



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

CITY OF MASSILLON, OHIO

STARK COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2021

OHIO AUDITOR OF STATE
KEITH FABER



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Members of Council
City of Massillon
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Massillon, Ohio 44646

We have reviewed the *Independent Auditors' Report* of the City of Massillon, Stark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2021 through December 31, 2021. 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.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

July 07, 2022

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, as of December 31, 2021, 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 the American Rescue Plan Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that

includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedules of net pension and OPEB liabilities/(assets) and pension and OPEB contributions listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to 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.

Supplementary 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. Such information 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. The 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 27, 2022 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 27, 2022

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City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

The discussion and analysis of the City of Massillon's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2021. 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 2021 are as follows:

- The general fund reported an end of year unencumbered cash balance of \$4,791,044 (budget basis). All departments have contributed by controlling expenditures in 2021. In addition, the City was able to transfer \$30,000 to the budget stabilization fund from the general fund, yielding an ending balance of \$450,000 in the budget stabilization fund.
- The City's income tax revenue is no longer being affected by the COVID-19 pandemic. The City received \$8,186,751 from the American Rescue Plan Act. At the end of 2021, no funds from this program have been allocated. The City is evaluating the best, forward-thinking use of the funds.
- Net position increased due to a significant decrease in program expenses resulting from decreases in pension and OPEB expenses, primarily the decrease in OPEB expense related to the OPERS OPEB plan.
- On May 4, 2021, electors of the City of Massillon, Ohio, approved the continuation of an existing two-tenths of one percent (0.2 percent) levy on income, to be effective January 1, 2022, for five years, for the purpose of City street maintenance and repair.

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 2021?" 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.

City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

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 American Rescue Plan fund. An analysis of the City's major governmental funds begins on page 11.

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

City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

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 2021 compared to 2020.

Table 1
Net Position

	Governmental Activities		Business-Type Activities *		Total *	
	2021	2020	2021	2020	2021	2020
Assets						
Current and Other Assets	\$40,126,236	\$33,943,845	\$34,385,178	\$35,881,349	\$74,511,414	\$69,825,194
Net Pension Asset	28,349	19,980	7,274	5,293	35,623	25,273
Net OPEB Asset	755,871	0	193,941	0	949,812	0
Capital Assets, Net	55,295,230	50,940,379	65,509,849	68,849,311	120,805,079	119,789,690
<i>Total Assets</i>	<u>96,205,686</u>	<u>84,904,204</u>	<u>100,096,242</u>	<u>104,735,953</u>	<u>196,301,928</u>	<u>189,640,157</u>
Deferred Outflows of Resources						
Deferred Charge on Refunding	121,351	159,816	0	0	121,351	159,816
Pension	4,414,747	4,679,091	258,897	409,682	4,646,673	5,088,670
OPEB	2,350,327	2,912,791	115,609	292,699	2,448,341	3,153,207
<i>Total Deferred Outflows of Resources</i>	<u>6,886,425</u>	<u>7,751,698</u>	<u>374,506</u>	<u>702,381</u>	<u>7,216,365</u>	<u>8,401,693</u>
Liabilities						
Current and Other Liabilities	11,779,826	3,677,268	488,360	850,149	12,268,186	4,527,417
Long-Term Liabilities:						
Due Within One Year	1,662,487	1,709,957	4,150,906	2,429,002	5,813,393	4,138,959
Due in More Than One Year:						
Net Pension Liability	26,193,574	27,748,443	1,649,412	2,292,660	27,842,986	30,041,103
Net OPEB Liability	3,071,903	8,695,133	0	1,561,708	3,071,903	10,256,841
Other Amounts	14,781,020	16,645,205	32,006,332	37,749,997	46,787,352	54,395,202
<i>Total Liabilities</i>	<u>57,488,810</u>	<u>58,476,006</u>	<u>38,295,010</u>	<u>44,883,516</u>	<u>95,783,820</u>	<u>103,359,522</u>
Deferred Inflows of Resources						
Property Taxes	2,809,603	2,496,493	0	0	2,809,603	2,496,493
Payment in Lieu of Taxes	1,008,832	948,932	0	0	1,008,832	948,932
Pension	4,659,893	3,925,084	777,852	488,381	5,410,774	4,413,362
OPEB	3,529,165	1,997,834	628,322	232,191	4,139,892	2,177,742
<i>Total Deferred Inflows of Resources</i>	<u>12,007,493</u>	<u>9,368,343</u>	<u>1,406,174</u>	<u>720,572</u>	<u>13,369,101</u>	<u>10,036,529</u>
Net Position						
Net Investment in Capital Assets	40,353,196	34,522,045	46,987,185	48,041,954	87,340,381	82,563,999
Restricted	9,313,334	8,193,959	0	0	9,313,334	8,193,959
Unrestricted (Deficit)	(16,070,722)	(17,904,451)	13,782,379	11,792,292	(2,288,343)	(6,112,159)
<i>Total Net Position</i>	<u>\$33,595,808</u>	<u>\$24,811,553</u>	<u>\$60,769,564</u>	<u>\$59,834,246</u>	<u>\$94,365,372</u>	<u>\$84,645,799</u>

* 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.

City of Massillon
Management's Discussion and Analysis
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Unaudited

The net pension liability (NPL) is one of the largest single liabilities reported by the City at December 31, 2021. 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 and net position increased, while liabilities decreased. The increase in assets was primarily due to the increase in cash, as well as an increase in capital assets. Cash increased primarily due to the receipt of local fiscal recovery funding under the American Rescue Plan of 2021. Those funds had not yet been spent as of year end. The increase in capital assets was mainly related to road improvements. The small decrease in liabilities was mainly due to a decrease in the net OPEB liability, as well as a decrease in the net pension liability and reductions in outstanding debt as the City made annually required payments. However, these decreases in long-term liabilities were mostly offset by an increase in unearned revenue related to the local fiscal recovery funding.

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 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, 2021, represent capital assets that are used to provide services to citizens and are not available for future spending. Although the City’s investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Total net position for business-type activities increased in 2021 with the decrease in liabilities being partly offset by a decrease in assets. Repayments of loans and decreases in the net OPEB liability and net pension liability contributed to the overall decrease in liabilities. The decrease in assets was primarily due to the decrease in capital assets related to depreciation, as well as a decrease in the intergovernmental receivable related to payments received from Stark County for the County’s portion of debt payments for OWDA loans.

City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

Table 2 shows the changes in net position for the year ended December 31, 2021, compared to 2020.

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues						
Program Revenues:						
Charges for Services, Sales and Assessments	\$6,713,904	\$6,004,302	\$9,347,315	\$9,520,666	\$16,061,219	\$15,524,968
Operating Grants, Contributions and Interest	3,927,810	5,301,401	0	10,617	3,927,810	5,312,018
Capital Grants and Contributions	1,025,179	1,839,180	70,085	43,013	1,095,264	1,882,193
Total Program Revenues	11,666,893	13,144,883	9,417,400	9,574,296	21,084,293	22,719,179
General Revenues:						
Property Taxes	2,507,326	2,437,941	0	0	2,507,326	2,437,941
Income Taxes	24,036,514	19,582,236	0	0	24,036,514	19,582,236
Intergovernmental	1,032,586	926,060	0	0	1,032,586	926,060
Unrestricted Contributions	0	6,609	0	0	0	6,609
Payment in Lieu of Taxes	1,021,037	963,087	0	0	1,021,037	963,087
Interest	(186,896)	447,725	0	0	(186,896)	447,725
Other	533,571	2,729,974	14,903	98,947	548,474	2,828,921
Total General Revenues	28,944,138	27,093,632	14,903	98,947	28,959,041	27,192,579
Total Revenues	40,611,031	40,238,515	9,432,303	9,673,243	50,043,334	49,911,758
Program Expenses						
Governmental Activities:						
General Government:						
Primary Government	5,455,423	10,177,974	0	0	5,455,423	10,177,974
Intergovernmental	1,228,069	1,183,451	0	0	1,228,069	1,183,451
Security of Persons and Property	13,223,266	13,834,355	0	0	13,223,266	13,834,355
Transportation:						
Primary Government	3,913,932	5,116,069	0	0	3,913,932	5,116,069
Intergovernmental	0	3,191	0	0	0	3,191
Public Health and Welfare:						
Intergovernmental	391,773	35,872	0	0	391,773	35,872
Leisure Time Activities	2,882,910	4,016,523	0	0	2,882,910	4,016,523
Basic Utility Service	49,910	41,230	0	0	49,910	41,230
Economic Development and Assistance	926,236	796,265	0	0	926,236	796,265
Urban Redevelopment and Housing	188,262	111,542	0	0	188,262	111,542
Interest and Fiscal Charges	690,871	732,963	0	0	690,871	732,963
Wastewater	0	0	8,266,127	10,013,500	8,266,127	10,013,500
Total Program Expenses	28,950,652	36,049,435	8,266,127	10,013,500	37,216,779	46,062,935
Change in Net Position before Special Items and Transfers	11,660,379	4,189,080	1,166,176	(340,257)	12,826,555	3,848,823
Special Items	(3,106,982)	0	0	0	(3,106,982)	0
Transfers	230,858	0	(230,858)	0	0	0
Change in Net Position	8,784,255	4,189,080	935,318	(340,257)	9,719,573	3,848,823
Net Position Beginning of Year	24,811,553	20,622,473	59,834,246	60,174,503	84,645,799	80,796,976
Net Position End of Year	\$33,595,808	\$24,811,553	\$60,769,564	\$59,834,246	\$94,365,372	\$84,645,799

City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

Governmental Activities

The net position of governmental activities increased in 2021 due to the significant decrease in program expenses, primarily general government, while revenues increased slightly. The large decrease in program expenses was due to decreases in pension and OPEB expenses, primarily the decrease in OPEB expense related to the OPERS OPEB plan. The marginal increase in revenues was primarily due to the increase in income taxes related to recovery from the pandemic. That increase was offset by decreases in various revenues, primarily a decrease in other revenue related to the receipt of several Bureau of Workers' Compensation (BWC) rebates in the prior year. The decrease in program expenses and increase in revenues were partly offset by the special item for the loss on the sale of the Affinity Medical Center.

For 2021, general government expense represented the second largest program expense for the City and consists of costs associated with the general administration of the City and courts operations. The decrease in general government expense was primarily due to the decrease in pension and OPEB expenses. Decreases in hospital-related expenses due to the sale of the Affinity Medical Center in early 2021 also contributed to the decrease in general government expense.

Security of persons and property represents the highest program expense for the City. 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.

The decreases in transportation and leisure time activities expenses were also primarily due to the decreases in pension and OPEB expenses.

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.

Despite an increase in charges for services, program revenues decreased due to the drop in operating grants and capital grants. The decrease in operating grants was related to the decrease in CARES Act grant revenue, most of which was recognized in 2020, and the decrease in capital grants was related to a decrease in ODOT and OPWC grants. The increase in charges for services program revenues was mainly due to increases in charges for services related to the parks and recreation department and school officers, as well as an increase in fines and forfeitures.

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 an increase in total net position from 2020. This increase was due to the decrease in expenses, despite a small decrease in revenues. Expenses decreased mainly due to the decrease in personal services, which resulted from the decrease in pension and OPEB expenses.

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 \$2.07 million in debt service participation annually.

City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

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 decreased from the prior year. This decrease in 2021 was due to a special item for the loss on the sale of the Affinity Medical Center and the increase in expenditures, mainly security of persons and property expenditures. The increase in security of persons and property expenditures was mainly due to a portion of the police and fire salaries being paid from CARES Act grant funding in the prior year and due to the general fund paying for part of a fire truck in 2021. Despite some increases in revenues such as income tax, fines and forfeitures, and charges for service, total general fund revenues decreased primarily due to significant BWC rebates received in the prior year.

The street construction fund had an increase in fund balance for 2021 mainly due to the increase in revenues, primarily increases in income taxes and intergovernmental revenue. The increase in income taxes was due to recovery from the pandemic, and the increase in intergovernmental revenues was primarily due to increases in State shared motor vehicle license tax and gasoline tax.

The American Rescue Plan fund had no fund balance at year end because the local fiscal recovery funding received is unearned revenue until eligibility requirements are met. This fund had no revenues or expenditures during 2021.

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 budgeted (estimated) revenue exceeded the original budgeted 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, with the most significant variances being for general government and transportation.

Capital Assets and Debt Administration

Capital Assets

At the end of 2021, the City had \$120,805,079 in capital assets (net of accumulated depreciation). Of this total, \$55,295,230 was reported in governmental activities and \$65,509,849 was reported in business-type activities.

City of Massillon
Management's Discussion and Analysis
For the Year Ended December 31, 2021
Unaudited

For governmental activities, the increase in total capital assets was due in large part to road improvements. For business-type activities, the decrease in total capital assets was due to depreciation expense outpacing capital purchases. See Note 11 to the basic financial statements for detail on governmental and business-type activities capital assets.

Debt

At December 31, 2021, the City had total long-term debt obligations outstanding of \$50,107,885. Of this total, \$5,534,973 is due within one year and \$44,572,912 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, 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, 2021, the City's overall legal debt margin was \$56,531,263 with an unvoted debt margin of \$24,583,639. See Notes 18 and 19 to the basic financial statements for details on the City's long-term obligations.

Current Financial Related Activities

In February 2021, the City received \$402,554 from the auction of the former Affinity Hospital campus.

The City continues to maintain and/or cut costs in various areas pertinent to managing a balanced budget. Healthcare costs had a 2 percent increase, and the City remains with their current carrier, MMO.

The City anticipates income tax collections to no longer be affected by the COVID-19 pandemic. The City is in the process of determining the best use of the funds received from the American Rescue Plan Act. The budget was implemented to stay within the certification to maintain a balanced budget for 2022.

