipal bond rate changed from 3.31 percent to 3.71 percent. For 2019, the health care cost trend rate was 10 percent, initial; 3.25 ultimate in 2029. For 2018, the health care cost tend rate was 7.25 percent, initial; 3.25 percent ultimate in 2028.

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

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

INDEPENDENT AUDITORS' REPORT

To the Members of City of Massillon Health Department:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities for each major fund of the City of Massillon Health Department (the "Health Department") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Health Department's basic financial statements, and have issued our report thereon dated June 30, 2020, wherein we noted the financial impact of COVID-19 on subsequent periods.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Health Department's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Health Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Health Department's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and responses as 2019-001 that we consider to be a material weakness.

Compliance and Other Matters

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

Health Department Response to the Finding

The Health Department's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The Health Department's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 30, 2020

City of Massillon Health Department
Schedule of Findings and Responses
Year Ended December 31, 2019

2019-001 Financial Reporting

During the course of our audit, we identified a misstatement in the financial statements that was not initially identified by the Health Department's internal control over financial reporting. A deficiency in internal control exists when the design of operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. In this case, the internal controls over the preparation and review of the Health Department's financial statements did not operate as designed. The Health Department contracts with a third-party consultant to prepare its year-end financial statements. While the Health Department may rely on the consultant to provide technical assistance and financial statement preparation, it is still the responsibility of the Health Department to review the financials prepared by the consultant for errors and omissions.

We proposed an audit adjustment to properly record accounts payable.

We recommend the Health Department enhance its internal controls over financial reporting with steps such as management's review of conversion documentation for completeness and accuracy and improved communication with hired consultants to ensure the preparation of complete, accurate and reliable financial statements in conformity with generally accepted accounting principles.

Views of Responsible Officials: *The Health Department concurs with these adjustments which have been posted to the financial statements.*

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OHIO AUDITOR OF STATE
KEITH FABER

CITY OF MASSILLON

STARK COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

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

Certified for Release 8/11/2020

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