The City of Massillon Parks and Recreation Department is showing signs of recovery from the pandemic. The Recreation Center attendance has gradually increased since COVID-19 orders have been rescinded. However, we will continue to limit our spending and staffing levels until revenue increases.

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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total *	City of Massillon Board of Health
Assets				
Equity in Pooled Cash and Cash Equivalents	\$27,274,177	\$14,179,100	\$41,453,277	\$92,619
Cash and Cash Equivalents in Segregated Accounts	156,277	0	156,277	0
Cash and Cash Equivalents with Escrow Agents	676,335	0	676,335	0
Materials and Supplies Inventory	150,445	1,872	152,317	0
Accrued Interest Receivable	30,401	0	30,401	0
Accounts Receivable	826,689	2,463,996	3,290,685	0
Intergovernmental Receivable	1,861,379	17,711,092	19,572,471	32,813
Prepaid Items	242,909	29,118	272,027	6,899
Income Taxes Receivable	4,731,091	0	4,731,091	0
Property Taxes Receivable	3,162,701	0	3,162,701	0
Payment in Lieu of Taxes Receivable	1,008,832	0	1,008,832	0
Loans Receivable	5,000	0	5,000	0
Net Pension Asset (See Note 16)	28,349	7,274	35,623	1,678
Net OPEB Asset (See Note 17)	755,871	193,941	949,812	44,755
Nondepreciable Capital Assets	16,415,837	80,270	16,496,107	0
Depreciable Capital Assets, Net	38,879,393	65,429,579	104,308,972	0
<i>Total Assets</i>	<u>96,205,686</u>	<u>100,096,242</u>	<u>196,301,928</u>	<u>178,764</u>
Deferred Outflows of Resources				
Deferred Charge on Refunding	121,351	0	121,351	0
Pension	4,414,747	258,897	4,646,673 *	53,445
OPEB	2,350,327	115,609	2,448,341 *	22,760
<i>Total Deferred Outflows of Resources</i>	<u>6,886,425</u>	<u>374,506</u>	<u>7,216,365</u>	<u>76,205</u>
Liabilities				
Accounts Payable	318,489	216,465	534,954	6,997
Accrued Wages	518,494	63,419	581,913	16,731
Contracts Payable	1,688,477	175,867	1,864,344	0
Intergovernmental Payable	364,348	32,609	396,957	19,187
Retainage Payable	123,247	0	123,247	0
Accrued Interest Payable	60,698	0	60,698	0
Unearned Revenue	8,240,593	0	8,240,593	0
Deposits Held Payable	465,480	0	465,480	0
Long-Term Liabilities:				
Due Within One Year	1,662,487	4,150,906	5,813,393	1,854
Due in More Than One Year:				
Net Pension Liability (See Note 16)	26,193,574	1,649,412	27,842,986	380,634
Net OPEB Liability (See Note 17)	3,071,903	0	3,071,903	0
Other Amounts	14,781,020	32,006,332	46,787,352	54,266
<i>Total Liabilities</i>	<u>57,488,810</u>	<u>38,295,010</u>	<u>95,783,820</u>	<u>479,669</u>
Deferred Inflows of Resources				
Property Taxes	2,809,603	0	2,809,603	0
Payment in Lieu of Taxes	1,008,832	0	1,008,832	0
Pension	4,659,893	777,852	5,410,774 *	170,303
OPEB	3,529,165	628,322	4,139,892 *	139,459
<i>Total Deferred Inflows of Resources</i>	<u>12,007,493</u>	<u>1,406,174</u>	<u>13,369,101</u>	<u>309,762</u>
Net Position				
Net Investment in Capital Assets	40,353,196	46,987,185	87,340,381	0
Restricted for:				
Capital Projects	2,184,872	0	2,184,872	0
Transportation	4,067,569	0	4,067,569	0
Court Operations	996,185	0	996,185	0
Security Services	881,331	0	881,331	0
Vacant/Foreclosure Property Programs	509,874	0	509,874	0
Other Purposes	574,682	0	574,682	0
Unclaimed Monies	98,821	0	98,821	0
Women, Infants and Children Program	0	0	0	16,522
Unrestricted (Deficit)	(16,070,722)	13,782,379	(2,288,343)	(550,984)
<i>Total Net Position</i>	<u>\$33,595,808</u>	<u>\$60,769,564</u>	<u>\$94,365,372</u>	<u>(\$534,462)</u>

* 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, 2021

	Expenses	Program Revenues		
		Charges for Services, Sales and Assessments	Operating Grants, Contributions and Interest	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government - Primary Government	\$5,455,423	\$3,407,777	\$73,043	\$0
General Government - Intergovernmental	1,228,069	0	64,087	0
Security of Persons and Property	13,223,266	1,321,284	44,783	0
Transportation	3,913,932	35,867	2,567,521	975,179
Public Health and Welfare - Intergovernmental	391,773	0	0	0
Leisure Time Activities	2,882,910	1,947,976	130,991	50,000
Basic Utility Service	49,910	0	48,872	0
Economic Development and Assistance	926,236	1,000	889,450	0
Urban Redevelopment and Housing	188,262	0	109,063	0
Interest and Fiscal Charges	690,871	0	0	0
<i>Total Governmental Activities</i>	28,950,652	6,713,904	3,927,810	1,025,179
Business-Type Activities:				
Wastewater	8,266,127	9,347,315	0	70,085
<i>Total Primary Government</i>	<u>\$37,216,779</u>	<u>\$16,061,219</u>	<u>\$3,927,810</u>	<u>\$1,095,264</u>
Component Unit:				
City of Massillon Board of Health	<u>\$598,752</u>	<u>\$189,953</u>	<u>\$698,684</u>	<u>\$0</u>

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
Payment in Lieu of Taxes
Interest
Other

Total General Revenues

Special Item - Loss on Sale of Affinity Medical Center
Transfers

Total General Revenues, Special Items, and Transfers

Change in Net Position

Net Position Beginning of Year

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
(\$1,974,603)	\$0	(\$1,974,603)	\$0
(1,163,982)	0	(1,163,982)	0
(11,857,199)	0	(11,857,199)	0
(335,365)	0	(335,365)	0
(391,773)	0	(391,773)	0
(753,943)	0	(753,943)	0
(1,038)	0	(1,038)	0
(35,786)	0	(35,786)	0
(79,199)	0	(79,199)	0
(690,871)	0	(690,871)	0
(17,283,759)	0	(17,283,759)	0
0	1,151,273	1,151,273	0
(17,283,759)	1,151,273	(16,132,486)	0
0	0	0	289,885
1,430,647	0	1,430,647	0
330,226	0	330,226	0
746,453	0	746,453	0
16,908,397	0	16,908,397	0
2,419,588	0	2,419,588	0
1,471,104	0	1,471,104	0
1,400,847	0	1,400,847	0
1,836,578	0	1,836,578	0
1,032,586	0	1,032,586	0
1,021,037	0	1,021,037	0
(186,896)	0	(186,896)	0
533,571	14,903	548,474	3,481
28,944,138	14,903	28,959,041	3,481
(3,106,982)	0	(3,106,982)	0
230,858	(230,858)	0	0
26,068,014	(215,955)	25,852,059	3,481
8,784,255	935,318	9,719,573	293,366
24,811,553	59,834,246	84,645,799	(827,828)
<u>\$33,595,808</u>	<u>\$60,769,564</u>	<u>\$94,365,372</u>	<u>(\$534,462)</u>

City of Massillon, Ohio

Balance Sheet

Governmental Funds

December 31, 2021

	General	Street Construction	American Rescue Plan	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	\$7,119,117	\$2,199,129	\$8,186,751	\$9,437,529	\$26,942,526
Cash and Cash Equivalents:					
In Segregated Accounts	105,025	0	0	51,252	156,277
With Escrow Agents	0	0	0	676,335	676,335
Materials and Supplies Inventory	128,347	0	0	22,098	150,445
Accrued Interest Receivable	30,401	0	0	0	30,401
Accounts Receivable	367,840	0	0	458,849	826,689
Intergovernmental Receivable	592,586	944,739	0	324,054	1,861,379
Prepaid Items	191,542	16,126	0	35,241	242,909
Income Taxes Receivable	3,335,419	473,110	0	922,562	4,731,091
Property Taxes Receivable	1,857,294	0	0	1,305,407	3,162,701
Payment in Lieu of Taxes Receivable	0	0	0	1,008,832	1,008,832
Loans Receivable	0	0	0	5,000	5,000
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	101,611	0	0	0	101,611
<i>Total Assets</i>	<u>\$13,829,182</u>	<u>\$3,633,104</u>	<u>\$8,186,751</u>	<u>\$14,247,159</u>	<u>\$39,896,196</u>
Liabilities					
Accounts Payable	\$181,782	\$16,986	\$0	\$119,721	\$318,489
Accrued Wages	436,265	33,978	0	48,251	518,494
Contracts Payable	1,332,821	135,798	0	219,858	1,688,477
Intergovernmental Payable	113,194	16,922	0	233,043	363,159
Retainage Payable	57,092	58,458	0	7,697	123,247
Unearned Revenue	0	0	8,186,751	53,842	8,240,593
Deposits Held Payable	0	0	0	465,480	465,480
<i>Total Liabilities</i>	<u>2,121,154</u>	<u>262,142</u>	<u>8,186,751</u>	<u>1,147,892</u>	<u>11,717,939</u>
Deferred Inflows of Resources					
Property Taxes	1,642,464	0	0	1,167,139	2,809,603
Payment in Lieu of Taxes	0	0	0	1,008,832	1,008,832
Unavailable Revenues	2,145,964	821,511	0	1,151,915	4,119,390
<i>Total Deferred Inflows of Resources</i>	<u>3,788,428</u>	<u>821,511</u>	<u>0</u>	<u>3,327,886</u>	<u>7,937,825</u>
Fund Balances					
Nonspendable	418,710	16,126	0	57,339	492,175
Restricted	0	2,533,325	0	5,014,484	7,547,809
Committed	27,562	0	0	4,346,770	4,374,332
Assigned	814,111	0	0	564,082	1,378,193
Unassigned (Deficit)	6,659,217	0	0	(211,294)	6,447,923
<i>Total Fund Balances</i>	<u>7,919,600</u>	<u>2,549,451</u>	<u>0</u>	<u>9,771,381</u>	<u>20,240,432</u>
<i>Total Liabilities, Deferred Inflows of Resources and Fund Balances</i>	<u>\$13,829,182</u>	<u>\$3,633,104</u>	<u>\$8,186,751</u>	<u>\$14,247,159</u>	<u>\$39,896,196</u>

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, 2021*

Total Governmental Fund Balances		\$20,240,432
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		55,295,230
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	353,098	
Income Taxes	1,810,205	
Intergovernmental	1,161,679	
Charges for Services	719,800	
Other	74,608	
Total	4,119,390	4,119,390
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		196,494
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.		121,351
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(60,698)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(11,564,497)	
Loans	(1,392,270)	
Capital Leases	(426,264)	
Compensated Absences	(2,082,631)	
Police and Fireman's Pension Liability	(945,488)	
Total	(16,411,150)	(16,411,150)
The net pension/OPEB asset and 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	28,349	
Net OPEB Asset	755,871	
Deferred Outflows - Pension	4,414,747	
Deferred Outflows - OPEB	2,350,327	
Net Pension Liability	(26,193,574)	
Net OPEB Liability	(3,071,903)	
Deferred Inflows - Pension	(4,659,893)	
Deferred Inflows - OPEB	(3,529,165)	
Total	(29,905,241)	(29,905,241)
 <i>Net Position of Governmental Activities</i>		 \$33,595,808

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, 2021

	General	Street Construction	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$1,440,306	\$0	\$1,084,697	\$2,525,003
Income Taxes	16,055,903	2,298,667	4,472,735	22,827,305
Payment in Lieu of Taxes	0	0	1,021,037	1,021,037
Intergovernmental	1,384,141	1,900,808	2,067,106	5,352,055
Interest	(204,696)	14,400	3,403	(186,893)
Licenses and Permits	689,210	0	27,377	716,587
Fines and Forfeitures	1,325,815	0	788,980	2,114,795
Charges for Services	1,848,974	0	2,089,611	3,938,585
Contributions and Donations	25,300	0	152,191	177,491
Other	290,292	23,145	152,868	466,305
<i>Total Revenues</i>	<u>22,855,245</u>	<u>4,237,020</u>	<u>11,860,005</u>	<u>38,952,270</u>
Expenditures				
Current:				
General Government	8,023,459	0	643,056	8,666,515
Security of Persons and Property	11,636,838	0	1,645,608	13,282,446
Transportation	2,837,295	3,717,175	859,050	7,413,520
Leisure Time Activities	0	0	3,545,621	3,545,621
Basic Utility Service	0	0	49,910	49,910
Economic Development and Assistance	83,930	0	1,023,138	1,107,068
Urban Redevelopment and Housing	0	0	188,262	188,262
Intergovernmental	391,773	0	1,228,069	1,619,842
Capital Outlay	12,753	0	1,206,171	1,218,924
Debt Service:				
Principal Retirement	54,778	0	1,719,728	1,774,506
Interest and Fiscal Charges	43,244	0	611,882	655,126
<i>Total Expenditures</i>	<u>23,084,070</u>	<u>3,717,175</u>	<u>12,720,495</u>	<u>39,521,740</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>(228,825)</u>	<u>519,845</u>	<u>(860,490)</u>	<u>(569,470)</u>
Other Financing Sources (Uses)				
Inception of Capital Lease	12,753	0	0	12,753
Insurance Recoveries	0	0	45,550	45,550
Transfers In	6,708	119,866	1,729,780	1,856,354
Transfers Out	(1,796,702)	0	(59,652)	(1,856,354)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,777,241)</u>	<u>119,866</u>	<u>1,715,678</u>	<u>58,303</u>
Special Item				
Loss on Sale of Affinity Medical Center	(3,106,982)	0	0	(3,106,982)
<i>Net Change in Fund Balances</i>	<u>(5,113,048)</u>	<u>639,711</u>	<u>855,188</u>	<u>(3,618,149)</u>
<i>Fund Balances Beginning of Year</i>	<u>13,032,648</u>	<u>1,909,740</u>	<u>8,916,193</u>	<u>23,858,581</u>
<i>Fund Balances End of Year</i>	<u>\$7,919,600</u>	<u>\$2,549,451</u>	<u>\$9,771,381</u>	<u>\$20,240,432</u>

See accompanying notes to the basic financial statements

City of Massillon, Ohio
*Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2021*

Net Change in Fund Balances - Total Governmental Funds (\$3,618,149)

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 asset additions exceeded depreciation in the current period:

Capital Asset Additions:		
Capital Outlay	6,467,955	
Capital Contributions	342,226	
Capital Asset Transfers	230,858	
Current Year Depreciation	<u>(2,686,188)</u>	
Total		4,354,851

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	(17,677)	
Income Taxes	1,209,209	
Intergovernmental	113,800	
Charges for Services	(56,063)	
Other	<u>67,266</u>	
Total		1,316,535

Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position, such as inception of capital lease, are not reported as revenues in the statement of activities. (12,753)

Repayment of debt and other long-term liabilities is an expenditure in the governmental funds, but the payment reduces long-term liabilities in the statement of net position. 1,774,506

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:

Amortization of Deferred Charges	(38,465)	
Accrued Interest	9,626	
Amortization of Discount	<u>(6,906)</u>	
Total		(35,745)

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. 159,901

The change in net position of the internal service fund is reported with governmental activities in the statement of activities. (4,282)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	2,418,057	
OPEB	<u>47,059</u>	
Total		2,465,116

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	(1,853,972)	
OPEB	<u>4,238,247</u>	
Total		<u>2,384,275</u>

Change in Net Position of Governmental Activities \$8,784,255

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, 2021

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property Taxes	\$1,360,000	\$1,435,858	\$1,435,858	\$0
Income Taxes	15,041,138	15,901,416	15,901,416	0
Intergovernmental	1,356,100	1,431,794	1,431,794	0
Interest	28,000	29,516	74,730	45,214
Licenses and Permits	654,100	690,634	687,410	(3,224)
Fines and Forfeitures	1,227,000	1,295,425	1,295,425	0
Charges for Services	1,691,100	1,785,431	1,785,431	0
Other	272,701	287,977	287,977	0
<i>Total Revenues</i>	21,630,139	22,858,051	22,900,041	41,990
Expenditures				
Current:				
General Government	8,242,388	8,726,672	8,237,861	488,811
Security of Persons and Property	11,473,073	12,392,443	12,200,207	192,236
Transportation	2,605,043	4,473,035	4,092,657	380,378
Economic Development and Assistance	84,067	84,067	83,645	422
Intergovernmental	391,773	391,773	391,773	0
<i>Total Expenditures</i>	22,796,344	26,067,990	25,006,143	1,061,847
<i>Excess of Revenues Under Expenditures</i>	(1,166,205)	(3,209,939)	(2,106,102)	1,103,837
Other Financing Sources (Uses)				
Proceeds from the Sale of Assets Held for Resale	448,718	448,718	448,718	0
Transfers In	0	2,912	6,708	3,796
Transfers Out	(1,604,549)	(1,869,415)	(1,826,702)	42,713
<i>Total Other Financing Sources (Uses)</i>	(1,155,831)	(1,417,785)	(1,371,276)	46,509
<i>Net Change in Fund Balance</i>	(2,322,036)	(4,627,724)	(3,477,378)	1,150,346
<i>Fund Balance Beginning of Year</i>	5,946,130	5,946,130	5,946,130	0
Prior Year Encumbrances Appropriated	2,322,292	2,322,292	2,322,292	0
<i>Fund Balance End of Year</i>	\$5,946,386	\$3,640,698	\$4,791,044	\$1,150,346

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, 2021*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Income Taxes	\$2,032,428	\$2,269,762	\$2,269,762	\$0
Intergovernmental	1,683,000	1,874,362	1,874,362	0
Interest	13,000	14,400	14,400	0
Other	21,000	23,145	23,145	0
<i>Total Revenues</i>	3,749,428	4,181,669	4,181,669	0
Expenditures				
Current:				
Transportation	4,185,861	4,353,727	4,059,801	293,926
<i>Excess of Revenues Over (Under) Expenditures</i>	(436,433)	(172,058)	121,868	293,926
Other Financing Sources				
Transfers In	0	119,866	119,866	0
<i>Net Change in Fund Balance</i>	(436,433)	(52,192)	241,734	293,926
<i>Fund Balance Beginning of Year</i>	1,277,095	1,277,095	1,277,095	0
Prior Year Encumbrances Appropriated	443,892	443,892	443,892	0
<i>Fund Balance End of Year</i>	<u>\$1,284,554</u>	<u>\$1,668,795</u>	<u>\$1,962,721</u>	<u>\$293,926</u>

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
American Rescue Plan Fund
For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues				
Intergovernmental	\$8,186,751	\$8,186,751	\$8,186,751	\$0
Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net Change in Fund Balance</i>	8,186,751	8,186,751	8,186,751	0
<i>Fund Balance Beginning of Year</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$8,186,751</u>	<u>\$8,186,751</u>	<u>\$8,186,751</u>	<u>\$0</u>

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2021

	Wastewater	Governmental Activities - Internal Service
Assets		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$14,179,100	\$230,040
Accounts Receivable	2,463,996	0
Intergovernmental Receivable	17,711,092	0
Materials and Supplies Inventory	1,872	0
Prepaid Items	29,118	0
<i>Total Current Assets</i>	<u>34,385,178</u>	<u>230,040</u>
<i>Non-Current Assets:</i>		
Net Pension Asset	7,274	0
Net OPEB Asset	193,941	0
Nondepreciable Capital Assets	80,270	0
Depreciable Capital Assets, Net	65,429,579	0
<i>Total Non-Current Assets</i>	<u>65,711,064</u>	<u>0</u>
<i>Total Assets</i>	<u>100,096,242</u>	<u>230,040</u>
Deferred Outflows of Resources		
Pension	258,897	0
OPEB	115,609	0
<i>Total Deferred Outflows of Resources</i>	<u>374,506</u>	<u>0</u>
Liabilities		
<i>Current Liabilities:</i>		
Accounts Payable	216,465	0
Accrued Wages	63,419	0
Contracts Payable	175,867	0
Intergovernmental Payable	32,609	1,189
Compensated Absences Payable	7,019	0
Loans Payable	4,143,887	0
Claims Payable	0	21,870
<i>Total Current Liabilities</i>	<u>4,639,266</u>	<u>23,059</u>
<i>Long-Term Liabilities (net of current portion):</i>		
Compensated Absences Payable	370,853	0
Loans Payable	31,635,479	0
Claims Payable	0	10,487
Net Pension Liability	1,649,412	0
<i>Total Long-Term Liabilities</i>	<u>33,655,744</u>	<u>10,487</u>
<i>Total Liabilities</i>	<u>38,295,010</u>	<u>33,546</u>
Deferred Inflows of Resources		
Pension	777,852	0
OPEB	628,322	0
<i>Total Deferred Inflows of Resources</i>	<u>1,406,174</u>	<u>0</u>
Net Position		
Net Investment in Capital Assets	46,987,185	0
Unrestricted	13,782,379	196,494
<i>Total Net Position</i>	<u>\$60,769,564</u>	<u>\$196,494</u>

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, 2021*

	<u>Wastewater</u>	<u>Governmental Activities - Internal Service</u>
Operating Revenues		
Charges for Services	\$9,347,315	\$0
Special Assessments	12,220	0
Other	14,903	0
<i>Total Operating Revenues</i>	<u>9,374,438</u>	<u>0</u>
Operating Expenses		
Personal Services	1,150,725	0
Contractual Services	2,635,425	0
Materials and Supplies	765,656	0
Depreciation	3,542,410	0
Change in Workers' Compensation Estimate	0	4,282
Refunds	3,449	0
<i>Total Operating Expenses</i>	<u>8,097,665</u>	<u>4,282</u>
<i>Operating Income (Loss)</i>	<u>1,276,773</u>	<u>(4,282)</u>
Non-Operating Expenses		
Interest and Fiscal Charges	(168,462)	0
Loss on Disposal of Capital Assets	(230,858)	0
<i>Total Non-Operating Expenses</i>	<u>(399,320)</u>	<u>0</u>
<i>Income (Loss) before Contributions</i>	877,453	(4,282)
Capital Contributions	57,865	0
<i>Change in Net Position</i>	935,318	(4,282)
<i>Net Position Beginning of Year</i>	<u>59,834,246</u>	<u>200,776</u>
<i>Net Position End of Year</i>	<u><u>\$60,769,564</u></u>	<u><u>\$196,494</u></u>

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2021

	<u>Wastewater</u>	<u>Governmental Activities - Internal Service</u>
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	\$9,584,345	\$0
Cash Received from Other Operating Sources	19,285	0
Cash Payments for Employee Services and Benefits	(2,551,328)	0
Cash Payments to Suppliers for Goods and Services	(3,604,109)	0
Cash Payments for Claims	0	(718)
	<u>3,448,193</u>	<u>(718)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>		
Cash Flows from Capital and Related Financing Activities		
Capital Contributions	2,069,980	0
OWDA Loans Issued	54,966	0
Payments for Capital Acquisitions	(596,046)	0
Principal Paid on Loans	(3,990,637)	0
Interest Paid on Loans	(167,902)	0
Principal Paid on Capital Leases	(67,947)	0
Interest Paid on Capital Leases	(2,242)	0
	<u>(2,699,828)</u>	<u>0</u>
<i>Net Cash Used for Capital and Related Financing Activities</i>		
<i>Net Increase (Decrease) in Cash and Cash Equivalents</i>	748,365	(718)
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>13,430,735</u>	<u>230,758</u>
<i>Cash and Cash Equivalents End of Year</i>	<u>\$14,179,100</u>	<u>\$230,040</u>

(continued)

City of Massillon, Ohio
Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2021

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

Operating Income (Loss)	\$1,276,773	(\$4,282)
Adjustments:		
Depreciation	3,542,410	0
(Increase) Decrease in Assets and Deferred Outflows:		
Accounts Receivable	273,399	0
Intergovernmental Receivable	(44,207)	0
Materials and Supplies Inventory	788	0
Prepaid Items	2,441	0
Net Pension Asset	(861)	0
Deferred Outflows - Pension	356,425	0
Deferred Outflows - OPEB	200,672	0
Increase (Decrease) in Liabilities and Deferred Inflows:		
Accounts Payable	(113,671)	0
Accrued Wages	1,930	0
Contracts Payable	(88,886)	0
Intergovernmental Payable	2,760	471
Compensated Absences Payable	(18,143)	0
Claims Payable	0	3,093
Net Pension Liability	(8,836)	0
Net OPEB Liability	(937,272)	0
Deferred Inflows - Pension	(551,701)	0
Deferred Inflows - OPEB	(445,828)	0
	<u>\$3,448,193</u>	<u>(\$718)</u>
<i>Net Cash Provided by (Used for) Operating Activities</i>	<u>\$3,448,193</u>	<u>(\$718)</u>

Noncash Capital Financing Activities:

At December 31, 2020, the City had an intergovernmental receivable related to capital contributions of \$19,289,687 in the wastewater fund.

At December 31, 2021, the City had an intergovernmental receivable related to capital contributions of \$17,277,572 in the wastewater fund.

During 2021, infrastructure with a book value of \$230,858 was transferred from the wastewater enterprise fund to governmental activities. This amount is included in loss on disposal of capital assets.

At December 31, 2020, the City had accounts payable and contracts payable related to the acquisition of capital assets of \$37,204 and \$276,856, respectively, in the wastewater fund.

At December 31, 2021, the City had contracts payable related to the acquisition of capital assets of \$151,820 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, 2021

Assets

Cash and Cash Equivalents in Segregated Accounts \$139,979

Liabilities

Accounts Payable 26,228

Intergovernmental Payable 113,751

Total Liabilities 139,979

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, 2021

Additions	
Fines and Forfeitures for Other Governments	\$1,521,928
Fines and Forfeitures for Others	<u>1,601,608</u>
<i>Total Additions</i>	<u>3,123,536</u>
 Deductions	
Distributions of Fines and Forfeitures to Other Governments	1,521,928
Distributions of Fines and Forfeitures to Others	<u>1,601,608</u>
<i>Total Deductions</i>	<u>3,123,536</u>
 <i>Net Increase (Decrease) in Fiduciary Net Position</i>	 0
 <i>Net Position at Beginning of Year</i>	 <u>0</u>
 <i>Net Position at End of Year</i>	 <u><u>\$0</u></u>

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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 32,146 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 25.)

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 14 and 15 to the basic financial statements.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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 that 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:

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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 that are used to support transportation costs.

American Rescue Plan Fund The American Rescue Plan fund accounts for and reports restricted Coronavirus Local Fiscal Recovery Fund grant monies that were provided under the American Rescue Plan Act to support the City's response to and recovery from the COVID-19 public health emergency.

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 workers' compensation claims. For additional information, see Note 12.

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 for 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,

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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), charges for services, interest, grants, and other.

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 and for grant resources transmitted before eligibility requirements are met.

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 assets 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. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 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 assets 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, payment 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, 2021, but which were levied to finance 2022 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 that 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."

City of Massillon, Ohio
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The Massillon Municipal Court custodial fund maintains separate accounts and is reported as “cash and cash equivalents in segregated accounts” in the financial statements.

The City has partially funded a project with the Ohio Department of Transportation (ODOT), where ODOT received local funding upfront from the City. The balance in this account is presented as “cash and cash equivalents with escrow agents” in the financial statements.

During 2021, the City had investments in a money market account, U.S. treasury notes/bonds, federal home loan bank bonds, negotiable certificates of deposit, federal farm credit bank bonds, commercial paper, federal national mortgage association bonds, federal home loan mortgage corporation bonds, and Tennessee Valley Authority bonds.

Investments are reported at fair value.

Interest revenue credited to the general fund during 2021 amounted to (\$204,696), of which (\$172,425) was 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, 2021, 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.

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 that 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

City of Massillon, Ohio
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For the Year Ended December 31, 2021

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.

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Compensated Absences

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

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

Pensions/Other Postemployment Benefits (OPEB)

For purposes of measuring the net pension/OPEB asset/liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position 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 property acquired for resale, unless the use of the proceeds from the sale of those properties is restricted, committed, or assigned.

City of Massillon, Ohio
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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 2022 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

City of Massillon, Ohio
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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.

City of Massillon, Ohio
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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 2021, the City recognized a loss of \$3,106,982 on the sale of the Affinity Medical Center, which was recorded as a special item.

Note 3 – Change in Accounting Principle

The City is implementing *Implementation Guide No. 2019-1*. These changes were incorporated in the City’s 2021 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Accountability

As of December 31, 2021, the following funds had deficit fund balances:

	<u>Amount</u>
<i>Special Revenue:</i>	
Community Development	\$1,982
Police Pension	77,458
Fire Pension	129,046

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

Note 5 – Budgetary Basis of Accounting

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

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

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

City of Massillon, Ohio
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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, 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 and major special revenue funds.

	Net Change in Fund Balance		
	General	Street Construction	American Rescue Plan
GAAP Basis	(\$5,113,048)	\$639,711	\$0
Adjustment for Revenue Accruals	266,067	(55,351)	8,186,751
Beginning Unrecorded Cash	1,757	0	0
Ending Unrecorded Cash	(7,928)	0	0
Beginning Fair Value Adjustment for Investments	151,331	0	0
Ending Fair Value Adjustment for Investments	149,213	0	0
Adjustment for Expenditure Accruals	3,158,008	(106,218)	0
Perspective Differences:			
Budget Stabilization	(30,000)	0	0
COBRA and Retiree Life Insurance	(1,168)	0	0
Parking Enforcement	(3,666)	0	0
Enterprise Zone	(1,000)	0	0
Donations	(21,989)	0	0
Adjustment for Encumbrances	(2,024,955)	(236,408)	0
Budget Basis	<u>(\$3,477,378)</u>	<u>\$241,734</u>	<u>\$8,186,751</u>

Note 6 – Deposits and Investments

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

Active 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.

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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.

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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, 2021, the City had the following investments:

Measurement/Investment	Measurement Amount	Maturity	Standard & Poor's Rating	Percent of Total Investments
Fair Value - Level One Inputs:				
Money Market Account	\$1,058,090	Less than one year	AAAm	N/A
Fair Value - Level Two Inputs:				
U.S. Treasury Notes/Bonds	10,209,941	Less than five years	AA+	36.67
Federal Home Loan Bank Bonds	4,049,384	Less than five years	AA+	14.54
Negotiable Certificates of Deposit	3,563,166	Less than five years	N/A	12.80 %
Federal Farm Credit Bank Bonds	2,902,674	Less than four years	AA+	10.43
Commercial Paper	2,747,683	Less than one year	A-1 or A-1+	9.87
Federal National Mortgage Association Bonds	2,081,940	Less than four years	AA+	7.48
Federal Home Loan Mortgage Corporation Bonds	1,031,616	Less than four years	AA+	N/A
Tennessee Valley Authority Bonds	197,506	Less than four years	AA+	N/A
Total Investments	\$27,842,000			

Note: Custodial credit risk is defined by GASB as having 5 percent or more invested in the securities of a single issuer. Therefore, percent of total investments is not presented for investments totaling less than 5 percent.

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, 2021. The City's investment in the money market account is measured at fair value based on quoted market prices (level one input). The City's remaining 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).

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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.

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, 2021, consisted primarily of municipal income taxes, property and other taxes, payments in lieu of taxes, accounts, loans, 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 2021 for real and public utility property taxes represents collections of 2020 taxes.

2021 real property taxes were levied after October 1, 2021, on the assessed value as of January 1, 2021, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2021 real property taxes are collected in and intended to finance 2022.

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. 2021 public utility property taxes, which became a lien December 31, 2020, are levied after October 1, 2021, and are collected in 2022 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2021, was \$5.20 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2021 property tax receipts were based are as follows:

Category	Assessed Values
Real Estate:	
Residential/Agricultural	\$394,458,010
Other Real Estate	212,354,560
Tangible Personal Property	
Public Utility	32,139,920
Total	\$638,952,490

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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, 2021, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2021 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 100 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. For 2021, the tax revenues were distributed between the general fund, 70.5 percent, income tax capital improvements fund, 4.5 percent, street construction fund, 10 percent, and parks and recreation fund, 15 percent. The parks and recreation fund also allocates income tax revenues to the parks and recreation debt service bond retirement and capital improvement funds as needed.

Payments in Lieu of Taxes

According to State Law, the City has established several tax incremental financing districts within the City under which the City has granted property tax exemptions and agreed to construct certain infrastructure improvements. The property owners have agreed to make payments to the City to help pay the costs of the infrastructure improvements. The amount of those payments generally reflects all or a portion of the property taxes which the property owners would have paid if the property had not been declared exempt. The property owners’ contractual promise to make these payments in lieu of taxes generally continues until the costs of the improvement have been paid or the agreement expires, whichever comes first. Future development by these owners or others may result in subsequent agreements to make payments in lieu of taxes and may therefore spread the costs of the improvements to a larger number of property owners.

Intergovernmental Receivable

A summary of the principal items of intergovernmental receivables follows:

Governmental Activities:	
Gasoline Tax	\$871,339
Local Government	372,994
Motor Vehicle License Tax	144,606
Homestead and Rollback	140,051
MRF Levy Fees	125,742
Workers' Compensation Refund	74,608
Ohio Department of Transportation Grant	46,442
Prisoner Transport	31,272
Domestic Violence Grant	12,121

(continued)

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For the Year Ended December 31, 2021

Governmental Activities: (continued)	
District Share of Court Costs	\$10,509
Prosecutor's Contract Reimbursement	10,300
Recycling Grant	10,238
Other	5,969
Judges Insurance Reimbursement	5,188
Total	<u><u>\$1,861,379</u></u>

Business-Type Activities:	
Wastewater	
Stark County - Loan Commitment	\$17,277,572
Stark County - Maintenance Share	424,802
Workers' Compensation Refund	8,718
Total	<u><u>\$17,711,092</u></u>

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, 2021, is \$17,277,572. 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, 2021, 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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Tax Abatement Program	Amount of 2021 Taxes Abated
<i>Community Reinvestment Area (CRA):</i>	
Massillon Senior	\$6,733
<i>Enterprise Zone Tax Exemptions:</i>	
Shearer's Foods	31,942
Quest Automotive	1,361

Note 9 – Internal Activity

Interfund Transfers

Transfers Out	Transfers In			Total
	General	Street Construction	Other Governmental Funds	
General	\$0	\$119,866	\$1,676,836	\$1,796,702
Other Governmental Funds	6,708	0	52,944	59,652
Total	\$6,708	\$119,866	\$1,729,780	\$1,856,354

The transfers of \$1,796,702 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 \$6,708 were made from other governmental funds to the general fund in order to close out various special revenue and debt service funds. Transfers of \$52,944 were 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 (assets) 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, 2021, were as follows:

	Pension		OPEB	
	Deferred Outflows	Deferred Inflows	Deferred Outflows	Deferred Inflows
Governmental Activities	\$90	\$26,881	\$291	\$17,304
Business-Type Activities:				
Wastewater	26,881	90	17,304	291
Total	\$26,971	\$26,971	\$17,595	\$17,595

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Note 10 – 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	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Inventory	\$128,347	\$0	\$22,098	\$150,445
Prepays	191,542	16,126	35,241	242,909
Unclaimed Monies	98,821	0	0	98,821
<i>Total Nonspendable</i>	<u>418,710</u>	<u>16,126</u>	<u>57,339</u>	<u>492,175</u>
<u>Restricted for:</u>				
Capital Projects	0	0	2,138,430	2,138,430
Transportation	0	2,533,325	504,553	3,037,878
Court Operations	0	0	992,926	992,926
Security Services	0	0	879,828	879,828
Vacant/Foreclosure Property Programs	0	0	51,025	51,025
Other Purposes:				
Indigent Drivers Interlock	0	0	378,254	378,254
Basic Utility Services	0	0	40,729	40,729
Community Improvement	0	0	21,748	21,748
Massillon Bicentennial	0	0	6,991	6,991
<i>Total Restricted</i>	<u>0</u>	<u>2,533,325</u>	<u>5,014,484</u>	<u>7,547,809</u>
<u>Committed to:</u>				
Capital Projects	0	0	1,073,165	1,073,165
Debt Service	0	0	1,041,252	1,041,252
Police Department	0	0	62,382	62,382
Leisure Time Activities	0	0	1,904,955	1,904,955
Veterans Park and Duncan Plaza	0	0	118,271	118,271
Fines and Forfeitures	0	0	84,693	84,693
Economic Development	0	0	51,620	51,620
Streetscape Project	0	0	10,432	10,432
Donor Purposes	27,562	0	0	27,562
<i>Total Committed</i>	<u>27,562</u>	<u>0</u>	<u>4,346,770</u>	<u>4,374,332</u>
<u>Assigned to:</u>				
Purchases on Order:				
City Administration	69,216	0	0	69,216
Court Operations	21,675	0	0	21,675
Police and Fire Departments	316,892	0	0	316,892
Engineering and Street Maintenance	114,069	0	0	114,069
Community Development	112	0	0	112
2022 Operations	226,365	0	0	226,365
Capital Projects	0	0	564,082	564,082
Parking Enforcement	26,606	0	0	26,606
Community and Economic Development	39,176	0	0	39,176
<i>Total Assigned</i>	<u>814,111</u>	<u>0</u>	<u>564,082</u>	<u>1,378,193</u>
Unassigned (Deficit)	<u>6,659,217</u>	<u>0</u>	<u>(211,294)</u>	<u>6,447,923</u>
Total Fund Balances	<u><u>\$7,919,600</u></u>	<u><u>\$2,549,451</u></u>	<u><u>\$9,771,381</u></u>	<u><u>\$20,240,432</u></u>

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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, 2021, was \$450,000.

Note 11 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2021, was as follows:

	Balance 12/31/2020	Additions	Deductions	Transfers	Balance 12/31/2021
Governmental Activities					
<i>Capital Assets, not being depreciated</i>					
Land	\$10,862,789	\$0	\$0	\$0	\$10,862,789
Construction in Progress	4,871,472	5,040,448	(4,358,872)	0	5,553,048
<i>Total Capital Assets, not being depreciated</i>	<u>15,734,261</u>	<u>5,040,448</u>	<u>(4,358,872)</u>	<u>0</u>	<u>16,415,837</u>
<i>Capital Assets, being depreciated</i>					
Land Improvements	7,067,452	1,492,821	0	0	8,560,273
Buildings and Improvements	16,825,952	35,150	0	0	16,861,102
Vehicles	7,947,443	325,842	(10,000)	50,779	8,314,064
Machinery and Equipment	6,915,919	172,739	0	0	7,088,658
Infrastructure	43,123,388	4,102,053	0	239,545	47,464,986
<i>Total Capital Assets, being depreciated</i>	<u>81,880,154</u>	<u>6,128,605</u>	<u>(10,000)</u>	<u>290,324</u>	<u>88,289,083</u>
<i>Less Accumulated Depreciation:</i>					
Land Improvements	(5,853,996)	(112,337)	0	0	(5,966,333)
Buildings and Improvements	(10,317,233)	(330,637)	0	0	(10,647,870)
Vehicles	(4,489,225)	(392,300)	10,000	(50,779)	(4,922,304)
Machinery and Equipment	(5,144,169)	(336,441)	0	0	(5,480,610)
Infrastructure	(20,869,413)	(1,514,473)	0	(8,687)	(22,392,573)
<i>Total Accumulated Depreciation</i>	<u>(46,674,036)</u>	<u>(2,686,188) *</u>	<u>10,000</u>	<u>(59,466)</u>	<u>(49,409,690)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>35,206,118</u>	<u>3,442,417</u>	<u>0</u>	<u>230,858</u>	<u>38,879,393</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$50,940,379</u>	<u>\$8,482,865</u>	<u>(\$4,358,872)</u>	<u>\$230,858</u>	<u>\$55,295,230</u>

During 2021, the City received a portion of road improvement projects costs from another government, valued at \$342,226. The City has recorded this as a capital contribution in governmental activities.

* Depreciation expense was charged to governmental activities as follows:

General Government - Primary Government	\$97,330
Security of Persons and Property	418,867
Leisure Time Activities	499,747
Transportation	1,670,244
Total Depreciation Expense	<u><u>\$2,686,188</u></u>

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Capital asset activity for business-type activities for the year ended December 31, 2021, was as follows:

	Balance 12/31/2020	Additions	Deductions	Transfers	Balance 12/31/2021
Business-Type Activities					
<i>Capital Assets, not being depreciated</i>					
Land	\$59,400	\$0	\$0	\$0	\$59,400
Construction in Progress	300,018	20,870	(300,018)	0	20,870
<i>Total Capital Assets, not being depreciated</i>	<u>359,418</u>	<u>20,870</u>	<u>(300,018)</u>	<u>0</u>	<u>80,270</u>
<i>Capital Assets, being depreciated</i>					
Land Improvements	20,325	0	0	0	20,325
Buildings and Improvements	44,082,334	133,951	0	0	44,216,285
Vehicles	1,734,612	29,845	0	(50,779)	1,713,678
Machinery and Equipment	4,152,598	330,832	0	0	4,483,430
Infrastructure	59,982,699	218,326	0	(239,545)	59,961,480
<i>Total Capital Assets, being depreciated</i>	<u>109,972,568</u>	<u>712,954</u>	<u>0</u>	<u>(290,324)</u>	<u>110,395,198</u>
<i>Less Accumulated Depreciation:</i>					
Land Improvements	(2,033)	(1,016)	0	0	(3,049)
Buildings and Improvements	(10,709,146)	(1,878,239)	0	0	(12,587,385)
Vehicles	(1,273,084)	(96,418)	0	50,779	(1,318,723)
Machinery and Equipment	(2,408,611)	(276,251)	0	0	(2,684,862)
Infrastructure	(27,089,801)	(1,290,486)	0	8,687	(28,371,600)
<i>Total Accumulated Depreciation</i>	<u>(41,482,675)</u>	<u>(3,542,410)</u>	<u>0</u>	<u>59,466</u>	<u>(44,965,619)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>68,489,893</u>	<u>(2,829,456)</u>	<u>0</u>	<u>(230,858)</u>	<u>65,429,579</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$68,849,311</u>	<u>(\$2,808,586)</u>	<u>(\$300,018)</u>	<u>(\$230,858)</u>	<u>\$65,509,849</u>

Note 12 – 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. Sedgwick 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 Sedgwick. 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, 2021, the Pool retained \$500,000 for casualty claims and \$250,000 for property claims). The Board of Directors and Sedgwick 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.

City of Massillon, Ohio
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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, 2021 and 2020:

Casualty and Property Coverage	2021	2020
Assets	\$59,340,305	\$57,336,499
Liabilities	17,071,953	16,156,805
Net Position - Unrestricted	\$42,268,352	\$41,179,694

At December 31, 2021 and 2020, 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 \$13.9 million and \$13.5 million of unpaid claims to be billed to approximately 589 member governments in the future, as of December 31, 2021 and 2020, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

As indicated by PEP, the rates PEP charges to compute member contributions, which are used to pay claims as they become due, are expected to increase 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 City's contributions for the past three years are as follows:

Year	Contributions to PEP
2021	\$450,776
2020	449,956
2019	389,714

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

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 2021 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 \$1,189. The maintenance of these benefits is accounted for in the retrospective workers' compensation internal service fund.

City of Massillon, Ohio
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For the Year Ended December 31, 2021

Incurred but not reported claims of \$32,357 have been accrued as a liability at December 31, 2021, 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, 2021, 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 2020 and 2021 were as follows:

Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Change in Workers' Compensation Estimate	Balance at End of Year
2020	\$37,021	\$150	\$4,479	(\$2,710)	\$29,982
2021	29,982	0	718	4,282	33,546

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 13 – 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, 2021.

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, 2021.

Note 14 – 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.

City of Massillon, Ohio
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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 2021, the City did not make any contributions 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 2021, the City contributed \$17,090 to the Commission. Complete financial statements may be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

City of Massillon, Ohio
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For the Year Ended December 31, 2021

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 2021, the City made no contributions to the Corporation.

Note 15 – 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 2021, the City made contributions of \$697,819, 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 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 (Asset)

The net pension liability (asset) and the net OPEB liability (asset) 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 employee – 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 liability (asset) represents the City's proportionate share of each pension/OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension/OPEB plan's fiduciary net position. The net pension/OPEB liability (asset) calculation is 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.

The Ohio Revised Code limits the City's obligation for this liability 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.

City of Massillon, Ohio
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GASB 68/75 assumes the liability is 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 liability (asset). Resulting adjustments to the net pension/OPEB liability (asset) would be effective when the changes are legally enforceable. The Ohio Revised Code permits, but does not require the retirement systems to provide health care to eligible benefit recipients.

The proportionate share of each plan's unfunded benefits is presented as a *net pension/OPEB asset* or a long-term *net pension/OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required pension/OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting. The remainder of this note includes the required pension disclosures. See Note 17 for the required OPEB disclosures.

Plan Description – Ohio Public Employees Retirement System (OPERS)

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. Participating employers are divided into state, local, law enforcement and public safety divisions. While members in the state and local divisions may participate in all three plans, law enforcement and public safety divisions exist only within the traditional plan.

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

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

City of Massillon, Ohio
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For the Year Ended December 31, 2021

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

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

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount. The initial amount of a member's pension benefit is vested upon receipt of the initial benefit payment for calculation of an annual cost of living adjustment.

When a traditional plan benefit recipient has received benefits for 12 months, current law provides for an annual cost of living adjustment (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 cost of living adjustment on the defined benefit portion of their pension benefit. For those who retired prior to January 7, 2013, the cost of living adjustment is 3 percent. For those retiring on or after January 7, 2013, beginning in calendar year 2019, the adjustment is 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. When members choose to annuitize their defined contribution benefit, the annuitized portion of the benefit is reclassified to a defined benefit.

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Beginning in 2022, the combined plan will be consolidated under the traditional pension plan (defined benefit plan), and the combined plan option will no longer be available for new hires beginning in 2022.

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

	State and Local
2021 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee *	10.0 %
 2021 Actual Contribution Rates	
Employer:	
Pension **	14.0 %
Postemployment Health Care Benefits **	0.0
Total Employer	14.0 %
Employee	10.0 %

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

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

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

For 2021, the City’s contractually required contribution was \$1,116,655 for the traditional plan, \$11,702 for the combined plan, and \$36,251 for the member-directed plan. Of these amounts, \$120,691 is reported as an intergovernmental payable for the traditional plan, \$1,261 for the combined plan, and \$3,914 for the member-directed plan.

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

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, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F 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.

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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 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 Annual Comprehensive Financial Report referenced previously for additional information, including requirements for Deferred Retirement Option Plan provisions and reduced and unreduced benefits).

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

The COLA amount for members who have 15 or more years of service credit as of July 1, 2013, and members who are receiving a pension benefit that became effective before July 1, 2013, will be equal to 3.0 percent of the member's base pension benefit.

The COLA amount for members who have less than 15 years of service credit as of July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will be equal to a percentage of the member's base pension benefit where the percentage is the lesser of 3.0 percent or the percentage increase in the consumer price index, if any, over the twelve-month period that ends on the thirtieth day of September of the immediately preceding year, rounded to the nearest one-tenth of one percent.

Members who retired prior to July 24, 1986, or their surviving beneficiaries under optional plans are entitled to cost of living allowance increases. The annual increase is paid on July 1st of each year. The annual COLA increase is \$360 under a Single Life Annuity Plan with proportional reductions for optional payment plans.

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

City of Massillon, Ohio
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	Police	Firefighters
2021 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2021 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Postemployment Health Care Benefits	0.50	0.50
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee	<u>12.25 %</u>	<u>12.25 %</u>

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$1,520,097 for 2021. Of this amount, \$194,860 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2021, the specific liability of the City was \$945,488 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, 2020, 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, 2020, and was determined by rolling forward the total pension liability as of January 1, 2020, to December 31, 2020. 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	0.05455151%	0.01234051%	0.2899345%	
Prior Measurement Date	<u>0.05538618%</u>	<u>0.01211991%</u>	<u>0.2834343%</u>	
Change in Proportionate Share	<u>-0.00083467%</u>	<u>0.00022060%</u>	<u>0.0065002%</u>	
Proportionate Share of the:				
Net Pension Liability	\$8,077,891	\$0	\$19,765,095	\$27,842,986
Net Pension Asset	\$0	(\$35,623)	\$0	(\$35,623)
Pension Expense	\$136,235	\$1,251	\$1,741,910	\$1,879,396

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2021 pension expense for the member-directed defined contribution plan was \$36,251. The aggregate pension expense for all pension plans was \$1,915,647 for 2021.

At December 31, 2021, 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	\$0	\$0	\$826,248	\$826,248
Changes of assumptions	0	2,224	331,470	333,694
Changes in proportion and differences between City contributions and proportionate share of contributions	540	3,102	834,635	838,277
City contributions subsequent to the measurement date	1,116,655	11,702	1,520,097	2,648,454
Total Deferred Outflows of Resources	\$1,117,195	\$17,028	\$3,512,450	\$4,646,673
Deferred Inflows of Resources				
Differences between expected and actual experience	\$337,904	\$6,721	\$769,989	\$1,114,614
Net difference between projected and actual earnings on pension plan investments	3,148,526	5,298	958,738	4,112,562
Changes in proportion and differences between City contributions and proportionate share of contributions	114,928	770	67,900	183,598
Total Deferred Inflows of Resources	\$3,601,358	\$12,789	\$1,796,627	\$5,410,774

\$2,648,454 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 2022. 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:				
2022	(\$1,404,823)	(\$2,089)	\$192,951	(\$1,213,961)
2023	(483,136)	(1,158)	596,587	112,293
2024	(1,283,446)	(2,380)	(692,323)	(1,978,149)
2025	(429,413)	(859)	20,264	(410,008)
2026	0	(106)	78,247	78,141
Thereafter	0	(871)	0	(871)
Total	(\$3,600,818)	(\$7,463)	\$195,726	(\$3,412,555)

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Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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, 2020, 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, 2020, 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	.5 percent, simple through 2021, then 2.15 percent, simple	.5 percent, simple through 2021, 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 2020, the OPERS Board adopted a change in COLA for Post-January 7, 2013 retirees, changing it from 1.4 percent simple through 2020 then 2.15 simple, to .5 percent simple through 2021 then 2.15 percent simple.

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 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 long-term expected rate of return on defined benefit investment

City of Massillon, Ohio
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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. Best estimates of arithmetic real rates of return were provided by the Board's investment consultant. For each major asset class that is included in the Defined Benefit portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.32 %
Domestic Equities	21.00	5.64
Real Estate	10.00	5.39
Private Equity	12.00	10.42
International Equities	23.00	7.36
Other Investments	9.00	4.75
Total	100.00 %	5.43 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 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	\$15,408,620	\$8,077,891	\$1,982,402
OPERS Combined Plan	(24,804)	(35,623)	(43,685)

Changes between the Measurement Date and the Reporting Date During 2021, the OPERS Board lowered the investment rate of return from 7.2 percent to 6.9 percent along with certain other changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

City of Massillon, Ohio
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Actuarial Assumptions – OP&F

OP&F’s total pension liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, 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 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. Assumptions considered are as follows: 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, 2020, are presented as follows:

Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
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	3.25 percent per annum, compounded annually, consisting of inflation rate of 2.75 percent plus productivity increase rate of 0.5 percent
Cost of Living Adjustments	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

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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, 2020, are summarized as follows:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Cash and Cash Equivalents	- %	0.00 %
Domestic Equity	21.00	4.10
Non-US Equity	14.00	4.80
Private Markets	8.00	6.40
Core Fixed Income *	23.00	0.90
High Yield Fixed Income	7.00	3.00
Private Credit	5.00	4.50
U.S. Inflation Linked Bonds *	17.00	0.70
Midstream Energy Infrastructure	5.00	5.60
Real Assets	8.00	5.80
Gold	5.00	1.90
Private Real Estate	12.00	5.30
Total	<u>125.00 %</u>	

Note: Assumptions are geometric.

* levered 2.5x

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 preceding notional portfolio perspective, the Total Portfolio may be levered up to 1.25 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.

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Sensitivity of the City's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate Net pension liability (asset) 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 (asset) calculated using the discount rate of 8.00 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 (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 (asset)	\$27,515,544	\$19,765,095	\$13,278,752

Note 17 – Defined Benefit OPEB Plans

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

Plan Description – Ohio Public Employees Retirement System (OPERS)

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 postemployment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement (HRA) to qualifying benefit recipients of both the traditional pension and the combined plans. Currently, Medicare-eligible retirees are able to select medical and prescription drug plans from a range of options and may elect optional vision and dental plans. Retirees and eligible dependents enrolled in Medicare Parts A and B have the option to enroll in a Medicare supplemental plan with the assistance of the OPERS Medicare Connector. The OPERS Medicare Connector is a relationship with a vendor selected by OPERS to assist retirees, spouses and dependents with selecting a medical and pharmacy plan. Monthly allowances, based on years of service and the age at which the retiree first enrolled in OPERS coverage, are deposited into an HRA. For non-Medicare retirees and eligible dependents, OPERS sponsors medical and prescription coverage through a professionally managed self-insured plan. An allowance to offset a portion of the monthly premium is offered to retirees and eligible dependents. The allowance is based on the retiree's years of service and age when they first enrolled in OPERS coverage.

Medicare-eligible retirees who choose to become re-employed or survivors who become employed in an OPERS-covered position are prohibited from participating in an HRA. For this group of retirees, OPERS sponsors secondary coverage through a professionally managed self-insured program. Retirees who enroll in this plan are provided with a monthly allowance to offset a portion of the monthly premium. Medicare-eligible spouses and dependents can also enroll in this plan as long as the retiree is enrolled.

OPERS provides a monthly allowance for health care coverage for eligible retirees and their eligible dependents. The base allowance is determined by OPERS.

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The health care 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 separation, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

Effective January 1, 2022, OPERS will discontinue the group plans currently offered to non-Medicare retirees and re-employed retirees. Instead, eligible non-Medicare retirees will select an individual medical plan. OPERS will provide a subsidy or allowance via an HRA allowance to those retirees who meet health care eligibility requirements. Retirees will be able to seek reimbursement for plan premiums and other qualified medical expenses. These changes are reflected in the December 31, 2020, measurement date health care valuation.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have 20 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. Current retirees eligible (or who become eligible prior to January 1, 2022) to participate in the OPERS health care program will continue to be eligible after January 1, 2022. Eligibility requirements will change for those retiring after January 1, 2022, with differing eligibility requirements for Medicare retirees and non-Medicare retirees. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' Annual Comprehensive Financial Report referenced later for additional information.

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority 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, OPERS no longer allocated a portion of its employer contributions to health care for the traditional plan and the combined plan.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2021, 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 Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. For 2021, OPERS did not allocate any employer contribution to health care for members in the traditional pension plan and 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 2021 was 4.0 percent.

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Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$14,500 for 2021. Of this amount, \$1,565 is reported as an intergovernmental payable.

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

The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored health care program, a cost-sharing, multiple-employer defined postemployment 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.

OP&F contracted with a vendor who assists eligible retirees in choosing health care plans that are available where they live (both Medicare-eligible and pre-65 populations). A stipend funded by OP&F is available to these members through a Health Reimbursement Arrangement and can be used to reimburse retirees for qualified health care expenses.

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.

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

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

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

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

City of Massillon, Ohio
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The Board of Trustees is authorized to allocate a portion of the total employer contributions for retiree health care benefits. For 2021, 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 \$35,520 for 2021. Of this amount, \$4,526 is reported as an intergovernmental payable.

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

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, 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, 2020, and was determined by rolling forward the total OPEB liability as of January 1, 2020, to December 31, 2020. The City's proportion of the net OPEB liability (asset) 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:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportion of the Net OPEB Liability/Asset:			
Current Measurement Date	0.05331288%	0.2899345%	
Prior Measurement Date	<u>0.05398806%</u>	<u>0.2834343%</u>	
Change in Proportionate Share	<u>-0.00067518%</u>	<u>0.0065002%</u>	
Proportionate Share of the:			
Net OPEB Liability	\$0	\$3,071,903	\$3,071,903
Net OPEB Asset	(\$949,812)	\$0	(\$949,812)
OPEB Expense	(\$5,731,402)	\$313,688	(\$5,417,714)

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes of assumptions	\$466,938	\$1,697,059	\$2,163,997
Changes in proportion and differences between City contributions and proportionate share of contributions	1,562	232,762	234,324
City contributions subsequent to the measurement date	<u>14,500</u>	<u>35,520</u>	<u>50,020</u>
Total Deferred Outflows of Resources	<u>\$483,000</u>	<u>\$1,965,341</u>	<u>\$2,448,341</u>

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	OPERS	OP&F	Total
Deferred Inflows of Resources			
Differences between expected and actual experience	\$857,200	\$506,700	\$1,363,900
Changes of assumptions	1,538,980	489,719	2,028,699
Net difference between projected and actual earnings on OPEB plan investments	505,883	114,157	620,040
Changes in proportion and differences between City contributions and proportionate share of contributions	57,647	69,606	127,253
Total Deferred Inflows of Resources	\$2,959,710	\$1,180,182	\$4,139,892

\$50,020 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 or an increase to the net OPEB asset in 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2022	(\$1,305,359)	\$151,649	(\$1,153,710)
2023	(906,407)	178,682	(727,725)
2024	(219,836)	136,063	(83,773)
2025	(59,608)	154,797	95,189
2026	0	65,205	65,205
Thereafter	0	63,243	63,243
Total	(\$2,491,210)	\$749,639	(\$1,741,571)

Actuarial Assumptions – OPERS

Actuarial valuations of an ongoing plan involve estimates of the value 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, 2019, rolled forward to the measurement date of December 31, 2020. 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:

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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	6.00 percent
Prior measurement date	3.16 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.00 percent
Prior measurement date	2.75 percent
Health Care Cost Trend Rate:	
Current measurement date	8.5 percent, initial 3.50 percent, ultimate in 2035
Prior Measurement date	10.5 percent, initial 3.50 percent, ultimate in 2030
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Postretirement 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. Postretirement 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 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 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. Best estimates of arithmetic rates of return were provided by OPERS' investment consultant. For each major asset class that is included in the Health Care portfolio's target asset allocation as of December 31, 2020, these best estimates are summarized in the following table:

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Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	34.00 %	1.07 %
Domestic Equities	25.00	5.64
Real Estate Investment Trust	7.00	6.48
International Equities	25.00	7.36
Other Investments	9.00	4.02
Total	100.00 %	4.43 %

Discount Rate A single discount rate of 6.00 percent was used to measure the OPEB liability on the measurement date of December 31, 2020. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. 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 2.00 percent (Fidelity Index’s “20-Year Municipal GO AA Index”). 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 2120. As a result, the actuarial assumed long-term expected rate of return on health care investments was applied to projected costs through the year 2120, the duration of the projection period through which projected health care payments are fully funded.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate The following table presents the City’s proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 6.00 percent, as well as what the City’s proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.00 percent) or one percentage point higher (7.00 percent) than the current rate:

	1% Decrease (5.00%)	Current Discount Rate (6.00%)	1% Increase (7.00%)
City's proportionate share of the net OPEB liability (asset)	(\$236,176)	(\$949,812)	(\$1,536,477)

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability (Asset) 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 (asset). The following table presents the City’s proportionate share of the net OPEB liability (asset) calculated using the assumed trend rates, and the City’s proportionate share of the expected net OPEB liability (asset) 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.

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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 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is 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 3.50 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 (asset)	(\$972,960)	(\$949,812)	(\$923,912)

Changes between the Measurement Date and the Reporting Date During 2021, the OPERS Board made various changes to assumptions for the actuarial valuation as of December 31, 2021. The effects of these changes are unknown.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2020, is based on the results of an actuarial valuation date of January 1, 2020, 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:

City of Massillon, Ohio
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Valuation Date	January 1, 2020, with actuarial liabilities rolled forward to December 31, 2020
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	3.25 percent
Blended Discount Rate:	
Current measurement date	2.96 percent
Prior measurement date	3.56 percent
Cost of Living Adjustments	2.2 percent simple

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 2020, the total OPEB liability was calculated using the discount rate of 2.96 percent. For 2019, the total OPEB liability was calculated using the discount rate of 3.56 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 2.12 percent at December 31, 2020, and 2.75 percent at December 31, 2019, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 2.96 percent for 2020 and 3.56 percent for 2019. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2037. The long-term expected rate of return on health care investments was applied to projected costs through 2037, and the municipal bond rate was applied to all health care costs after that date.

City of Massillon, Ohio
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Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate Net OPEB liability (asset) 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 (asset) calculated using the discount rate of 2.96 percent, as well as what the City's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (1.96 percent), or one percentage point higher (3.96 percent) than the current rate.

	1% Decrease (1.96%)	Current Discount Rate (2.96%)	1% Increase (3.96%)
City's proportionate share of the net OPEB liability (asset)	\$3,830,488	\$3,071,903	\$2,446,160

Sensitivity of the City's Proportionate Share of the Net OPEB Liability (Asset) 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
<i>From Direct Borrowings:</i>			
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 Infrastructure - 2014	0.00	581,789	July 1, 2046
Business-Type Activities - from Direct Borrowings:			
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	31,327,297	January 1, 2038
OWDA Loan - WWTP Nutrient Removal Equipment Procurement HAB - 2015	0.00	4,316,904	January 1, 2038
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

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

	Balance 12/31/2020	Issued	Retired	Balance 12/31/2021	Amounts Due in One Year
Governmental Activities:					
<u>General Obligation Bonds:</u>					
Park and Recreation Bonds - 2002	\$3,955,000	\$0	\$0	\$3,955,000	\$0
Golf Course Construction Refunding Bonds - 2002					
Serial Bonds	3,600,000	0	(255,000)	3,345,000	270,000
Unamortized Discount	(13,503)	0	2,088	(11,415)	0
Marketplace Infrastructure TIF Bonds - 2004					
Serial Bonds	360,000	0	(115,000)	245,000	120,000
Lincoln Center Phase III Bonds - 2007					
Term Bonds	1,175,000	0	(150,000)	1,025,000	155,000
Various Purpose Improvement Refunding Bonds - 2012A					
Serial Bonds	3,570,000	0	(540,000)	3,030,000	560,000
Unamortized Discount	(28,906)	0	4,818	(24,088)	0
Various Purpose Improvement Refunding Bonds - 2012B					
Serial Bonds	430,000	0	(430,000)	0	0
Total General Obligation Bonds	<u>13,047,591</u>	<u>0</u>	<u>(1,483,094)</u>	<u>11,564,497</u>	<u>1,105,000</u>
<u>Loans from Direct Borrowings:</u>					
OPWC Loan - 2006	136,552	0	(24,632)	111,920	24,631
OPWC Loan - Hankins Road - 2014	457,551	0	(18,302)	439,249	18,302
OPWC Loan - 9th St. Improvement - 2014	381,222	0	(15,249)	365,973	15,249
OPWC Loan - Levee Infrastructure - 2014	494,521	0	(19,393)	475,128	19,393
Total Loans	<u>1,469,846</u>	<u>0</u>	<u>(77,576)</u>	<u>1,392,270</u>	<u>77,575</u>
<u>Other Long-Term Obligations:</u>					
Capital Leases Payable	569,267	12,753	(155,756)	426,264	155,141
Compensated Absences	2,242,532	194,334	(354,235)	2,082,631	249,531
Claims Payable	29,264	4,282	(1,189)	32,357	21,870
<u>From Direct Borrowing:</u>					
Police and Fireman's Pension Liability	996,662	0	(51,174)	945,488	53,370
Total Other Long-Term Obligations	<u>3,837,725</u>	<u>211,369</u>	<u>(562,354)</u>	<u>3,486,740</u>	<u>479,912</u>
<u>Net Pension Liability:</u>					
OPERS	8,654,794	0	(2,226,315)	6,428,479	0
OP&F	19,093,649	671,446	0	19,765,095	0
Total Net Pension Liability	<u>27,748,443</u>	<u>671,446</u>	<u>(2,226,315)</u>	<u>26,193,574</u>	<u>0</u>
<u>Net OPEB Liability:</u>					
OPERS	5,895,446	0	(5,895,446)	0	0
OP&F	2,799,687	272,216	0	3,071,903	0
Total Net OPEB Liability	<u>8,695,133</u>	<u>272,216</u>	<u>(5,895,446)</u>	<u>3,071,903</u>	<u>0</u>
<i>Total Governmental Activities</i>	<u>\$54,798,738</u>	<u>\$1,155,031</u>	<u>(\$10,244,785)</u>	<u>\$45,708,984</u>	<u>\$1,662,487</u>
Business-Type Activities:					
<u>Loans from Direct Borrowings:</u>					
OWDA Loans:					
WWTP Upgrade OWDA Phase I - 2002	\$1,187,135	\$0	(\$333,873)	\$853,262	\$338,093
WWTP Upgrade OWDA Phase II - 2002	7,012,238	0	(1,971,095)	5,041,143	1,996,839
WWTP Nutrient Removal Upgrade - 2014	26,660,519	0	(1,459,224)	25,201,295	1,542,243
WWTP Nutrient Removal Equipment Procurement HAB - 2015	3,574,135	54,966	(175,578)	3,453,523	215,845
Total OWDA Loans	<u>\$38,434,027</u>	<u>\$54,966</u>	<u>(\$3,939,770)</u>	<u>\$34,549,223</u>	<u>\$4,093,020</u>

(continued)

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	Balance 12/31/2020	Issued	Retired	Balance 12/31/2021	Amounts Due in One Year
Business-Type Activities:					
<u>Loans from Direct Borrowings: (continued)</u>					
OPWC Loans:					
Hankins Road - 2014	\$439,608	\$0	(\$17,584)	\$422,024	\$17,584
9th Street Improvement - 2014	366,272	0	(14,651)	351,621	14,651
Levee Infrastructure Improvement Loan - 2014	475,130	0	(18,632)	456,498	18,632
Total OPWC Loans	<u>1,281,010</u>	<u>0</u>	<u>(50,867)</u>	<u>1,230,143</u>	<u>50,867</u>
Total Loans	<u>39,715,037</u>	<u>54,966</u>	<u>(3,990,637)</u>	<u>35,779,366</u>	<u>4,143,887</u>
<u>Other Long-Term Obligations:</u>					
Capital Leases	67,947	0	(67,947)	0	0
Compensated Absences	396,015	2,318	(20,461)	377,872	7,019
Total Other Long-Term Obligations	<u>463,962</u>	<u>2,318</u>	<u>(88,408)</u>	<u>377,872</u>	<u>7,019</u>
<u>Net Pension Liability - OPERS:</u>					
Wastewater	<u>2,292,660</u>	<u>0</u>	<u>(643,248)</u>	<u>1,649,412</u>	<u>0</u>
<u>Net OPEB Liability - OPERS:</u>					
Wastewater	<u>1,561,708</u>	<u>0</u>	<u>(1,561,708)</u>	<u>0</u>	<u>0</u>
<i>Total Business-Type Activities</i>	<u>\$44,033,367</u>	<u>\$57,284</u>	<u>(\$6,284,001)</u>	<u>\$37,806,650</u>	<u>\$4,150,906</u>

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

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%

City of Massillon, Ohio
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Mandatory Sinking Fund Redemption The Lincoln Center Phase III current interest term bonds maturing on December 1, 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:

Year	Issue	
	\$480,000	\$545,000
2022	\$155,000	\$0
2023	160,000	0
2025	0	175,000
2026	0	180,000
	\$315,000	\$355,000
<i>Stated Maturity</i>	<i>12/1/2024</i>	<i>12/1/2027</i>

The remaining principal amount of the term bonds (\$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. However, the City exercised optional redemption on the remaining bonds in 2021. The bonds were 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, 2021, \$3,100,000 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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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 86 percent of net revenues and about 44 percent of total revenues. The total principal and interest remaining to be paid on the debt is \$36,480,294. The amount of principal and interest paid in the current year was \$4,158,539. Net revenues available were \$4,819,183 and total revenues were \$9,374,438.

The City's outstanding OPWC loans from direct borrowings of \$1,392,270 related to governmental activities and \$1,230,143 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 \$34,549,223 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 general fund, 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.

The City's overall debt margin was \$56,531,263 and the unvoted legal debt margin was \$24,583,639 at December 31, 2021. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2021, are as follows:

City of Massillon, Ohio
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For the Year Ended December 31, 2021

	Governmental Activities				
	General Obligation Bonds				<i>From Direct Borrowings</i>
	Serial Bonds		Term Bonds		OPWC Loans
	Principal	Interest	Principal	Interest	Principal
2022	\$950,000	\$486,809	\$155,000	\$41,681	\$77,575
2023	990,000	447,944	160,000	35,481	77,575
2024	900,000	406,726	165,000	29,081	77,575
2025	940,000	368,513	175,000	22,481	77,575
2026	975,000	328,586	180,000	15,263	65,620
2027-2031	5,820,000	886,821	190,000	7,838	265,440
2032-2036	0	0	0	0	264,720
2037-2041	0	0	0	0	264,720
2042-2046	0	0	0	0	221,470
Totals	\$10,575,000	\$2,925,399	\$1,025,000	\$151,825	\$1,392,270

	Business-Type Activities - From Direct Borrowings		
	OWDA Loans		OPWC Loans
	Principal	Interest	Principal
2022	\$4,093,020	\$138,022	\$50,867
2023	4,127,714	103,490	50,867
2024	2,960,912	68,537	50,867
2025	1,771,090	56,484	50,867
2026	1,775,447	52,127	50,867
2027-2031	8,943,028	194,839	254,335
2032-2036	9,053,817	84,050	254,340
2037-2041	1,824,195	3,379	254,344
2042-2046	0	0	212,789
Totals	\$34,549,223	\$700,928	\$1,230,143

Note 19 – Leases

Capital Leases

In 2017, the City entered into capital lease agreements for a golf course mower and a vector. In 2018, the City entered into capital lease agreements for police radios and a fire truck. In 2020 and 2021, the City entered into multiple capital lease agreement for copiers. The lease for the vector was fully repaid during 2021 and is therefore excluded from the following disclosures. 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, except for some of the copiers, which were less than the capitalization threshold.

The assets acquired through the capital leases are as follows:

	Governmental Activities				
	Mower	Police Radios	Fire Truck	Copiers	Total
Asset:					
Equipment	\$31,210	\$137,000	\$0	\$12,753	\$180,963
Vehicles	0	0	845,500	0	845,500
Less: Accumulated Depreciation	(10,405)	(54,800)	(169,100)	(1,275)	(235,580)
Total	\$20,805	\$82,200	\$676,400	\$11,478	\$790,883

City of Massillon, Ohio
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The leases provide for minimum, annual lease payments as follows:

	Governmental Activities				
	Mower	Police Radios	Fire Truck	Copiers	Total
2022	\$590	\$29,174	\$131,642	\$6,812	\$168,218
2023	0	0	131,642	6,685	138,327
2024	0	0	131,642	6,686	138,328
2025	0	0	0	5,137	5,137
2026	0	0	0	2,463	2,463
2027	0	0	0	121	121
Total Minimum Lease Payments	590	29,174	394,926	27,904	452,594
Less: Amount Representing Interest	(2)	(850)	(21,261)	(4,217)	(26,330)
Present Value of Minimum Lease Payments	\$588	\$28,324	\$373,665	\$23,687	\$426,264

Operating Leases

In prior years, the City entered into operating leases with PNC Equipment Finance, LLC, for golf carts, and with DLL Financial Solutions, for golf course mowers, and with Quadient Leasing and Pitney Bowes for postage meters. The City paid \$161,653 on the leases in 2021.

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, 2021:

Fiscal Year	Golf Carts Leases	Mowers Lease	Postage Meters Leases	Total
2022	\$103,575	\$54,360	\$4,680	\$162,615
2023	0	54,360	2,797	57,157
2024	0	54,360	2,584	56,944
2025	0	54,360	1,945	56,305
2026	0	13,590	0	13,590
Total	\$103,575	\$231,030	\$12,006	\$346,611

Note 20 – Asset Retirement Obligations

The Governmental Accounting Standard Board’s (GASB) Statement No. 83, *Certain Asset Retirement Obligations*, provides guidance related to asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewerage system to the Ohio EPA for approval. Through this review process, the City would be responsible to address any public safety issues associated with their wastewater treatment facilities. Any ARO associated with these public safety issues are not reasonably estimable. Currently, there is significant uncertainty as to what public safety items would need addressed; therefore, a reliable estimated amount could not be determined.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

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 2021, 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/children, and family were \$552, \$1,214, \$993, and \$1,711, 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 and \$10,000 of accidental death and dismemberment insurance through the Standard Insurance Company for all employees except police and fire, who receive \$50,000 of term life insurance and \$50,000 of accidental death and dismemberment insurance.

Note 22 – Encumbrances

The amounts of \$1,568,716 and \$123,247 in contracts payable and retainage payable, respectively, have been capitalized for governmental activities as well as \$151,820 in contracts payable for business-type activities. \$130,950 of the business-type activities contracts payable, were related to capital assets transferred from business-type activities to governmental activities in 2021.

City of Massillon, Ohio
Notes to the Basic Financial Statements
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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	\$2,024,955
Street Construction	236,408
Other Governmental Funds	1,298,434
Total Governmental Funds	<u>\$3,559,797</u>
Proprietary Funds:	
Wastewater	<u>\$1,584,955</u>

Note 23 – 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, 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.

On November 20, 2020, all remaining pieces of equipment were sold by an online auction for a net amount of \$46,164, and the proceeds were received by the City on January 6, 2021.

The Affinity Medical Center was also sold at auction on November 20, 2020, for \$467,500. The closing for the Affinity Medical Center was January 29, 2021, with the City receiving a net amount of \$402,554 on February 2, 2021. With this sale, which has been recognized on the 2021 financial statements, all buildings, assets and contents have been sold and removed in reference to Affinity Medical Center and the legal proceedings by the City.

Note 24 – COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio’s state of emergency ended in June, 2021, while the national state of emergency continues. During 2021, the City received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the City. The impact on the City’s future operating costs, revenues, and additional recovery from emergency funding, either Federal or State, cannot be estimated.

The City’s investment portfolio fluctuates with market conditions, and due to market volatility, the amount of gains or losses that will be realized in subsequent periods, if any, cannot be determined.

Note 25 – 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.

City of Massillon, Ohio
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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 assets 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 assets 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, 2021, 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 vesting 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.

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

Pensions/Other Postemployment Benefits (OPEB) For purposes of measuring the net pension/OPEB assets/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 position 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.

Change in Accounting Principle

The Board of Health is implementing *Implementation Guide No. 2019-1*. These changes were incorporated in the Board of Health's 2021 financial statements; however, there was no effect on beginning net position.

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, 2021, 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:	
Stark County Grant	\$18,036
Women, Infants and Children Grant	12,310
BWC Premium Refunds	<u>2,467</u>
Total	<u><u>\$32,813</u></u>

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 2021 totaled \$4,359.

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.

City of Massillon, Ohio
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For the Year Ended December 31, 2021

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/children, and family were \$552, \$1,214, \$993, and \$1,711, 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 and \$10,000 of accidental death and dismemberment insurance through the Standard Insurance Company for all employees.

Long-Term Obligations

A schedule of changes in long-term obligations of the Board of Health during 2021 follows:

	Balance 12/31/2020	Additions	Deletions	Balance 12/31/2021	Amounts Due In One Year
Governmental Activities					
Other Long-Term Obligations					
Net Pension Liability - OPERS	\$515,849	\$0	(\$135,215)	\$380,634	\$0
Net OPEB Liability - OPERS	351,384	0	(351,384)	0	0
Compensated Absences	85,794	4,152	(33,826)	56,120	1,854
<i>Total Governmental Activities</i>	<u>\$953,027</u>	<u>\$4,152</u>	<u>(\$520,425)</u>	<u>\$436,754</u>	<u>\$1,854</u>

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.

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 2021, the Board of Health’s contractually required contribution was \$52,617 for the traditional plan, \$551 for the combined plan, and \$1,708 for the member-directed plan. Of these amounts, \$6,723 is reported as an intergovernmental payable for the traditional plan, \$70 for the combined plan, and \$219 for the member-directed plan.

City of Massillon, Ohio
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The net pension liability (asset) for OPERS was measured as of December 31, 2020, 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 <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>Total</u>
Proportion of the Net Pension Liability/Asset:			
Current Measurement Date	0.00257049%	0.00058149%	
Prior Measurement Date	<u>0.00260982%</u>	<u>0.00057110%</u>	
Change in Proportionate Share	<u>-0.00003933%</u>	<u>0.00001039%</u>	
Proportionate Share of the:			
Net Pension Liability	\$380,634	\$0	\$380,634
Net Pension Asset	\$0	\$1,678	\$1,678
Pension Expense	\$6,423	\$61	\$6,484

2021 pension expense for the member-directed defined contribution plan was \$1,708. The aggregate pension expense for all pension plans was \$8,192 for 2021.

At December 31, 2021, the Board of Health reported deferred outflows of resources and deferred inflows of resources related to defined benefit pensions from the following sources:

	OPERS <u>Traditional Plan</u>	OPERS <u>Combined Plan</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes of assumptions	\$0	\$105	\$105
Changes in proportion and differences between Board of Health contributions and proportionate share of contributions	25	147	172
Board of Health contributions subsequent to the measurement date	<u>52,617</u>	<u>551</u>	<u>53,168</u>
Total Deferred Outflows of Resources	<u>\$52,642</u>	<u>\$803</u>	<u>\$53,445</u>
Deferred Inflows of Resources			
Differences between expected and actual experience	\$15,923	\$316	\$16,239
Net difference between projected and actual earnings on pension plan investments	148,360	249	148,609
Changes in proportion and differences between Board of Health contributions and proportionate share of contributions	<u>5,416</u>	<u>39</u>	<u>5,455</u>
Total Deferred Inflows of Resources	<u>\$169,699</u>	<u>\$604</u>	<u>\$170,303</u>

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

\$53,168 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 2022. 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:			
2022	(\$66,196)	(\$99)	(\$66,295)
2023	(22,767)	(55)	(22,822)
2024	(60,477)	(113)	(60,590)
2025	(20,234)	(40)	(20,274)
2026	0	(5)	(5)
Thereafter	0	(40)	(40)
Total	(\$169,674)	(\$352)	(\$170,026)

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	\$726,061	\$380,634	\$93,412
OPERS Combined Plan	(1,169)	(1,678)	(2,058)

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).

The Board of Health’s contractually required contribution was \$683 for 2021. Of this amount, \$87 is reported as an intergovernmental payable.

The net OPEB liability (asset) and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2019, rolled forward to the measurement date of December 31, 2020, 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 (asset) 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:

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

	OPERS
Proportion of the Net OPEB Liability/Asset:	
Current Measurement Date	0.00251213%
Prior Measurement Date	0.00254394%
Change in Proportionate Share	-0.00003181%
Proportionate Share of the Net OPEB Asset	\$44,755
OPEB Expense	(\$270,069)

At December 31, 2021, 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	
Changes of assumptions	\$22,002
Changes in proportion and differences between Board of Health contributions and proportionate share of contributions	75
Board of Health contributions subsequent to the measurement date	683
<i>Total Deferred Outflows of Resources</i>	\$22,760
Deferred Inflows of Resources	
Differences between expected and actual experience	\$40,391
Changes of assumptions	72,517
Net difference between projected and actual earnings on OPEB plan investments	23,837
Changes in proportion and differences between Board of Health contributions and proportionate share of contributions	2,714
<i>Total Deferred Inflows of Resources</i>	\$139,459

\$683 reported as deferred outflows of resources related to OPEB resulting from Board of Health contributions subsequent to the measurement date will be recognized as an increase to the net OPEB asset in 2022. 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:	
2022	(\$61,507)
2023	(42,708)
2024	(10,359)
2025	(2,808)
Total	(\$117,382)

Sensitivity of the Board of Health's Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate The following table presents the Board of Health's proportionate share of the net OPEB liability (asset) calculated using the single discount rate of 6.00 percent, as well as what the Board of Health's proportionate share of the net OPEB liability (asset) would be if it were calculated using a discount rate that is one percentage point lower (5.00 percent) or one percentage point higher (7.00 percent) than the current rate:

City of Massillon, Ohio
Notes to the Basic Financial Statements
For the Year Ended December 31, 2021

	1% Decrease <u>(5.00%)</u>	Current Discount Rate <u>(6.00%)</u>	1% Increase <u>(7.00%)</u>
Board of Health's proportionate share of the net OPEB liability (asset)	(\$11,129)	(\$44,755)	(\$72,399)

Sensitivity of the Board of Health's Proportionate Share of the Net OPEB Liability (Asset) 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 (asset). The following table presents the Board of Health's proportionate share of the net OPEB liability (asset) calculated using the assumed trend rates, and the Board of Health's proportionate share of the expected net OPEB liability (asset) 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 2021 is 8.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is 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 3.50 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 (asset)	(\$45,846)	(\$44,755)	(\$43,535)

COVID-19

The United States and the State of Ohio declared a state of emergency in March of 2020 due to the COVID-19 pandemic. Ohio's state of emergency ended in June 2021, while the national state of emergency continues. During 2021, the Board of Health received COVID-19 funding. The financial impact of COVID-19 and the continuing emergency measures will impact subsequent periods of the Board of Health. The impact on the Board of Health's future operating costs, revenues, and additional recovery from emergency funding, either federal or state, cannot be estimated. The Board of Health's revenue was negatively affected due to the impact of the pandemic because of a decrease in vaccinations (non-COVID related) and food service fees that were not required to be paid per the State of Ohio. The Board of Health's response to mitigate the negative impacts of the pandemic included providing contact tracing, holding COVID vaccination clinics, providing drive-thru COVID test kit pickups, and handing out Health Equity Bags, which included tissues, masks, COVID test kits and information on COVID.

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 Eight Years (1) **

	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's Proportion of the Net Pension Liability	0.05455151%	0.05538618%	0.05537472%
City's Proportionate Share of the Net Pension Liability	\$8,077,891	\$10,947,454	\$15,166,013
City's Covered Payroll	\$7,683,279	\$7,792,779	\$7,831,771
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	105.14%	140.48%	193.65%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.88%	82.17%	74.70%

(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

2018	2017	2016	2015	2014
0.05671800%	0.05601800%	0.05505400%	0.05640300%	0.05640300%
\$8,897,955	\$12,720,735	\$9,536,047	\$6,802,833	\$6,649,179
\$7,495,369	\$7,241,500	\$6,851,467	\$6,915,008	\$6,977,329
118.71%	175.66%	139.18%	98.38%	95.30%
84.66%	77.25%	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 Four Years (1) **

	2021	2020	2019	2018
City's Proportion of the Net Pension Asset	0.01234051%	0.01211991%	0.01225170%	0.01197400%
City's Proportionate Share of the Net Pension Asset	\$35,623	\$25,273	\$13,700	\$16,300
City's Covered Payroll	\$54,379	\$53,950	\$54,871	\$49,038
City's Proportionate Share of the Net Pension Asset as a Percentage of its Covered Payroll	65.51%	46.85%	24.97%	33.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	157.67%	145.28%	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 Asset/Liability
Ohio Public Employees Retirement System - OPEB Plan
*Last Five Years (1) **

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Asset/Liability	0.05331288%	0.05398806%	0.05401098%	0.05506000%	0.05457000%
City's Proportionate Share of the:					
Net OPEB Asset	\$949,812	\$0	\$0	\$0	\$0
Net OPEB Liability	\$0	\$7,457,154	\$7,041,756	\$5,979,111	\$5,511,755
City's Covered Payroll	\$8,062,783	\$8,156,454	\$8,203,317	\$7,798,532	\$7,542,000
City's Proportionate Share of the Net OPEB Asset/ Liability as a Percentage of its Covered Payroll	11.78%	91.43%	85.84%	76.67%	73.08%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	115.57%	47.80%	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 Eight Years (1) **

	<u>2021</u>	<u>2020</u>	<u>2019</u>
City's Proportion of the Net Pension Liability	0.2899345%	0.2834343%	0.2767090%
City's Proportionate Share of the Net Pension Liability	\$19,765,095	\$19,093,649	\$22,586,766
City's Covered Payroll	\$7,017,072	\$6,657,638	\$6,202,343
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	281.67%	286.79%	364.17%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	70.65%	69.89%	63.07%

(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

2018	2017	2016	2015	2014
0.2714710%	0.2740040%	0.2687600%	0.2791415%	0.2791415%
\$16,661,402	\$17,355,140	\$17,289,519	\$14,460,694	\$13,595,067
\$5,876,511	\$5,865,422	\$5,819,720	\$5,479,273	\$6,334,725
283.53%	295.89%	297.09%	263.92%	214.61%
70.91%	68.36%	66.77%	71.71%	73.00%

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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 Five Years (1) **

	2021	2020	2019	2018	2017
City's Proportion of the Net OPEB Liability	0.2899345%	0.2834343%	0.2767090%	0.2714710%	0.2740040%
City's Proportionate Share of the Net OPEB Liability	\$3,071,903	\$2,799,687	\$2,519,860	\$15,381,167	\$13,006,354
City's Covered Payroll	\$7,017,072	\$6,657,638	\$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	43.78%	42.05%	40.63%	261.74%	221.75%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	45.40%	47.08%	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

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

	2021	2020	2019	2018
Net Pension Liability - Traditional Plan				
Contractually Required Contribution	\$1,116,655	\$1,075,659	\$1,090,989	\$1,096,448
Contributions in Relation to the Contractually Required Contribution	<u>(1,116,655)</u>	<u>(1,075,659)</u>	<u>(1,090,989)</u>	<u>(1,096,448)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$7,976,107	\$7,683,279	\$7,792,779	\$7,831,771
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net Pension Asset - Combined Plan				
Contractually Required Contribution	\$11,702	\$7,613	\$7,553	\$7,682
Contributions in Relation to the Contractually Required Contribution	<u>(11,702)</u>	<u>(7,613)</u>	<u>(7,553)</u>	<u>(7,682)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll	\$83,586	\$54,379	\$53,950	\$54,871
Pension Contributions as a Percentage of Covered Payroll	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>	<u>14.00%</u>
Net OPEB Liability - OPEB Plan (2)				
Contractually Required Contribution	\$14,500	\$13,005	\$12,389	\$12,667
Contributions in Relation to the Contractually Required Contribution	<u>(14,500)</u>	<u>(13,005)</u>	<u>(12,389)</u>	<u>(12,667)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (3)	\$8,422,193	\$8,062,783	\$8,156,454	\$8,203,317
OPEB Contributions as a Percentage of Covered Payroll	<u>0.17%</u>	<u>0.16%</u>	<u>0.15%</u>	<u>0.15%</u>

(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

2017	2016	2015	2014	2013
\$974,398	\$868,980	\$822,176	\$829,801	\$907,053
<u>(974,398)</u>	<u>(868,980)</u>	<u>(822,176)</u>	<u>(829,801)</u>	<u>(907,053)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$7,495,369	\$7,241,500	\$6,851,467	\$6,915,008	\$6,977,329
<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$6,375	\$10,299	\$18,387	\$19,099	\$26,292
<u>(6,375)</u>	<u>(10,299)</u>	<u>(18,387)</u>	<u>(19,099)</u>	<u>(26,292)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$49,038	\$85,825	\$153,225	\$159,158	\$202,246
<u>13.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>12.00%</u>	<u>13.00%</u>
\$85,609	\$155,134			
<u>(85,609)</u>	<u>(155,134)</u>			
<u>\$0</u>	<u>\$0</u>			
\$7,798,532	\$7,542,000			
<u>1.10%</u>	<u>2.06%</u>			

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

	2021	2020	2019	2018
Net Pension Liability				
Contractually Required Contribution	\$1,520,097	\$1,503,298	\$1,424,350	\$1,324,679
Contributions in Relation to the Contractually Required Contribution	<u>(1,520,097)</u>	<u>(1,503,298)</u>	<u>(1,424,350)</u>	<u>(1,324,679)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered Payroll (1)	\$7,103,939	\$7,017,072	\$6,657,638	\$6,202,343
Pension Contributions as a Percentage of Covered Payroll	<u>21.40%</u>	<u>21.42%</u>	<u>21.39%</u>	<u>21.36%</u>
Net OPEB Liability				
Contractually Required Contribution	\$35,520	\$35,085	\$33,288	\$31,012
Contributions in Relation to the Contractually Required Contribution	<u>(35,520)</u>	<u>(35,085)</u>	<u>(33,288)</u>	<u>(31,012)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
OPEB Contributions as a Percentage of Covered Payroll	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>
Total Contributions as a Percentage of Covered Payroll	<u>21.90%</u>	<u>21.92%</u>	<u>21.89%</u>	<u>21.86%</u>

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

See accompanying notes to the required supplementary information

2017	2016	2015	2014	2013	2012
\$1,254,365	\$1,250,243	\$1,239,138	\$1,168,189	\$1,158,623	\$863,008
<u>(1,254,365)</u>	<u>(1,250,243)</u>	<u>(1,239,138)</u>	<u>(1,168,189)</u>	<u>(1,158,623)</u>	<u>(863,008)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,876,511	\$5,865,422	\$5,819,720	\$5,479,273	\$6,334,725	\$5,731,190
<u>21.35%</u>	<u>21.32%</u>	<u>21.29%</u>	<u>21.32%</u>	<u>18.29%</u>	<u>15.06%</u>
\$29,382	\$29,327	\$29,098	\$27,396	\$229,106	\$386,856
<u>(29,382)</u>	<u>(29,327)</u>	<u>(29,098)</u>	<u>(27,396)</u>	<u>(229,106)</u>	<u>(386,856)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>0.50%</u>	<u>3.62%</u>	<u>6.75%</u>
<u>21.85%</u>	<u>21.82%</u>	<u>21.79%</u>	<u>21.82%</u>	<u>21.91%</u>	<u>21.81%</u>

City of Massillon, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

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 previous years are presented as follows:

	2019	2018 and 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	see below	see below	see below
Investment Rate of Return	7.2 percent	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age	Individual Entry Age

The assumptions related to COLA or Ad Hoc COLA for Post-January 7, 2013 Retirees are as follows:

COLA or Ad Hoc COLA, Post-January 7, 2013 Retirees:

2021	0.5 percent, simple through 2021 then 2.15 percent, simple
2020	1.4 percent, simple through 2020 then 2.15 percent, simple
2017 through 2019	3.0 percent, simple through 2018 then 2.15 percent, simple
2016 and prior	3.0 percent, simple through 2018 then 2.80 percent, simple

Amounts reported beginning in 2017 use 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 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.

City of Massillon, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

Changes in Assumptions – OPERS Pension – Combined Plan

For 2021 and 2020, the Combined Plan had the same change in COLA or Ad Hoc COLA for Post-January 2, 2013 retirees as the Traditional 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
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	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.

City of Massillon, Ohio
Notes to the Required Supplementary Information
For the Year Ended December 31, 2021

Changes in Assumptions – OPERS OPEB

Investment Return Assumption:	
Beginning in 2019	6.00 percent
2018	6.50 percent
Municipal Bond Rate:	
2021	2.00 percent
2020	2.75 percent
2019	3.71 percent
2018	3.31 percent
Single Discount Rate:	
2021	6.00 percent
2020	3.16 percent
2019	3.96 percent
2018	3.85 percent
Health Care Cost Trend Rate:	
2021	8.5 percent, initial 3.5 percent, ultimate in 2035
2020	10.5 percent, initial 3.5 percent, ultimate in 2030
2019	10.0 percent, initial 3.25 percent, ultimate in 2029
2018	7.5 percent, initial 3.25 percent, ultimate in 2028

Changes in Assumptions – OP&F OPEB

Blended Discount Rate:	
2021	2.96 percent
2020	3.56 percent
2019	4.66 percent
2018	3.24 percent

Changes in Benefit Terms – OPERS OPEB

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and non-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for non-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are reflected in 2021.

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, 2021

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal AL Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>			
<i>(Passed through Ohio Department of Health)</i>			
Special Supplemental Nutrition Program for Women Infants and Children	10.557	01-76201FCL389	\$ <u>141,244</u>
Total U.S. Department of Agriculture			<u>141,244</u>
<u>U.S. Department of Homeland Security</u>			
<i>(Passed through Ohio Department of Health)</i>			
Assistance to Firefighters - 2019	97.044	EMW-2019-FG-10555	<u>9,832</u>
Total U.S. Department of Homeland Security			<u>9,832</u>
<u>U.S. Department of Housing and Urban Development</u>			
CDBG - Entitlement Grants Cluster:			
Community Development Block Grants/ Entitlement Grants	14.218	B-21-MC-39-0029	832,841
Entitlement Grants	14.218	B-20-MW-39-0029	<u>56,775</u>
Total CDBG - Entitlement Grants Cluster			<u>889,616</u>
<i>(Passed through Stark County HOME Consortium)</i>			
HOME Investment Partnerships Program	14.239	M04DC390204	<u>116,683</u>
Total U.S. Department of Housing and Urban Development			<u>1,006,299</u>
<u>U.S. Department of Justice</u>			
<i>(Passed through Ohio Department of Public Safety)</i>			
Violence Against Women Formula Grants	16.588	2020-WF-VA2-8225	<u>71,481</u>
Total U.S. Department of Justice			<u>71,481</u>
<u>U.S. Department of Transportation</u>			
<i>(Passed through Ohio Department of Transportation)</i>			
Highway Planning and Construction	20.205	PID 100471/104857	<u>187,441</u>
Total U.S. Department of Transportation			<u>187,441</u>
Total			\$ <u>1,416,297</u>

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, 2021. 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 position, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in 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.

INDEPENDENT AUDITORS' 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

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, 2021, 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 27, 2022.

Report on 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) as a basis for designing 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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 financial statements. 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 27, 2022

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

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

Report on Compliance for the Major Federal Program

Opinion on Major Federal Program

We have audited the City of Massillon, Ohio's (the "City") compliance with the types of compliance requirements identified as subject to audit 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, 2021. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on, its major federal program for the year ended December 31, 2021.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance

but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 27, 2022

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 reported
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 reported
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:	
<i>ALN 14.218 – Community Development Block Grants/Entitlement Grants Cluster</i>	
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

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 7/19/2022

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov