CITY OF MASSILLON, OHIO

Basic Financial Statements

Year Ended December 31, 2017

With Independent Auditors' Report

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

Dave Yost • Auditor of State

City Council
City of Massillon
One James Duncan Plaza
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, 2017 through December 31, 2017. 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.

Dave Yost
Auditor of State

August 7, 2018

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Massillon, Ohio as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, Street Construction Fund, and Parks and Recreation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 22, the City was placed in fiscal emergency by the Auditor of State's office on October 8, 2013 and was released from fiscal emergency on April 27, 2017.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements taken 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, 2018 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, 2018

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, 2017. 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 2017 are as follows:

- The general fund reported an end of year fund balance of $6,961,894, an increase of $1,838,256 over 2016. This increase was attributable to all departments controlling expenses in 2017 and also to the general fund transferring less to other governmental funds. In addition, the City was able to transfer $30,000 to the budget stabilization fund from the general fund, with an ending balance of $330,000.

- During 2017, the City started collecting an additional .2 percent income tax from a successful income tax levy passage. The additional income tax increase goes completely to the street construction fund for roads and street department expenditures.

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 2017?" The statement of net position and the statement of activities answer this question. These statements include all assets and deferred outflows of resources and liabilities and deferred inflows of resources using the accrual basis of accounting similar to the accounting method used by the private sector. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when the cash is received or paid.

These two statements report the City's net position and the changes in net position. The change in net position is important because it tells the reader whether, for the City as a whole, the financial position of the City has improved or diminished. However, in evaluating the overall position of the City, non-financial information such as changes in the City's tax base and the condition of the City's capital assets also needs to be evaluated.

The statement of net position and the statement of activities are divided into the following categories:

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

Reporting the City of Massillon's Most Significant Funds

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The City of Massillon uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the City's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. The presentation of the City's major funds begins on page 16. Fund financial statements provide detailed information about the City's major funds based on the restrictions on the use of monies. The City has established many funds, which account for the multitude of services, facilities and infrastructure provided to our residents. However, these fund financial statements focus on the City's most significant funds. In the case of the City of Massillon, the major governmental funds are the general fund, street construction fund, and the parks and recreation fund. An analysis of the City's major governmental funds begins on page 9.

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

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

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

The City of Massillon as a Whole

Recall that the statement of net position pictures the City as a whole. Table 1 provides a summary of the City's net position for 2017 compared to 2016.

Table 1
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current and Other Assets	$22,000,316	$20,795,244	$36,695,421	$30,546,801	$58,695,737	$51,342,045
Capital Assets, Net	40,111,210	40,679,410	67,888,516	56,712,868	107,999,726	97,392,278
Total Assets	62,111,526	61,474,654	104,583,937	87,259,669	166,695,463	148,734,323
Deferred Outflows of Resources						
Deferred Charge on Refunding	243,273	271,092	0	0	243,273	271,092
Pension	7,219,142	6,965,180	980,743	771,116	8,169,502	7,736,296
Total Deferred Outflows of Resources	7,462,415	7,236,272	980,743	771,116	8,412,775	8,007,388
Liabilities						
Current and Other Liabilities	1,382,975	2,004,146	1,788,098	2,885,795	3,171,073	4,889,941
Long-Term Liabilities:						
Due Within One Year	1,896,938	1,826,472	2,473,227	2,380,956	4,370,165	4,207,428
Due in More Than One Year:						
Net Pension Liability	27,531,728	24,822,996	2,544,147	2,002,570	30,075,875	26,825,566
Other Amounts	21,188,828	23,241,884	42,541,951	31,205,375	63,730,779	54,447,259
Total Liabilities	52,000,469	51,895,498	49,347,423	38,474,696	101,347,892	90,370,194
Deferred Inflows of Resources						
Property Taxes	1,552,712	1,508,482	0	0	1,552,712	1,508,482
Payment in Lieu of Taxes	267,680	519,587	0	0	267,680	519,587
Pension	494,552	710,405	57,665	61,237	521,834	771,642
Total Deferred Inflows of Resources	2,314,944	2,738,474	57,665	61,237	2,342,226	2,799,711
Net Position						
Net Investment in Capital Assets	21,990,534	21,136,495	43,253,963	38,778,284	65,244,497	59,914,779
Restricted:						
Capital Projects	1,068,895	1,845,244	0	0	1,068,895	1,845,244
Debt Service	305,101	0	0	0	305,101	0
Transportation	2,450,266	1,771,456	0	0	2,450,266	1,771,456
Economic Development	611,068	637,568	0	0	611,068	637,568
Security Services	528,503	420,761	0	0	528,503	420,761
Other Purposes	794,972	631,967	0	0	794,972	631,967
Unclaimed Monies	68,011	22,343	0	0	68,011	22,343
Unrestricted (Deficit)	(12,558,822)	(12,388,880)	12,905,629	10,716,568	346,807	(1,672,312)
Total Net Position	$15,258,528	$14,076,954	$56,159,592	$49,494,852	$71,418,120	$63,571,806

The net pension liability (NPL) is the largest single liability reported by the City at December 31, 2017, and is reported pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27." For reasons discussed as follows, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and the net pension liability to the reported net position and subtracting deferred outflows related to pension.

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

GASB 68 requires the net pension liability to equal the City's proportionate share of each plan's collective:

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

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

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. As explained above, changes in pension benefits, contribution rates, and return on investments affect the balance of the net pension liability, 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 pension 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 is satisfied, this liability is separately identified within the long-term liability section of the statement of net position.

For governmental activities, assets, liabilities, and net position all increased. The increase in assets was due to increases in equity in pooled cash and cash equivalents. The increase in equity in pooled cash and cash equivalents resulted from revenues significantly outpacing expenses, although revenues, mainly income tax revenues, and expenses, mainly transportation expense, both increased from 2016.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. The increase in capital assets was due to large additions to construction in progress related to wastewater and Sippo Creek improvement projects. Capital assets include land, construction in progress, land improvements, buildings and improvements, vehicles, machinery and equipment, and infrastructure. Governmental activities net investment in capital assets at December 31, 2017, was $21,990,534. These capital assets are used to provide services to citizens and are not available for future spending. Although the

City's investment in capital assets is reported net of related debt, it should be noted that the resources to repay the debt must be provided from other sources, since capital assets may not be used to liquidate these liabilities.

Total net position for business-type activities increased in 2017 from 2016. The increase in the net position was primarily due to increases in intergovernmental receivable and nondepreciable capital assets. The intergovernmental receivable increase was related to amounts receivable from Stark County for the County's portion of debt payments for OWDA loans and the increase in nondepreciable capital assets was due to construction of the wastewater treatment plant upgrade. This was offset by an increase in loans payable due to an increase in OWDA loans owed. Although both revenues and expenses decreased from 2016, equity in pooled cash and cash equivalents increased as a result of revenues continuing to outpace expenses.

Table 2 shows the changes in net position for the year ended December 31, 2017, compared to 2016.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues						
Program Revenues:						
Charges for Services, Sales and Assessments	$6,739,805	$6,513,659	$9,250,919	$9,339,061	$15,990,724	$15,852,720
Operating Grants and Contributions	2,870,197	2,754,488	0	0	2,870,197	2,754,488
Capital Grants and Contributions	146,519	678,767	5,693,441	6,754,548	5,839,960	7,433,315
Total Program Revenues	9,756,521	9,946,914	14,944,360	16,093,609	24,700,881	26,040,523
General Revenues:						
Property Taxes	1,586,156	1,582,534	0	0	1,586,156	1,582,534
Income Taxes	19,868,686	18,447,355	0	0	19,868,686	18,447,355
Intergovernmental	777,732	699,209	0	0	777,732	699,209
Payment in Lieu of Taxes	414,344	554,706	0	0	414,344	554,706
Interest	157,342	46,867	28	0	157,370	46,867
Other	764,234	359,050	50,283	2,710	814,517	361,760
Total General Revenues	23,568,494	21,689,721	50,311	2,710	23,618,805	21,692,431
Total Revenues	33,325,015	31,636,635	14,994,671	16,096,319	48,319,686	47,732,954
Program Expenses						
Governmental Activities:						
General Government	7,535,992	7,437,153	0	0	7,535,992	7,437,153
Security of Persons and Property	10,954,168	11,844,576	0	0	10,954,168	11,844,576
Transportation	4,987,821	2,938,013	0	0	4,987,821	2,938,013
Public Health and Welfare	837,516	656,369	0	0	837,516	656,369
Leisure Time Activities	5,606,432	4,201,542	0	0	5,606,432	4,201,542
Basic Utility Service	30,248	71,541	0	0	30,248	71,541
Economic Development and Assistance	1,099,853	698,906	0	0	1,099,853	698,906
Urban Redevelopment and Housing	174,299	122,598	0	0	174,299	122,598
Interest and Fiscal Charges	917,112	967,608	0	0	917,112	967,608
Wastewater	0	0	8,329,931	8,358,527	8,329,931	8,358,527
Total Expenses	32,143,441	28,938,306	8,329,931	8,358,527	40,473,372	37,296,833
Increase in Net Position	1,181,574	2,698,329	6,664,740	7,737,792	7,846,314	10,436,121
Net Position Beginning of Year	14,076,954	11,378,625	49,494,852	41,757,060	63,571,806	53,135,685
Net Position End of Year	$15,258,528	$14,076,954	$56,159,592	$49,494,852	$71,418,120	$63,571,806

Governmental Activities

The net position of governmental activities increased in 2017 because revenues exceeded expenses, although expenses, mainly transportation and leisure time activities expenses, increased more than revenues increased. The largest revenue increase was income tax. The funding for governmental activities comes from several different sources, with municipal income tax being the largest contributor. Income tax revenues increased from 2016 to 2017 primarily due to the .2 percent increase in the tax rate during 2017.

Security of persons and property represents the highest program expense for the City by a large margin. This expense category is made up of all of the expenses and related activities of the City's police and fire departments. The police department consists of a full-time police chief who oversees full-time and part-time police officers and communication specialists. The police department is funded primarily from revenues generated through the City's income tax and fines and forfeitures and is presented within the general fund.

Charges for services represents revenues from community development, municipal court fees, law enforcement, parking fees, indigent drivers fees, clerk of courts fees, special assessments, and parks and recreation fees. Operating and capital grants and contributions are represented mainly of revenues received from other governments for a specific purpose. Capital grants and contributions decreased from 2016 due to decreased grants related to construction in progress for street resurfacing projects.

General revenues accounted for a large portion of total governmental revenues. These revenues primarily consist of income tax revenue. Another primary source of general revenue is property tax revenue.

Business-Type Activities

The wastewater fund is the City's only enterprise fund. Business-type activities reported a significant increase in total net position from 2016. This increase was due to revenues continuing to outpace expenses similar to 2016.

The City was able to take on additional debt because of cooperative agreements with Stark County to share the costs of upgrading the Wastewater Treatment Plant Facility to handle additional capacity. As a result of these agreements, the City relies on the County for approximately $1.28 million in debt service participation annually.

The City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The general fund is the operating fund of the City. At the end of the year, the fund balance of the general fund was $6,961,894, an increase from the prior year fund balance of $5,123,638. The general fund balance increased in 2017 due to revenues and other financing sources increasing and expenses and other financing sources decreasing. Total revenues and other financing sources increased $553,767 from the prior year primarily due to increases in all revenues except for income tax revenues. Income tax revenues decreased due to the new fund allocation of income taxes from 81.34 percent to 72 percent in 2017. Total expenditures and other financing uses decreased $420,665 from 2016, mainly due to a decrease in transfers out. The decrease in transfers out in the general fund was related to requiring less coverage of capital outlays in capital projects funds.

The street construction special revenue fund had an increase in fund balance of $464,316. This increase was due to the .2 percent increase in the income tax rate that solely funds the street construction fund.

The parks and recreation special revenue fund had an increase in fund balance of $213,048. This was achieved by revenues exceeding expenditures.

General Fund Budgeting Highlights

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

The most significant budgeted governmental fund is the general fund. The final budget (estimated) revenue exceeded the original estimated revenue by $1,447,209. The most significant variance between the original budgeted revenue and final budgeted revenue amounts was to income taxes revenue due to the increase of the income tax credit and increased withholdings. Overall, total actual revenues were the same as final budgeted revenues. During the year, these estimates were changed as new information was made available.

Final budgeted expenditures and other financing uses increased $866,722, or 4.29 percent, over the original budgeted amounts. This increase was adjusted along with the estimated resources that were anticipated to be available. Budgeted expenditures are not allowed to exceed estimated resources that are certified by the County Auditor. As additional resources are identified, the certification is amended and budgeted expenditures can be adjusted accordingly. The final budgeted expenditures exceeded actual expenditures and encumbrances by $859,412.

Capital Assets and Debt Administration

Capital Assets

Table 3 shows the changes in capital assets for the year ended December 31, 2017, compared to 2016.

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

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	$10,862,789	$10,855,289	$59,400	$59,400	$10,922,189	$10,914,689
Construction in Progress	125,742	717,776	29,392,287	17,140,424	29,518,029	17,858,200
Land Improvements	1,292,952	2,814,676	0	0	1,292,952	2,814,676
Buildings and Improvements	6,555,191	6,911,046	479,269	472,478	7,034,460	7,383,524
Vehicles	2,279,617	1,978,202	667,189	434,832	2,946,806	2,413,034
Machinery and Equipment	1,418,862	1,380,553	878,681	842,922	2,297,543	2,223,475
Infrastructure	17,576,057	16,021,868	36,411,690	37,762,812	53,987,747	53,784,680
Total Capital Assets	$40,111,210	$40,679,410	$67,888,516	$56,712,868	$107,999,726	$97,392,278

At the end of 2017, the City had $107,999,726 in capital assets (net of accumulated depreciation). Of this total, $40,111,210 was reported in governmental activities and $67,888,516 was reported in business-type activities.

For governmental activities, the decrease in total capital assets was due to annual depreciation exceeding capital asset additions. For business-type activities, the increase in total capital assets was due to large investments in construction in progress during the year related to wastewater improvements. See Note 12 to the basic financial statements for detail on governmental and business-type activities capital assets.

Debt Administration

At December 31, 2017, the City had total long-term debt obligations outstanding of $65,367,132. Of this total, $4,070,472 is due within one year and $61,296,660 is due in more than one year.

Table 4 summarizes the long-term debt obligations outstanding as follows:

Table 4
Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
General Obligation Bonds	$16,464,812	$17,600,793	$0	$0	$16,464,812	$17,600,793
Loans Payable	2,787,573	2,975,149	44,391,642	33,196,888	47,179,215	36,172,037
Police and Fire Pension	1,137,879	1,181,129	0	0	1,137,879	1,181,129
Judgment Payable	210,000	280,000	0	0	210,000	280,000
Capital Leases	71,948	108,027	303,278	87,395	375,226	195,422
Total	$20,672,212	$22,145,098	$44,694,920	$33,284,283	$65,367,132	$55,429,381

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

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

At December 31, 2017, the City's overall legal debt margin was $42,240,596 with an unvoted debt margin of $13,729,616. See Notes 16 and 17 to the basic financial statements for details on the City's long-term obligations.

Current Financial Related Activities

During 2017, the City started collecting an additional .2 percent income tax from a successful income tax levy passage. The additional income tax increase goes completely to the street construction fund for roads and street department expenditures. This change helps the general fund due to not having to contribute to the street department. The overall increase in income tax rate changed from 1.8 percent to 2 percent and the overall increase in income tax credit changed from .75 percent in 2016 to .9 percent. This change took effect on January 1, 2017.

Contacting the City's Finance Department

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

Basic Financial Statements

City of Massillon, Ohio

Statement of Net Position

December 31, 2017

	Governmental Activities	Business-Type Activities	Total *
Assets			
Equity in Pooled Cash and Cash Equivalents	$12,522,485	$12,231,738	$24,754,223
Cash and Cash Equivalents:			
In Segregated Accounts	128,200	0	128,200
With Fiscal Agents	1,152,566	0	1,152,566
Materials and Supplies Inventory	117,082	2,230	119,312
Accrued Interest Receivable	8,534	0	8,534
Accounts Receivable	977,748	2,679,070	3,656,818
Intergovernmental Receivable	1,282,332	21,758,879	23,041,211
Prepaid Items	188,943	23,504	212,447
Income Taxes Receivable	3,525,888	0	3,525,888
Property Taxes Receivable	1,828,858	0	1,828,858
Payment in Lieu of Taxes Receivable	267,680	0	267,680
Nondepreciable Capital Assets	10,988,531	29,451,687	40,440,218
Depreciable Capital Assets, Net	29,122,679	38,436,829	67,559,508
Total Assets	62,111,526	104,583,937	166,695,463
Deferred Outflows of Resources			
Deferred Charge on Refunding	243,273	0	243,273
Pension	7,219,142	980,743	8,169,502
Total Deferred Outflows of Resources	7,462,415	980,743	8,412,775
Liabilities			
Accounts Payable	455,911	321,784	777,695
Accrued Wages	259,968	31,648	291,616
Contracts Payable	216,295	1,132,516	1,348,811
Intergovernmental Payable	254,710	22,386	277,096
Retainage Payable	0	273,122	273,122
Accrued Interest Payable	83,763	6,642	90,405
Unearned Revenue	112,328	0	112,328
Long-Term Liabilities:			
Due Within One Year	1,896,938	2,473,227	4,370,165
Due in More Than One Year:			
Net Pension Liability (See Note 14)	27,531,728	2,544,147	30,075,875
Other Amounts	21,188,828	42,541,951	63,730,779
Total Liabilities	52,000,469	49,347,423	101,347,892
Deferred Inflows of Resources			
Property Taxes	1,552,712	0	1,552,712
Payment in Lieu of Taxes	267,680	0	267,680
Pension	494,552	57,665	521,834
Total Deferred Inflows of Resources	2,314,944	57,665	2,342,226
Net Position			
Net Investment in Capital Assets	21,990,534	43,253,963	65,244,497
Restricted for:			
Capital Projects	1,068,895	0	1,068,895
Debt Service	305,101	0	305,101
Transportation	2,450,266	0	2,450,266
Economic Development	611,068	0	611,068
Security Services	528,503	0	528,503
Other Purposes	794,972	0	794,972
Unclaimed Monies	68,011	0	68,011
Unrestricted (Deficit)	(12,558,822)	12,905,629	346,807
Total Net Position	$15,258,528	$56,159,592	$71,418,120

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

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Statement of Activities
For the Year Ended December 31, 2017

		Program Revenues		
	Expenses	Charges for Services, Sales and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	$7,535,992	$2,035,868	$62,215	$33,100
Security of Persons and Property	10,954,168	2,025,184	147,856	26,728
Transportation	4,987,821	341,828	1,655,551	86,691
Public Health and Welfare	837,516	236,384	123,877	0
Leisure Time Activities	5,606,432	2,045,436	104,834	0
Basic Utility Service	30,248	0	45,517	0
Economic Development and Assistance	1,099,853	20,105	559,952	0
Urban Redevelopment and Housing	174,299	35,000	170,395	0
Interest and Fiscal Charges	917,112	0	0	0
Total Governmental Activities	32,143,441	6,739,805	2,870,197	146,519
Business-Type Activities:				
Wastewater	8,329,931	9,250,919	0	5,693,441
Total Business-Type Activities	8,329,931	9,250,919	0	5,693,441
Total	$40,473,372	$15,990,724	$2,870,197	$5,839,960

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

Total General Revenues

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		
Governmental Activities	Business-Type Activities	Total
($5,404,809)	$0	($5,404,809)
(8,754,400)	0	(8,754,400)
(2,903,751)	0	(2,903,751)
(477,255)	0	(477,255)
(3,456,162)	0	(3,456,162)
15,269	0	15,269
(519,796)	0	(519,796)
31,096	0	31,096
(917,112)	0	(917,112)
(22,386,920)	0	(22,386,920)
0	6,614,429	6,614,429
0	6,614,429	6,614,429
(22,386,920)	6,614,429	(15,772,491)
1,292,663	0	1,292,663
293,493	0	293,493
14,214,090	0	14,214,090
2,247,537	0	2,247,537
1,437,013	0	1,437,013
472,665	0	472,665
1,497,381	0	1,497,381
777,732	0	777,732
414,344	0	414,344
157,342	28	157,370
764,234	50,283	814,517
23,568,494	50,311	23,618,805
1,181,574	6,664,740	7,846,314
14,076,954	49,494,852	63,571,806
$15,258,528	$56,159,592	$71,418,120

City of Massillon, Ohio

Balance Sheet

Governmental Funds

December 31, 2017

	General	Street Construction	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Assets					
Equity in Pooled Cash and Cash Equivalents	$5,526,656	$845,256	$961,649	$5,017,351	$12,350,912
Cash and Cash Equivalents:					
In Segregated Accounts	82,995	0	0	45,205	128,200
With Fiscal Agents	0	0	0	1,152,566	1,152,566
Materials and Supplies Inventory	99,784	0	17,298	0	117,082
Accrued Interest Receivable	8,534	0	0	0	8,534
Accounts Receivable	221,705	206,340	0	549,703	977,748
Intergovernmental Receivable	344,308	654,703	1,808	281,513	1,282,332
Prepaid Items	151,345	11,617	20,272	5,709	188,943
Income Taxes Receivable	2,546,077	348,160	273,060	358,591	3,525,888
Property Taxes Receivable	1,484,197	0	0	344,661	1,828,858
Payment in Lieu of Taxes Receivable	0	0	0	267,680	267,680
Restricted Assets:					
Equity in Pooled Cash and Cash Equivalents	68,011	0	0	0	68,011
Total Assets	$10,533,612	$2,066,076	$1,274,087	$8,022,979	$21,896,754
Liabilities					
Accounts Payable	$341,963	$20,842	$35,126	$57,980	$455,911
Accrued Wages	219,471	16,268	19,094	5,135	259,968
Contracts Payable	33,908	0	0	182,387	216,295
Intergovernmental Payable	69,735	12,053	14,445	158,477	254,710
Unearned Revenue	0	0	112,328	0	112,328
Total Liabilities	665,077	49,163	180,993	403,979	1,299,212
Deferred Inflows of Resources					
Property Taxes	1,253,596	0	0	299,116	1,552,712
Payment in Lieu of Taxes	0	0	0	267,680	267,680
Unavailable Revenues	1,653,045	796,541	119,125	881,468	3,450,179
Total Deferred Inflows of Resources	2,906,641	796,541	119,125	1,448,264	5,270,571
Fund Balances					
Nonspendable	319,140	11,617	37,570	5,709	374,036
Restricted	0	1,208,755	0	4,244,044	5,452,799
Committed	112,305	0	936,399	1,962,813	3,011,517
Assigned	1,350,414	0	0	104,621	1,455,035
Unassigned (Deficit)	5,180,035	0	0	(146,451)	5,033,584
Total Fund Balances	6,961,894	1,220,372	973,969	6,170,736	15,326,971
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$10,533,612	$2,066,076	$1,274,087	$8,022,979	$21,896,754

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, 2017

Total Governmental Fund Balances		$15,326,971
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		40,111,210
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	276,146	
Income Taxes	1,552,358	
Intergovernmental	792,436	
Charges for Services	829,239	
Total		3,450,179
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.		4,100
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.		(83,763)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:		
General Obligation Bonds	(16,464,812)	
Loans Payable	(2,787,573)	
Police and Fire Pension	(1,137,879)	
Compensated Absences	(2,314,092)	
Judgments	(210,000)	
Capital Leases	(71,948)	
Total		(22,986,304)
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.		243,273
The net pension liability is not due and payable in the current period; therefore, the liability and related deferred inflows/outflows are not reported in the funds:		
Deferred Outflows - Pension	7,219,142	
Net Pension Liability	(27,531,728)	
Deferred Inflows - Pension	(494,552)	
Total		(20,807,138)
Net Position of Governmental Activities		$15,258,528

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, 2017

	General	Street Construction	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
Revenues					
Property Taxes	$1,315,696	$0	$0	$296,848	$1,612,544
Income Taxes	14,828,754	2,096,730	1,466,930	2,076,243	20,468,657
Payment in Lieu of Taxes	0	0	0	414,344	414,344
Intergovernmental	858,267	1,298,709	26,951	1,565,991	3,749,918
Interest	154,242	1,524	0	1,576	157,342
Licenses and Permits	733,502	0	39,729	77,590	850,821
Fines and Forfeitures	1,245,196	0	0	703,556	1,948,752
Charges for Services	1,627,704	38,248	1,984,873	457,467	4,108,292
Contributions and Donations	0	0	0	77,883	77,883
Other	135,209	19,479	44,499	505,514	704,701
Total Revenues	20,898,570	3,454,690	3,562,982	6,177,012	34,093,254
Expenditures					
Current:					
General Government	6,328,337	0	0	451,427	6,779,764
Security of Persons and Property	9,236,302	0	0	1,451,286	10,687,588
Transportation	1,512,367	2,990,374	0	329,952	4,832,693
Public Health and Welfare	353,983	0	0	312,528	666,511
Leisure Time Activities	0	0	3,320,381	83,362	3,403,743
Basic Utility Service	0	0	0	30,248	30,248
Economic Development and Assistance	66,718	0	0	642,849	709,567
Urban Redevelopment and Housing	0	0	0	174,299	174,299
Capital Outlay	0	0	31,210	1,637,343	1,668,553
Debt Service:					
Principal Retirement	45,197	0	26,126	1,312,436	1,383,759
Interest and Fiscal Charges	49,860	0	3,427	812,179	865,466
Capital Appreciation Bonds Interest	0	0	0	79,356	79,356
Total Expenditures	17,592,764	2,990,374	3,381,144	7,317,265	31,281,547
Excess of Revenues Over (Under) Expenditures	3,305,806	464,316	181,838	(1,140,253)	2,811,707
Other Financing Sources (Uses)					
Inception of Capital Lease	0	0	31,210	0	31,210
Insurance Recoveries	26,728	0	0	0	26,728
Transfers In	0	0	0	1,450,597	1,450,597
Transfers Out	(1,494,278)	0	0	(81,319)	(1,575,597)
Total Other Financing Sources (Uses)	(1,467,550)	0	31,210	1,369,278	(67,062)
Net Change in Fund Balances	1,838,256	464,316	213,048	229,025	2,744,645
Fund Balances Beginning of Year	5,123,638	756,056	760,921	5,941,711	12,582,326
Fund Balances End of Year	$6,961,894	$1,220,372	$973,969	$6,170,736	$15,326,971

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, 2017

Net Change in Fund Balances - Total Governmental Funds		$2,744,645
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period:		
Capital Asset Additions	3,323,792	
Current Year Depreciation	(3,838,912)	
Total		(515,120)
Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal.		(53,080)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:		
Delinquent Property Taxes	(26,388)	
Income Taxes	(599,971)	
Intergovernmental	(93,181)	
Charges for Services	(180,910)	
Total		(900,450)
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:		(31,210)
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.		1,463,115
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued Interest	5,192	
Amortization of Deferred Charges	(27,819)	
Bond Accretion	(21,445)	
Amortization of Discount	(7,574)	
Total		(51,646)
Some expenses reported in the statement of activities, such as compensated absences and judgments, do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.		562,514
The change in net position of the internal service fund is reported with governmental activities in the statement of activities.		201,723
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.		2,033,883
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.		(4,272,800)
Change in Net Position of Governmental Activities		$1,181,574

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenues				
Property Taxes	$1,225,091	$1,315,893	$1,315,893	$0
Income Taxes	13,899,091	14,928,953	14,928,953	0
Intergovernmental	810,854	859,853	859,853	0
Interest	133,121	142,988	142,988	0
Licenses and Permits	684,978	735,747	735,747	0
Fines and Forfeitures	1,159,799	1,245,761	1,245,761	0
Charges for Services	1,501,683	1,612,985	1,612,985	0
Other	115,307	134,953	134,953	0
Total Revenues	19,529,924	20,977,133	20,977,133	0
Expenditures				
Current:				
General Government	6,813,146	6,810,418	6,739,631	70,787
Security of Persons and Property	9,741,115	10,219,926	9,775,012	444,914
Transportation	1,565,034	2,080,278	1,739,766	340,512
Public Health and Welfare	358,132	358,132	354,951	3,181
Economic Development and Assistance	47,068	53,968	53,950	18
Total Expenditures	18,524,495	19,522,722	18,663,310	859,412
Excess of Revenues Over Expenditures	1,005,429	1,454,411	2,313,823	859,412
Other Financing Uses				
Transfers Out	(1,682,947)	(1,551,442)	(1,524,278)	27,164
Net Change in Fund Balance	(677,518)	(97,031)	789,545	886,576
Fund Balance Beginning of Year	2,914,357	2,914,357	2,914,357	0
Prior Year Encumbrances Appropriated	682,519	682,519	682,519	0
Fund Balance End of Year	$2,919,358	$3,499,845	$4,386,421	$886,576

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, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Income Taxes	$1,448,828	$1,899,377	$1,899,377	$0
Intergovernmental	974,299	1,277,281	1,277,281	0
Interest	1,162	1,524	1,524	0
Charges for Services	29,175	38,248	38,248	0
Other	21,536	28,232	28,232	0
Total Revenues	2,475,000	3,244,662	3,244,662	0
Expenditures				
Current:				
Transportation	2,483,446	3,200,703	3,122,217	78,486
Net Change in Fund Balance	(8,446)	43,959	122,445	78,486
Fund Balance Beginning of Year	580,814	580,814	580,814	0
Prior Year Encumbrances Appropriated	8,446	8,446	8,446	0
Fund Balance End of Year	$580,814	$633,219	$711,705	$78,486

See accompanying notes to the basic financial statements

City of Massillon, Ohio

Statement of Revenues, Expenditures and Changes
in Fund Balance - Budget (Non-GAAP Basis) and Actual
Parks and Recreation Fund
For the Year Ended December 31, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Revenues				
Income Taxes	$1,413,036	$1,465,838	$1,466,677	$839
Intergovernmental	26,696	26,951	26,951	0
Licenses and Permits	38,302	39,729	39,729	0
Charges for Services	1,911,837	1,983,051	1,983,051	0
Other	42,189	44,499	44,499	0
Total Revenues	3,432,060	3,560,068	3,560,907	839
Expenditures				
Current:				
Leisure Time Activities	3,560,037	3,759,311	3,519,492	239,819
Net Change in Fund Balance	(127,977)	(199,243)	41,415	240,658
Fund Balance Beginning of Year	689,833	689,833	689,833	0
Prior Year Encumbrances Appropriated	127,977	127,977	127,977	0
Fund Balance End of Year	$689,833	$618,567	$859,225	$240,658

See accompanying notes to the basic financial statements

City of Massillon, Ohio
Statement of Fund Net Position
Proprietary Funds
December 31, 2017

	Wastewater	Governmental Activities - Internal Service
Assets		
Current Assets:		
Equity in Pooled Cash and Cash Equivalents	$12,231,738	$103,562
Accounts Receivable	2,679,070	0
Intergovernmental Receivable	21,758,879	0
Materials and Supplies Inventory	2,230	0
Prepaid Items	23,504	0
Total Current Assets	36,695,421	103,562
Non-Current Assets:		
Nondepreciable Capital Assets	29,451,687	0
Depreciable Capital Assets, Net	38,436,829	0
Total Non-Current Assets	67,888,516	0
Total Assets	104,583,937	103,562
Deferred Outflows of Resources		
Pension	980,743	0
Liabilities		
Current Liabilities:		
Accounts Payable	321,784	0
Accrued Wages	31,648	0
Contracts Payable	1,132,516	0
Intergovernmental Payable	22,386	0
Retainage Payable	273,122	0
Accrued Interest Payable	6,642	0
Compensated Absences Payable	6,043	0
Loans Payable	2,361,304	0
Capital Leases Payable	105,880	0
Claims Payable	0	78,564
Total Current Liabilities	4,261,325	78,564
Long-Term Liabilities (net of current portion):		
Compensated Absences Payable	314,215	0
Loans Payable	42,030,338	0
Capital Leases Payable	197,398	0
Claims Payable	0	20,898
Net Pension Liability	2,544,147	0
Total Long-Term Liabilities	45,086,098	20,898
Total Liabilities	49,347,423	99,462
Deferred Inflows of Resources		
Pension	57,665	0
Net Position		
Net Investment in Capital Assets	43,253,963	0
Unrestricted	12,905,629	4,100
Total Net Position	$56,159,592	$4,100

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, 2017

	Wastewater	Governmental Activities - Internal Service
Operating Revenues		
Charges for Services	$9,238,101	$0
Special Assessments	12,818	0
Other	50,283	59,533
Total Operating Revenues	9,301,202	59,533
Operating Expenses		
Personal Services	1,570,361	0
Fringe Benefits	1,070,473	0
Contractual Services	3,086,612	0
Materials and Supplies	746,080	0
Depreciation	1,624,660	0
Change in Workers' Compensation Estimate	0	(17,190)
Refunds	441	0
Total Operating Expenses	8,098,627	(17,190)
Operating Income	1,202,575	76,723
Non-Operating Revenues (Expenses)		
Interest	28	0
Interest and Fiscal Charges	(231,304)	0
Total Non-Operating Revenues (Expenses)	(231,276)	0
Income before Contributions and Transfers	971,299	76,723
Capital Contributions	5,693,441	0
Transfers In	0	125,000
Change in Net Position	6,664,740	201,723
Net Position Beginning of Year	49,494,852	(197,623)
Net Position End of Year	$56,159,592	$4,100

See accompanying notes to the basic financial statements

City of Massillon, Ohio

Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2017

	Wastewater	Governmental Activities - Internal Service
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows from Operating Activities		
Cash Received from Customers	$9,664,579	$0
Cash Received from Other Operating Sources	50,283	59,533
Cash Payments for Employee Services and Benefits	(2,314,469)	0
Cash Payments to Suppliers for Goods and Services	(3,712,624)	0
Cash Payments for Claims	0	(109,449)
Net Cash Provided by (Used for) Operating Activities	3,687,769	(49,916)
Cash Flows from Noncapital Financing Activities		
Transfers In	0	125,000
Cash Flows from Capital and Related Financing Activities		
Proceeds of Capital Lease	329,228	0
Capital Contributions	1,276,660	0
OWDA Loans Issued	13,524,219	0
Payments for Capital Acquisitions	(14,029,015)	0
Principal Paid on Loans	(2,329,465)	0
Interest Paid on Loans	(222,881)	0
Principal Paid on Capital Leases	(113,345)	0
Interest Paid on Capital Leases	(2,238)	0
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,566,837)	0
Cash Flows from Investing Activities		
Interest on Investments	28	0
Net Increase in Cash and Cash Equivalents	2,120,960	75,084
Cash and Cash Equivalents Beginning of Year	10,110,778	28,478
Cash and Cash Equivalents End of Year	$12,231,738	$103,562

(continued)

City of Massillon, Ohio

Statement of Cash Flows
Proprietary Funds (continued)
For the Year Ended December 31, 2017

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

Operating Income	$1,202,575	$76,723
Adjustments:		
Depreciation	1,624,660	0
(Increase) Decrease in Assets:		
Accounts Receivable	104,836	0
Intergovernmental Receivable	306,819	0
Materials and Supplies Inventory	970	0
Prepaid Items	(23,504)	0
(Increase) Decrease in Deferred Outflows of Resources - Pension	329,854	0
Increase (Decrease) in Liabilities:		
Accounts Payable	103,370	0
Accrued Wages	3,230	0
Contracts Payable	16,326	0
Intergovernmental Payable	1,899	(109,449)
Compensated Absences Payable	18,210	0
Claims Payable	0	(17,190)
Net Pension Liability	56,954	0
Increase (Decrease) in Deferred Inflows of Resources - Pension	(58,430)	0
Net Cash Provided by (Used for) Operating Activities	$3,687,769	($49,916)

Noncash Capital Financing Activities:
At December 31, 2016, the City had an intergovernmental receivable related to capital contributions of $16,952,270 in the wastewater fund.

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

At December 31, 2016, the City had contracts payable and retainage payable related to the acquisition of capital assets of $2,283,179 and $254,212, respectively, in the wastewater fund.

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

See accompanying notes to the basic financial statements

City of Massillon, Ohio

Statement of Fiduciary Assets and Liabilities
Agency Funds
December 31, 2017

Assets	
Equity in Pooled Cash and Cash Equivalents	$426,583
Cash and Cash Equivalents in Segregated Accounts	128,074
Intergovernmental Receivable	29,883
Property Taxes Receivable	536,124
Total Assets	$1,120,664
Liabilities	
Undistributed Monies	$86,583
Due to Other Governments	694,081
Deposits Held and Due to Others	340,000
Total Liabilities	$1,120,664

See accompanying notes to the basic financial statements

Note 1 – Description of the City and Reporting Entity

The City of Massillon (the "City") was first incorporated by the Act of the State Legislature (the Act) as a town in 1838 under the Constitution of 1802. The Act establishing its incorporation was repealed in 1845 and Massillon was without municipal incorporation until March 10, 1853, when, under the provisions of the general act, it was incorporated as a village. Massillon has grown to a city of 32,258 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.

On October 8, 2013, the Auditor of State's office declared the City of Massillon to be in a state of fiscal emergency in accordance with Section 118.03, Ohio Revised Code. The declaration resulted in the establishment of a Financial Planning and Supervision Commission. On April 27, 2017, the Auditor of State's office terminated the City of Massillon from fiscal emergency. See Note 22 for more information on the City's fiscal emergency status.

Reporting Entity

A reporting entity is composed of the primary government, component units and other organizations that are included to ensure that the financial statements are not misleading. The primary government of the City consists of all funds, departments, boards and agencies that are not legally separate from the City. For the City of Massillon, this includes police, fire, emergency service, street construction, parks and recreation, wastewater utility, general administrative services and a City council.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if the City appoints a voting majority of the organization's governing board and (1) the City is able to significantly influence the programs or services performed or provided by the organization; or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt or the levying of taxes, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. The City has no component units.

The City is associated with the Stark Council of Governments, the Stark Area Regional Transit Authority, Stark County Tax Incentive Review Council, and Stark County Regional Planning Commission which are defined as Jointly Governed Organizations and the Local Organized Governments in Cooperation, which is defined as a Joint Venture. These organizations are presented in Notes 10 and 11 to the basic financial statements.

Note 2 – Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described as follows.

Basis of Presentation

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

Government-wide Financial Statements The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities.

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

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

Fund Accounting

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

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

> ***General Fund*** The general fund accounts and reports for all financial resources except those required to be accounted for and reported in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Street Construction Fund The street construction fund accounts for and reports restricted revenue from income tax and state monies which are used to support transportation costs.

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

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

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as either enterprise or internal service.

Enterprise Funds Enterprise funds may be used to account for any activity for which a fee is charged to external users for goods or services. The following is the City's major enterprise fund:

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

Internal Service Fund The internal service fund accounts for the financing of services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. The City's internal service fund reports on workers' compensation claims. For additional information, see Note 9.

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

Measurement Focus

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

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

Like the government-wide statements, all proprietary funds are accounted for on a flow of economic resources measurement focus. All assets and all liabilities associated with the operation of these funds are included on the statement of fund net position. The statement of revenues, expenses and changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting; proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, in the recording of deferred outflows/inflows of resources, and in the presentation of expenses versus expenditures.

Revenues – Exchange and Non-exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the City, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, payments in lieu of taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned. Revenue from property taxes and payments in lieu of taxes is recognized in the year for which the taxes are levied (See Note 7). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

Deferred Outflows/Inflows of Resources In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. For the City, deferred outflows of resources are reported on the government-wide statement of net position for a deferred charge on refunding and for pension. The deferred outflows of resources related to pension are explained in Note 14.

In addition to liabilities, the statements of financial position report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. For the City, deferred inflows of resources include property taxes, payments in lieu of taxes, pension, 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, 2017, but which were levied to finance 2018 operations. These amounts have been recorded as a deferred inflow on both the government-wide statement of net position and the governmental fund financial statements. Unavailable revenue is reported only on the governmental funds balance sheet, and represents receivables which will not be collected within the available period. For the City unavailable revenue includes delinquent property taxes, income taxes, intergovernmental grants, and charges for services. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The details of these unavailable revenues are identified on the reconciliation of total governmental fund balances to net position of governmental activities found on page 17. Deferred inflows of resources related to pension are reported on the government-wide statement of net position (See Note 14).

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

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

Cash and Cash Equivalents

To improve cash management, cash received by the City is pooled. Monies for all funds are maintained in this pool. Individual fund integrity is maintained through City records. Interest in the pool is presented as "equity in pooled cash and cash equivalents".

The Massillon Municipal Court agency fund maintains separate accounts and is reported as “cash and cash equivalents in segregated accounts” in the financial statements. The City had investments limited to repurchase agreements, reported at cost, during the year.

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

Interest revenue credited to the general fund during 2017 amounted to $154,242, $118,973 of which is assigned from other City funds.

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

Inventory

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

Restricted Assets

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

Capital Assets

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

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

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

Description	Estimated Useful Life
Land Improvements	20 to 40 years
Buildings and Improvements	10 to 40 years
Vehicles	5 to 20 years
Machinery and Equipment	5 to 15 years
Infrastructure	10 to 100 years

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

Deferred Charge on Refunding

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

Bond Discounts

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

Interfund Balances

On the fund financial statements, receivables and payables resulting from transactions between funds are for services provided or goods received and from short-term interfund loans are classified as "interfund receivables/payables." Interfund balance amounts are eliminated in the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

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

Compensated Absences

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

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

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from their fiduciary net positon have been determined on the same basis as they are reported by the pension systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension systems 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 judgments, compensated absences and net pension liability that will be paid from governmental funds are reported as a liability in the fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and loans are recognized as a liability on the governmental fund financial statements when due.

Fund Balance

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

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

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

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

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

Assigned Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. These amounts are assigned by City Council. In the general fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City Charter or ordinance, or by State Statute. State statute authorizes the City Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated.

City Council assigned fund balance to cover a gap between estimated revenue and appropriations for 2018 operations. City Council also assigned fund balance for parking enforcement and for community and economic development.

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

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

Net Position

Net position represents the difference between all other elements in the statement of net position. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Net position restricted for other purposes includes funds for federal emergency grant programs, police law enforcement, enforcement and education programs, and fire prevention and awareness programs.

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

Operating Revenues and Expenses

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

Internal Activity

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

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

Estimates

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

Budgetary Process

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

The certificate of estimated resources may be amended during the year if projected increases or decreases in revenue are identified by the City Auditor. The amounts reported as the original and final budgeted amounts on the budgetary statements reflect the amounts on the amended certificate of estimated resources in effect at the time original and final appropriations were passed by Council.

The appropriation resolution is subject to amendment throughout the year with the restriction that appropriations cannot exceed estimated resources. The amounts reported as the original budgeted amounts on the budgetary statements reflect the first appropriation resolution for that fund that covered the entire year, including amounts automatically carried forward from prior years. The amounts reported as the final budgeted amounts represent the final appropriation amounts passed by Council during the year.

Note 3 – Changes in Accounting Principles

For 2017, the City implemented the Governmental Accounting Standards Board's (GASB) *Implementation Guide No. 2016-1*. These changes were incorporated in the City's 2017 financial statements; however, there was no effect on beginning net position/fund balance.

Note 4 – Accountability

As of December 31, 2017, the following funds had deficit fund balances:

	Amount
Special Revenue:	
Community Development	($4,669)
Police Pension	(51,885)
Fire Pension	(89,897)

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

Note 5 – Budgetary Basis of Accounting

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

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

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

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

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

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

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

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

Net Change in Fund Balance

	General	Street Construction	Parks and Recreation
GAAP Basis	$1,838,256	$464,316	$213,048
Adjustment for Revenue Accruals	104,555	(210,028)	(33,285)
Beginning Unrecorded Cash	5,846	0	0
Ending Unrecorded Cash	(12,030)	0	0
Adjustment for Expenditure Accruals	(280,757)	1,708	(35,924)
Perspective Differences:			
Budget Stabilization	(30,000)	0	0
Parking Enforcement	4,367	0	0
Special	(7,077)	0	0
Enterprise Zone	7,253	0	0
Adjustment for Encumbrances	(840,868)	(133,551)	(102,424)
Budget Basis	$789,545	$122,445	$41,415

Note 6 – Deposits and Investments

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

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

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

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

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

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

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

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

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

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

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

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

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

The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

1. Bonds of the State of Ohio;

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

3. Obligations of the City.

Investments in stripped principal or interest obligations, reverse repurchase agreements, and derivatives are prohibited. The issuance of taxable notes for the purpose of arbitrage, the use of leverage, and short selling are also prohibited.

Investments may only be made through specified dealers and institutions. Payment for investments may be made only upon delivery of the securities representing the investments to the treasurer or, if the securities are not represented by a certificate, upon receipt of confirmation of transfer from the custodian.

Deposits

Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At December 31, 2017, the City was not exposed to custodial credit risk.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by:

Eligible securities pledged to and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least one hundred five percent of the deposits being secured; or

Participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be one hundred two percent of the deposits being secured or a rate set by the Treasurer of State.

In April 2018, one of the City’s financial institutions participating in OPCS was approved for a reduced collateral floor of 50 percent. At the time the reduced floor became effective, $6,897,170 of the City’s bank balance of $31,004,108 was exposed to custodial credit risk.

Note 7 – Receivables

Receivables at December 31, 2017, consisted primarily of municipal income taxes, property and other taxes, payments in lieu of taxes, accounts, interest, and intergovernmental receivables arising from grants, entitlements, and shared revenues. Property taxes, although ultimately collectible, include some portion of delinquencies that will not be collected within one year.

Property Taxes

Property taxes include amounts levied against all real and public utility property located in the City. Property tax revenue received during 2017 for real and public utility property taxes represents collections of 2016 taxes.

2017 real property taxes were levied after October 1, 2017, on the assessed value as of January 1, 2017, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2017 real property taxes are collected in and intended to finance 2018.

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. 2017 public utility property taxes which became a lien December 31, 2016, are levied after October 1, 2017, and are collected in 2018 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2017, was $4.70 per $1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2017 property tax receipts were based are as follows:

Category	Assessed Values
Real Estate	
Residential/Agricultural	$338,633,160
Other Real Estate	180,437,040
Tangible Personal Property	
Public Utility	28,391,830
Total	$547,462,030

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, 2017, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2017 operations is offset to deferred inflows of resources – property taxes. On the accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on the modified accrual basis the revenue has been reported as deferred inflows of resources – unavailable revenue.

Municipal Income Taxes

The City levies and collects an income tax of 2 percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 90 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and to file a final return annually. Income tax revenues are distributed based on Council's discretion and can change during the year. Currently the tax revenues are distributed between the general fund, 72 percent, income tax capital improvements fund, 3 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	$549,207
Local Government	250,160
Motor Vehicle License Tax	243,037
Homestead and Rollback	99,793
OPWC Grant	86,691
District Share of Court Costs	23,032
Workers' Compensation Refund	17,172
Recycling Grant	11,708
Domestic Violence Grant	1,053
Other	479
Total	$1,282,332
Business-Type Activities:	
Wastewater	
Stark County - Loan Commitment	$21,369,051
Stark County - Maintenance Share	387,823
Workers' Compensation Refund	2,005
Total	$21,758,879

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, 2017, is $21,369,051. 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, 2017, the City provides tax abatements through two programs: The Community Reinvestment Area (CRA) Tax Abatements and Enterprise Zone Tax Exemptions.

Community Reinvestment Area (CRA)

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

Enterprise Zone Tax Exemptions

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

Tax Abatement Program	Amount of 2017 Taxes Abated
Community Reinvestment Area (CRA):	
Grand Mill Centre	$8,715
Massillon Senior	6,009
Midwest Health	578
Enterprise Zone Tax Exemptions:	
Case Farms	2,810
Shearer's Foods	2,150
Quest Automotive	1,171
Integrity Crane	275

Note 9 – Risk Management

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

Property and Liability

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

Casualty and Property Coverage

APEEP provides PEP with an excess risk-sharing program. Under this arrangement, PEP retains insured risks up to an amount specified in the contracts. (At December 31, 2017, the Pool retained $350,000 for casualty claims and $100,000 for property claims). The Board of Directors and York periodically review the financial strength of the Pool and other market conditions to determine the appropriate level of risk the Pool will retain. There has been no significant reduction in coverage from last year.

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

Financial Position

PEP's financial statements (For which an independent audit is still ongoing) conform to generally accepted accounting principles, and preliminarily show the following assets, liabilities and net position at December 31, 2017 and 2016:

Casualty and Property Coverage	2017	2016
Assets	$44,452,326	$42,182,281
Liabilities	13,004,011	13,396,700
Net Position - Unrestricted	$31,448,315	$28,785,581

At December 31, 2017 and 2016, the liabilities above include unknown amounts of estimated incurred claims payable. The casualty coverage assets and net position above include approximately $11.2 million and $11.5 million of unpaid claims to be billed to approximately 527 member governments in the future, as of December 31, 2017 and 2016, respectively. These amounts will be included in future contributions from members when the related claims are due for payment.

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

The contributions for the past three years are as follows:

Year	Contributions to PEP
2017	$413,950
2016	400,886
2015	377,593

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

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

Workers' Compensation

For policy years 2011 through 2014, the City participated in the State Workers' Compensation retrospective rating and payment system. Once the City receives notice of the 2017 claims paid by the Bureau of Workers' Compensation, the City will reimburse the State for claims paid on the City's behalf. The payable is reclassified from claims payable to intergovernmental payable. This plan involves the payment of a minimum premium for administrative services and stop-loss coverage in addition to the actual claim costs for employees injured in the years 2011 through 2014. The actual claim costs are ($13,213) (reported in the internal service fund as a reduction of the claims payable). The maintenance of these benefits is accounted for in the retrospective workers' compensation internal service fund.

The incurred but not reported claims, reduced by the City's $13,213 overpayment of claims, of $99,462 have been accrued as a liability at December 31, 2017, based on information and an estimate by the Bureau of Workers' Compensation. The claims liability reported in the retrospective workers' compensation internal service fund at December 31, 2017, 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 2016 and 2017 were as follows:

Year	Balance at Beginning of Year	Current Year Claims	Claim Payments	Change in Workers' Compensation Estimate	Balance at End of Year
2016	$226,922	$263,549	$264,370	$0	$226,101
2017	226,101	0	109,449	(17,190)	99,462

Starting with policy year 2015, the City pays the State Workers' Compensation System a premium based on a rate per $100 of salaries. This rate is calculated based on accident history and administrative costs.

Note 10 – Jointly Governed Organizations

Stark Council of Governments

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

The City appoints a representative and has a membership share based on the percentage of contractual financial contributions to the total funding. Each participant is entitled to vote its percentage share. The board exercises total authority over the operation of the Council including budgeting, appropriating, contracting and designating management. Continued existence of the Council is not dependent on the City's continued participation. The Council does not provide specific financial benefits or impose specific financial burdens on the City. The City did not make any contributions during the year. 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 2017, the City contributed $1,800 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 a regional council of governments pursuant to State statutes. The Council has twenty-four members, consisting of three members appointed by the County Commissioners, four members appointed by municipal corporations, ten members appointed by township trustees, one member from the county auditor's office and six members appointed by boards of education located within the Enterprise Zones of Stark County. The Council'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-two 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 2017, the City contributed $17,810 to the Commission. Complete financial statements may be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

Note 11 – Joint Venture

The City participates in the Local Organized Governments in Cooperation (LOGIC), a statutorily created political subdivision of the State formed in 1986 to provide safety dispatching services. LOGIC is a joint venture among the City, Jackson Township, City of Canal Fulton, and Hills and Dales Village, with each participant providing one representative. Each representative has a membership share based on the percentage of contractual financial contributions to the total funding, and each participant is entitled to vote its percentage share. The Board has total authority over the operation of LOGIC, including budgeting, appropriating, contracting, and designating management. Continued existence of LOGIC is dependent on the City's continued participation. LOGIC does not provide specific financial benefits or impose specific financial burdens on the City. During 2017, the City made contributions of $579,667, but does not have an equity interest in LOGIC. Financial statements of LOGIC may be obtained from Local Organized Governments in Cooperation, Canton, Ohio.

Note 12 – Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Additions	Deductions	Balance 12/31/2017
Governmental Activities				
Capital Assets, not being depreciated				
Land	$10,855,289	$7,500	$0	$10,862,789
Construction in Progress	717,776	962,267	(1,554,301)	125,742
Total Capital Assets, not being depreciated	11,573,065	969,767	(1,554,301)	10,988,531
Capital Assets, being depreciated				
Land Improvements	6,608,958	44,350	0	6,653,308
Buildings and Improvements	15,796,313	112,940	(25,600)	15,883,653
Vehicles	5,544,464	592,302	(30,533)	6,106,233
Machinery and Equipment	5,453,289	274,844	0	5,728,133
Infrastructure	31,544,157	2,883,890	0	34,428,047
Total Capital Assets, being depreciated	64,947,181	3,908,326	(56,133)	68,799,374
Less Accumulated Depreciation:				
Land Improvements	(3,794,282)	(1,566,074)	0	(5,360,356)
Buildings and Improvements	(8,885,267)	(443,195)	0	(9,328,462)
Vehicles	(3,566,262)	(263,407)	3,053	(3,826,616)
Machinery and Equipment	(4,072,736)	(236,535)	0	(4,309,271)
Infrastructure	(15,522,289)	(1,329,701)	0	(16,851,990)
Total Accumulated Depreciation	(35,840,836)	(3,838,912) *	3,053	(39,676,695)
Total Capital Assets being depreciated, Net	29,106,345	69,414	(53,080)	29,122,679
Governmental Activities Capital Assets, Net	$40,679,410	$1,039,181	($1,607,381)	$40,111,210

* Depreciation expense was charged to governmental activities as follows:

General Government	$80,741
Security of Persons and Property	256,373
Public Health and Welfare	283
Leisure Time Activities	2,180,605
Transportation	1,320,910
Total Depreciation Expense	$3,838,912

Capital asset activity for business-type activities for the year ended December 31, 2017, was as follows:

	Balance 12/31/2016	Additions	Deductions	Balance 12/31/2017
Business-Type Activities				
Capital Assets, not being depreciated				
Land	$59,400	$0	$0	$59,400
Construction in Progress	17,140,424	12,251,863	0	29,392,287
Total Capital Assets, not being depreciated	17,199,824	12,251,863	0	29,451,687
Capital Assets, being depreciated				
Buildings and Improvements	7,403,141	35,045	0	7,438,186
Vehicles	1,263,919	353,941	0	1,617,860
Machinery and Equipment	2,540,680	159,459	0	2,700,139
Infrastructure	59,575,074	0	0	59,575,074
Total Capital Assets, being depreciated	70,782,814	548,445	0	71,331,259
Less Accumulated Depreciation:				
Buildings and Improvements	(6,930,663)	(28,254)	0	(6,958,917)
Vehicles	(829,087)	(121,584)	0	(950,671)
Machinery and Equipment	(1,697,758)	(123,700)	0	(1,821,458)
Infrastructure	(21,812,262)	(1,351,122)	0	(23,163,384)
Total Accumulated Depreciation	(31,269,770)	(1,624,660)	0	(32,894,430)
Total Capital Assets being depreciated, Net	39,513,044	(1,076,215)	0	38,436,829
Business-Type Activities Capital Assets, Net	$56,712,868	$11,175,648	$0	$67,888,516

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, will be immaterial.

Litigation

Several claims and lawsuits are pending against the City. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2017.

Note 14 – Defined Benefit Pension Plans

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions – between an employer and its employees – of salaries and benefits for employee services. Pensions 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 liability represents the City's proportionate share of each pension plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan's fiduciary net position. The net pension liability 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 this estimate annually.

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.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description – City employees, other than full-time police, 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 cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. 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 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 plan as per the reduced benefits adopted by SB 343 (see OPERS CAFR referenced as precedes for additional information, including requirements for reduced and unreduced benefits):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	**Group B** 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	**Group C** Members not in other Groups and members hired on or after January 7, 2013
State and Local	**State and Local**	**State and Local**
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	**Age and Service Requirements:** Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
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	**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	**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

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

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

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

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

	State and Local
2017 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2017 Actual Contribution Rates	
Employer:	
Pension	13.0 %
Post-employment Health Care Benefits	1.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was $974,398 for 2017. Of this amount, $97,689 is reported as an intergovernmental payable.

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description – City full-time police participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF 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. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF 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 five 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 OPF CAFR referenced as precedes 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 OPF 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 and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, and members whose pension benefit became effective on or after July 1, 2013, will receive a COLA equal to a percentage of the member's base pension benefit where the percentage is the lesser of three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, rounded to the nearest one-tenth of one percent.

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

	Police	Firefighters
2017 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %
2017 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	0.50	0.50
Total Employer	19.50 %	24.00 %
Employee	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was $1,254,365 for 2017. Of this amount, $132,918 is reported as an intergovernmental payable.

In addition to current contributions, the City pays installments on a specific liability of the City incurred when the State of Ohio established the statewide pension system for police and fire fighters in 1967. As of December 31, 2017, the specific liability of the City was $1,137,879 payable in semi-annual payments through the year 2035.

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

The net pension liability for OPERS was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF's total pension liability was measured as of December 31, 2016, and was determined by rolling forward the total pension liability as of January 1, 2016, to December 31, 2016. The City's proportion of the net pension liability 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:

	OPERS	OPF	Total
Proportion of the Net Pension Liability:			
Current Measurement Date	0.0560180%	0.2740040%	
Prior Measurement Date	0.0550540%	0.2687600%	
Change in Proportionate Share	0.0009640%	0.0052440%	
Proportionate Share of the Net Pension Liability	$12,720,735	$17,355,140	$30,075,875
Pension Expense	$2,687,406	$2,108,652	$4,796,058

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	OPERS	OPF	Total
Deferred Outflows of Resources			
Differences between expected and actual experience	$17,242	$4,910	$22,152
Changes of assumptions	2,017,664	0	2,017,664
Net difference between projected and actual earnings on pension plan investments	1,894,411	1,687,710	3,582,121
Changes in proportion and differences between City contributions and proportionate share of contributions	81,868	236,934	318,802
City contributions subsequent to the measurement date	974,398	1,254,365	2,228,763
Total Deferred Outflows of Resources	$4,985,583	$3,183,919	$8,169,502
Deferred Inflows of Resources			
Differences between expected and actual experience	$75,707	$39,958	$115,665
Changes in proportion and differences between City contributions and proportionate share of contributions	57,819	348,350	406,169
Total Deferred Inflows of Resources	$133,526	$388,308	$521,834

$2,228,763 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 in the year ending December 31, 2018. 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	OPF	Total
Year Ending December 31:			
2018	$1,579,266	$603,778	$2,183,044
2019	1,677,140	603,778	2,280,918
2020	676,783	450,835	1,127,618
2021	(55,530)	(151,702)	(207,232)
2022	0	29,817	29,817
Thereafter	0	4,740	4,740
Total	$3,877,659	$1,541,246	$5,418,905

Actuarial Assumptions – OPERS

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability was determined by an actuarial valuation as of December 31, 2016, using the following actuarial assumptions applied to all periods included in the measurement in accordance with the requirements of GASB 67. In 2016, the OPERS' actuarial consultants conducted an experience study for the period 2011 through 2015, comparing assumptions to actual results. The experience study incorporates both a historical review and forward-looking projections to determine the appropriate set of assumptions to keep the plan on a path toward full funding. Information from this study led to changes in both demographic and economic assumptions, with the most notable being a reduction in the actuarially assumed rate of return from 8.0 percent down to 7.5 percent, for the defined benefit investments. Key methods and assumptions used in the latest actuarial valuations, reflecting experience study results, prepared as of December 31, 2016, compared with December 31, 2015, are presented as follows:

	December 31, 2016	December 31, 2015
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, sinple	3 percent, simple through 2018, then 3.8 percent. Simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

For 2016, mortality rates are based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the previous described tables.

For 2015, mortality rates were based on the RP-2000 Mortality Table projected 20 years using Projection Scale AA. For males, one hundred five percent of the combined healthy male mortality rates were used. For females, one hundred 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, one hundred twenty percent of the disabled female mortality rates were used to set forward two years. For females, one hundred percent of the disabled female mortality rates were used.

The most recent experience study was completed for the five year period ended December 31, 2015. The prior experience study was completed for the five year period ended December 31, 2010.

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

During 2016, OPERS managed investments in four investment portfolios: the Defined Benefit portfolio, the 401(h) Health Care Trust portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The 401(h) Health Care Trust portfolio was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. The Defined Benefit portfolio contains the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. The Defined Benefit portfolio historically included the assets of the Member-Directed retiree medical accounts funded through the VEBA Trust. However, the VEBA Trust was closed as of June 30, 2016 and the net position transferred to the 115 Health Care Trust portfolio on July 1, 2016. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio is 8.3 percent for 2016.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table that follows displays the Board-approved asset allocation policy for 2016 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	23.00 %	2.75 %
Domestic Equities	20.70	6.34
Real Estate	10.00	4.75
Private Equity	10.00	8.97
International Equities	18.30	7.95
Other Investments	18.00	4.92
Total	100.00 %	5.66

Discount Rate The discount rate used to measure the total pension liability for 2016 was 7.5 percent. The discount rate for 2015 was 8 percent. 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 statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City's proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.50 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent) or one percentage point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
City's proportionate share of the net pension liability	$19,433,765	$12,720,735	$7,126,610

Actuarial Assumptions – OPF

OPF's total pension liability as of December 31, 2016, is based on the results of an actuarial valuation date of January 1, 2016, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2016, are presented as follows:

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

Rates of death are 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.

The most recent experience study was completed January 1, 2012.

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 expectation. 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 OPF's target asset allocation as of December 31, 2016, are summarized as follows:

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

Note: Assumptions are geometric.
* levered 2x

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

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

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 8.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.25 percent), or one percentage point higher (9.25 percent) than the current rate.

	1% Decrease (7.25%)	Current Discount Rate (8.25%)	1% Increase (9.25%)
City's proportionate share of the net pension liability	$23,114,988	$17,355,140	$12,473,588

Changes between Measurement Date and Report Date

In October 2017, the OPF Board adopted certain assumption changes which will impact their annual actuarial valuation prepared as of January 1, 2017. The most significant change is a reduction in the discount rate from 8.25 percent to 8 percent. Although the exact amount of these changes is not known, it has the potential to impact the City's net pension liability.

Note 15 – Post-Employment Benefits

Ohio Public Employees Retirement System

Plan Description – The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional 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 to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45. See OPERS' CAFR referenced as follows for additional information.

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

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

Funding Policy – The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2017, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by the Ohio Revised Code. Active member contributions do not fund health care.

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

Substantially all of the City's contribution allocated to fund post-employment health care benefits relates to the cost-sharing, multiple employer trusts. The corresponding contribution for the years ended December 31, 2017, 2016, and 2015 was $74,954, $144,830, and $137,029, respectively. For 2017, 89.97 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

Ohio Police and Fire Pension Fund

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

OPF provides access to postretirement health care coverage for any person who receives or is eligible to receive a monthly service, disability, or statutory survivor benefit, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Postemployment Benefit (OPEB) as described in Government Accounting Standards Board (GASB) Statement No. 45.

The Ohio Revised Code allows, but does not mandate, OPF to provide OPEB benefits. Authority for the OPF 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.

OPF 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 OPF 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 OPF defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as a percentage of payroll of active pension plan members, currently 19.5 percent of covered payroll for police. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2017, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OPF 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 contribution to OPF for the years ended December 31, 2017, 2016, and 2015 were $1,283,747, $1,279,570, and $1,268,237, respectively, of which $29,382, $29,327, and $29,099, respectively, was allocated to the healthcare plan. For 2017, 89.51 percent has been contributed for both police and firefighters with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2016 and 2015.

Note 16 – Long-Term Obligations

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

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

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

	Balance 12/31/2016	Issued	Retired	Balance 12/31/2017	Amounts Due in One Year
Governmental Activities:					
General Obligation Bonds:					
Park and Recreation Bonds - 2002	$3,955,000	$0	$0	$3,955,000	$0
Golf Course Construction Refunding Bonds - 2002					
Serial Bonds	4,750,000	0	(330,000)	4,420,000	345,000
Unamortized Discount	(23,418)	0	2,756	(20,662)	0
Marketplace Infrastructure TIF Bonds - 2004					
Serial Bonds	790,000	0	(100,000)	690,000	105,000
Lincoln Center Phase III Bonds - 2007					
Term Bonds	1,455,000	0	0	1,455,000	0
Capital Appreciation Bonds	116,451	0	(60,644)	55,807	55,807
Accretion on Bonds	130,936	21,445	(79,356)	73,025	73,025
Various Purpose Improvement Refunding Bonds - 2012A					
Serial Bonds	5,695,000	0	(515,000)	5,180,000	575,000
Unamortized Discount	(48,176)	0	4,818	(43,358)	0
Various Purpose Improvement Refunding Bonds - 2012B	780,000	0	(80,000)	700,000	85,000
Total General Obligation Bonds	17,600,793	21,445	(1,157,426)	16,464,812	1,238,832
Loans Payable:					
OPWC Loan - 2006	235,079	0	(24,632)	210,447	24,632
OPWC Loan - Hankins Road - 2014	530,759	0	(18,302)	512,457	18,302
OPWC Loan - 9th St. Improvement - 2014	442,218	0	(15,249)	426,969	15,249
OPWC Loan - Levee Infrastructure - 2014	572,093	0	(19,393)	552,700	19,393
HUD Section 108 Loan - 1999	1,195,000	0	(110,000)	1,085,000	120,000
Total Loans Payable	2,975,149	0	(187,576)	2,787,573	197,576
Other Long-Term Obligations:					
Police and Fireman's Pension Liability	1,181,129	0	(43,250)	1,137,879	45,107
Judgment Payable	280,000	0	(70,000)	210,000	70,000
Capital Leases Payable	108,027	31,210	(67,289)	71,948	51,773
Compensated Absences	2,806,606	10,318	(502,832)	2,314,092	215,086
Claims Payable	116,652	0	(17,190)	99,462	78,564
Total Other Long-Term Obligations	4,492,414	41,528	(700,561)	3,833,381	460,530
Net Pension Liability:					
OPERS	7,533,477	2,643,111	0	10,176,588	0
OPF	17,289,519	65,621	0	17,355,140	0
Total Net Pension Liability	24,822,996	2,708,732	0	27,531,728	0
Total Governmental Activities	$49,891,352	$2,771,705	($2,045,563)	$50,617,494	$1,896,938

	Balance 12/31/2016	Issued	Retired	Balance 12/31/2017	Amounts Due in One Year
Business-Type Activities:					
Loans Payable:					
OWDA Loans Payable:					
WPCL Fothergill Loan - 1999	$328,734	$0	($89,536)	$239,198	$92,980
WWTP Upgrade OWDA Phase I - 2002	2,481,470	0	(317,513)	2,163,957	321,526
WWTP Upgrade OWDA Phase II - 2002	14,646,064	0	(1,871,549)	12,774,515	1,895,931
WWTP Nutrient Removal Upgrade - 2014	11,095,885	13,344,264	0	24,440,149	0
WWTP Nutrient Removal Equipment Procurement HAB - 2015	3,160,257	179,955	0	3,340,212	0
Total OWDA Loans Payable	31,712,410	13,524,219	(2,278,598)	42,958,031	2,310,437
OPWC Loans Payable:					
Levee Infrastructure Improvement Loan - 2014	549,658	0	(18,632)	531,026	18,632
Hankins Road - 2014	509,944	0	(17,584)	492,360	17,584
9th Street Improvement - 2014	424,876	0	(14,651)	410,225	14,651
Total OPWC Loans Payable	1,484,478	0	(50,867)	1,433,611	50,867
Total Loans Payable	33,196,888	13,524,219	(2,329,465)	44,391,642	2,361,304
Other Long-Term Obligations:					
Capital Leases	87,395	329,228	(113,345)	303,278	105,880
Compensated Absences	302,048	26,545	(8,335)	320,258	6,043
Total Other Long-Term Obligations	389,443	355,773	(121,680)	623,536	111,923
Net Pension Liability - OPERS:					
Wastewater	2,002,570	541,577	0	2,544,147	0
Total Business-Type Activities	$35,588,901	$14,421,569	($2,451,145)	$47,559,325	$2,473,227

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

On November 1, 2002, the City issued $7,281,233 in general obligation bonds with an average interest rate of 4.3 percent to advance refund $2,510,000 of outstanding golf course construction refunding series bonds with an average interest rate of 5.2 percent. The net proceeds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments on the golf course refunding series bonds. As a result, the golf construction refunding series bonds are considered to be defeased and the liability for those bonds has been removed from the financial statements.

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

The capital appreciation bonds were originally sold at a discount of $235,002, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2016 through 2018. The maturity amount of outstanding capital appreciation bonds at December 31, 2017, is $140,000. The accretion recorded for 2017 was $21,445, for a total outstanding bond liability at year end of $128,832.

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

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

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

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

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

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

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

The bonds were sold at a discount of $72,265. Proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt payments on the various purpose refunding bonds. As a result, $7,570,000 of these bonds was considered defeased and the liability for the refunded bonds has been removed from the City's financial statements. On December 31, 2017, $5,135,000 of the defeased bonds are still outstanding.

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

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

The City had received a Section 108 loan from the U.S. Department of Housing and Urban Development (HUD) with the principal amount being $2,250,000, and the City in turn loaned the proceeds to the Downtown Massillon Hotel, Ltd. (Developer). The City required that the Developer's loan be structured in such a manner that the Developer's repayment obligations would not be less than the City's annual Section 108 debt obligation to HUD. HUD arrangements require the City to pledge to HUD its present and future Community Development Block Grants (CDBG), whereas HUD may withhold CDBG funds from the City and apply funds to the repayment of the City's obligations, if not met. In 2014, the City entered an agreement to release them as the mortgagee to the Developer. In the agreement, the City received payment of $1,400,000. These monies sit in an account with fiscal agents and will be used to pay down the loan as payments come due.

The City also entered into agreements with the Ohio Water Development Authority (OWDA) to upgrade and expand the City's wastewater treatment facility. The agreements provided loan proceeds which were received by the City and used to fund the projects. The debt proceeds will be repaid by wastewater service charges semi-annually over 20 years at varying interest rates. Under the terms of the agreements, the OWDA reimburses or directly pays the construction costs of the approved projects. The OWDA capitalizes administrative costs and construction interest and adds them to the total of each loan.

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

The City has pledged future revenues, net of operating expenses, to repay OWDA and OPWC loans in the wastewater fund. The debt is payable solely from net revenues and is payable through 2046. Annual principal and interest payments on the debt issues are expected to require about 90 percent of net revenues and about 27 percent of total revenues. The total principal and interest remaining to be paid on the debt is $17,305,069. The amount of principal and interest paid in the current year was $2,552,346. Net revenues available were $2,827,263 and total revenues were $9,301,230.

There is no repayment schedule for the net pension liability. However, employer pension contributions are made from the general fund, the street construction, maintenance, and repair, community development, WIC program, and parks and recreation special revenue funds, and the wastewater enterprise fund. For additional information related to the net pension liability, see Note 14. Compensated absences will be paid from the general fund and the street construction maintenance and repair, community development, WIC program, and parks and recreation special revenue funds, and wastewater enterprise fund, which are funds from which the employees' salaries are paid.

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

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

The City's overall debt margin was $42,240,596 and the unvoted legal debt margin was $13,729,616 at December 31, 2017. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2017, are as follows:

	Governmental Activities					
	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	$1,110,000	$670,357	$0	$0	$55,807	$84,193
2019	940,000	625,852	135,000	58,881	0	0
2020	980,000	588,681	145,000	53,481	0	0
2021	1,010,000	548,451	150,000	47,681	0	0
2022	1,055,000	506,609	155,000	41,681	0	0
2023-2027	5,085,000	1,858,507	870,000	110,144	0	0
2028-2031	4,765,000	600,483	0	0	0	0
Totals	$14,945,000	$5,398,940	$1,455,000	$311,868	$55,807	$84,193

	Governmental Activities		
	OPWC Loans	HUD Section 108 Loan	
	Principal	Principal	Interest
2018	$77,576	$120,000	$35,589
2019	77,576	965,000	31,845
2020	77,576	0	0
2021	77,575	0	0
2022	77,575	0	0
2023-2027	352,009	0	0
2028-2032	264,720	0	0
2033-2037	264,720	0	0
2038-2042	264,720	0	0
2043-2046	168,526	0	0
Totals	$1,702,573	$1,085,000	$67,434

	Business-Type Activities		
	OWDA Loans		OPWC Loans
	Principal	Interest	Principal
2018	$2,310,437	$191,909	$50,867
2019	2,342,794	160,454	50,867
2020	2,325,066	128,507	50,867
2021	2,304,968	98,348	50,867
2022	2,334,932	68,537	50,867
2023-2027	3,559,473	46,033	254,335
2028-2032	0	0	254,336
2033-2037	0	0	254,340
2038-2042	0	0	254,345
2043-2046	0	0	161,920
Totals	$15,177,670	$693,788	$1,433,611

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

The balances of these loans are as follows:

	Balance December 31, 2017	Lines of Credit
OWDA Loans Not Finalized:		
City of Massillon Wastewater District:		
WWTP Nutrient Removal Upgrade	$24,440,149	$31,864,730
WWTP Nutrient Removal - Equipment Procurement HAB	3,340,212	4,585,350
Total OWDA Loans Not Finalized	$27,780,361	$36,450,080

Note 17 – Leases

Capital Leases

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

The assets acquired through the capital leases are as follows:

	Governmental Activities			Business-Type Activities		
	Mower	Police Cruisers	Total	Sewer Cleaner	Vactor	Total
Asset:						
Equipment	$31,210	$0	$31,210	$0	$0	$0
Vehicles	0	90,777	90,777	290,977	329,228	620,205
Less: Accumulated depreciation	(2,081)	(18,155)	(20,236)	(96,992)	(32,923)	(129,915)
Total	$29,129	$72,622	$101,751	$193,985	$296,305	$490,290

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

	Governmental Activities				
	Copiers	Mower	Exercise Equipment	Police Cruisers	Total
2018	$1,498	$6,629	$15,067	$31,495	$54,689
2019	0	7,086	0	0	7,086
2020	0	7,086	0	0	7,086
2021	0	7,086	0	0	7,086
2022	0	590	0	0	590
Total Minimum Lease Payment	1,498	28,477	15,067	31,495	76,537
Less: Amount Representing Interest	(27)	(2,867)	(443)	(1,252)	(4,589)
Present Value of Minimum Lease Payment	$1,471	$25,610	$14,624	$30,243	$71,948

	Business-Type Activities		
	Sewer Cleaner	Vactor	Total
2018	$45,349	$70,145	$115,494
2019	0	70,189	70,189
2020	0	70,189	70,189
2021	0	70,189	70,189
Total Minimum Lease Payment	45,349	280,712	326,061
Less: Amount Representing Interest	(1,110)	(21,673)	(22,783)
Present Value of Minimum Lease Payment	$44,239	$259,039	$303,278

Operating Leases

In prior years, the City entered into an operating lease with PNC Equipment Finance, LLC, for golf carts, and with DLL Financial Solutions, for golf course mowers. The City paid $137,400 on the leases in 2017.

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, 2017:

Fiscal Year	Golf Carts Lease	Mowers Lease	Total
2018	$89,400	$48,000	$137,400
2019	89,400	48,000	137,400
2020	89,400	48,000	137,400
2021	89,400	8,000	97,400
Total	$357,600	$152,000	$509,600

Note 18 – Internal Activity

Interfund Transfers

	Transfers In		
Transfers Out	Other Governmental Funds	Internal Service Fund	Total
General	$1,369,278	$125,000	$1,494,278
Other Governmental Funds	81,319	0	81,319
Total	$1,450,597	$125,000	$1,575,597

During the year ended December 31, 2017, the City made interfund transfers totaling $1,369,278 from the general fund to the internal service fund and other governmental funds. The transfers to the other governmental funds and the internal service funds were made to support the operations of special revenue funds, as well as amounts for debt payments, and amounts for workers' compensation claims.

Internal Balances – Change in Proportionate Share

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

Eliminations made in the total column of the entity wide statement of net position include deferred outflows of resources for the governmental activities and deferred inflows of resources for the business-type activities in the amount of $30,383.

Note 19 – 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, Wastewater Department, 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, Wastewater Department, 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

In 2017, the City provided health insurance to its employees through the Health Plan/Hometown. Dental and vision insurance was provided through AFSCME. For 2017, the City's portion of monthly premiums for health insurance for single and for family was $444.08 and $1,376.67, respectively, for the HMO plan, and $519.76 and $1,611.26, respectively, for the PPO plan. The City's portion of monthly insurance premiums was $47.60 for dental insurance and $13.81 for vision insurance. The City also provides, at no cost to the employees, $10,000 of term life insurance through the Standard Insurance Company for all employees except police, who receive $50,000 of term life insurance.

Note 20 – Significant Commitments

Encumbrances

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

General	$840,868
Street Construction	133,551
Parks and Recreation	102,424
Other Governmental Funds	219,785
Wastewater	1,576,136
Total	$2,872,764

Note 21 – Fund Balances

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

Fund Balances	General	Street Construction	Parks and Recreation	Other Governmental Funds	Total
Nonspendable:					
Inventory	$99,784	$0	$17,298	$0	$117,082
Prepaids	151,345	11,617	20,272	5,709	188,943
Unclaimed Monies	68,011	0	0	0	68,011
Total Nonspendable	319,140	11,617	37,570	5,709	374,036
Restricted for:					
Street Maintenance	0	1,208,755	0	385,499	1,594,254
Court Operations	0	0	0	411,628	411,628
Police Department	0	0	0	726,431	726,431
Debt Service	0	0	0	388,864	388,864
Economic Development	0	0	0	1,152,566	1,152,566
Community Development	0	0	0	32,671	32,671
Public Health and Welfare	0	0	0	88,549	88,549
Capital Improvements	0	0	0	982,204	982,204
Community Improvement	0	0	0	74,582	74,582
Other Purposes	0	0	0	1,050	1,050
Total Restricted	0	1,208,755	0	4,244,044	5,452,799
Committed to:					
Police and Fire Departments	47,056	0	0	0	47,056
Street Maintenance	65,249	0	0	0	65,249
Leisure Time Activities	0	0	936,399	69,112	1,005,511
Police Department	0	0	0	35,731	35,731
Fines and Forfeitures	0	0	0	63,860	63,860
Economic Development	0	0	0	113,516	113,516
Debt Service	0	0	0	1,212,890	1,212,890
Capital Improvements	0	0	0	456,704	456,704
Streetscape Project	0	0	0	11,000	11,000
Total Committed	112,305	0	936,399	1,962,813	3,011,517
Assigned to:					
Purchases on Order:					
City Administration	159,111	0	0	0	159,111
Court Operations	18,805	0	0	0	18,805
Engineering and Building Services	35,243	0	0	0	35,243
Police and Fire Departments	151,031	0	0	0	151,031
Street Maintenance	3,287	0	0	0	3,287
2018 Operations	957,999	0	0	0	957,999
Capital Improvements	0	0	0	104,621	104,621
Parking Enforcement	7,362	0	0	0	7,362
Community and Economic Development	17,576	0	0	0	17,576
Total Assigned	1,350,414	0	0	104,621	1,455,035
Unassigned (Deficit)	5,180,035	0	0	(146,451)	5,033,584
Total Fund Balances	$6,961,894	$1,220,372	$973,969	$6,170,736	$15,326,971

Note 22 – Fiscal Emergency

In accordance with Section 118.03, Ohio Revised Code, the City was placed in fiscal emergency by the Auditor of State's office on October 8, 2013. The declaration resulted in the establishment of a financial planning and supervision commission. The Commission is composed of a representative of the Office of Budget and Management, a representative of the Treasurer of State, the City mayor, the president of City council, and three individuals appointed by the Governor who are residents of the City and meet certain criteria. In accordance with Section 118.06 of the Ohio Revised Code, the City is required to submit to the Commission a financial recovery plan for the City which outlines the measures to be taken to eliminate the fiscal emergency conditions. A city is placed into fiscal emergency when any one of six conditions is present. For the City of Massillon, one of the six conditions was present at the date of the Auditor of State's determination. The condition present in the City was deficit fund balances. Under Section 118.03(A)(5) of the Revised code, the aggregate sum of all deficit funds at the end of the preceding fiscal year, less any transferable balance in the general fund and in any special revenue fund that exceed one-sixth of the general fund budget and the receipts of the deficit funds is a fiscal emergency condition. As of December 31, 2012, the City had deficit fund balances in the following funds: forfeited fund, income tax – capital improvements fund, and the OPWC projects fund. The Auditor of State's calculation determined the total unprovided portion of aggregate deficit funds was $518,182 for the year ended December 31, 2012. On April 27, 2017, the Auditor of State's office terminated the City of Massillon from fiscal emergency.

Note 23 – Subsequent Event

On January 5, 2018, Affinity Medical Center, who owned and operated the general acute care hospital, announced its plan to close the hospital, effective February 4, 2018. Following litigation and a settlement agreement between Affinity Hospital and the City, approved by Council, the City took ownership and title of the hospital, several health care facilities, medical equipment, furniture, and fixtures as of May 16, 2018, for $1. The estimated monthly costs for all properties, leases, taxes, and other possible related expenditures are $200,000, which will be funded through the general fund. The City is in negotiations for a new owner and operator of the hospital, and the City plans to sell properties that are not located on the hospital campus. In addition to these plans, the City is working to sub-lease, reduce, or terminate all lease obligations for any property and equipment currently being leased.

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Required Supplementary Information

City of Massillon, Ohio

Required Supplementary Information

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

Ohio Public Employees Retirement System - Traditional Plan

*Last Four Years (1) **

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.0560180%	0.0550540%	0.0564030%	0.0564030%
City's Proportionate Share of the Net Pension Liability	$12,720,735	$9,536,047	$6,802,833	$6,649,179
City's Covered Payroll	$7,241,500	$6,851,467	$6,915,008	$6,977,329
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	175.66%	139.18%	98.38%	95.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	77.25%	81.08%	86.45%	86.36%

(1) Although this schedule is intended to reflect 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.

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 Four Years (1) **

	2017	2016	2015	2014
City's Proportion of the Net Pension Liability	0.2740040%	0.2687600%	0.2791415%	0.2791415%
City's Proportionate Share of the Net Pension Liability	$17,355,140	$17,289,519	$14,460,694	$13,595,067
City's Covered Payroll	$5,865,422	$5,819,720	$5,479,273	$6,334,725
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	295.89%	297.09%	263.92%	214.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	68.36%	66.77%	71.71%	73.00%

(1) Although this schedule is intended to reflect 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.

City of Massillon, Ohio

Required Supplementary Information
Schedule of the City's Contributions
Ohio Public Employees Retirement System - Traditional Plan
Last Five Years (1)

	2017	2016	2015	2014	2013
Contractually Required Contribution	$974,398	$868,980	$822,176	$829,801	$907,053
Contributions in Relation to the Contractually Required Contribution	(974,398)	(868,980)	(822,176)	(829,801)	(907,053)
Contribution Deficiency (Excess)	$0	$0	$0	$0	$0
City Covered Payroll	$7,495,369	$7,241,500	$6,851,467	$6,915,008	$6,977,329
Contributions as a Percentage of Covered Payroll	13.00%	12.00%	12.00%	12.00%	13.00%

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

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

	2017	2016	2015	2014
Contractually Required Contribution	$1,254,365	$1,250,243	$1,239,138	$1,168,189
Contributions in Relation to the Contractually Required Contribution	(1,254,365)	(1,250,243)	(1,239,138)	(1,168,189)
Contribution Deficiency (Excess)	$0	$0	$0	$0
City Covered Payroll	$5,876,511	$5,865,422	$5,819,720	$5,479,273
Contributions as a Percentage of Covered Payroll	21.35%	21.32%	21.29%	21.32%

2013	2012	2011	2010	2009	2008
$1,158,623	$863,008	$875,018	$827,512	$837,115	$849,408
(1,158,623)	(863,008)	(875,018)	(827,512)	(837,115)	(849,408)
$0	$0	$0	$0	$0	$0
$6,334,725	$5,731,190	$5,856,873	$5,529,132	$5,601,176	$5,679,302
18.29%	15.06%	14.94%	14.97%	14.95%	14.96%

Changes in Assumptions – OPERS

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

	December 31, 2017	December 31, 2016 and Prior
Wage Inflation	3.25 percent	3.75 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA:		
Pre-January 7, 2013 Retirees	3 percent, simple	3 percent, simple
Post-January 7, 2013 Retirees	3 percent, simple through 2018, then 2.15 percent, simple	3 percent, simple through 2018, then 2.8 percent, simple
Investment Rate of Return	7.5 percent	8 percent
Actuarial Cost Method	Individual Entry Age	Individual Entry Age

Amounts reported for 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality table. For males, Healthy Annuitant Mortality tables were used, adjusted for mortality improvement back to the observation period base of 2006 and then established the base year as 2015. For females, Healthy Annuitant Mortality tables were used, adjusted for mortality improvements back to the observation period base year of 2006 and then established the base year as 2010. The mortality rates used in evaluating disability allowances were based on the RP-2014 Disabled mortality tables, adjusted for mortality improvement back to the observation base year of 2006 and then established the base year as 2015 for males and 2010 for females. Mortality rates for a particular calendar year for both healthy and disabled retiree mortality tables are determined by applying the MP-2015 mortality improvement scale to the preceding 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
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Department of Agriculture				
(Passed through Ohio Department of Health)				
Special Supplemental Nutrition Program for Women Infants and Children	10.557	01-76201FCL389	$ -	$ 132,537
Total U.S. Department of Agriculture				132,537
U.S. Department of Housing and Urban Development				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/ Entitlement Grants	14.218		10,000	582,883
(Passed through Stark County HOME Consortium)				
HOME Investment Partnerships Program	14.239	M-16-DC-39-0204	-	166,695
Total U.S. Department of Housing and Urban Development				749,578
U.S. Department of Homeland Security				
(Passed through Ohio Department of Public Safety)				
Assistance to Firefighters Program FEMA Grant / Heart Monitors	97.044	EMW-2016-FO-02497	-	133,793
Total U.S. Department of Justice				133,793
U.S. Department of Justice				
(Passed through Ohio Department of Public Safety)				
Violence Against Women Formula Grants	16.588	2016-WF-VA2-8225	-	65,997
Total U.S. Department of Justice				65,997
U.S. Department of Transportation				
(Passed through Ohio Department of Transportation)				
Highway Planning and Construction Cluster:				
Highway Planning and Construction Program	20.205	PID 86562	-	58,292
Total U.S. Department of Transportation				58,292
Total			$ 10,000	$ 1,140,197

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, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C – MATCHING REQUIREMENTS

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

CLARK SCHAEFER HACKETT
CPAs & ADVISORS

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, 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, 2017, 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, 2018, wherein we noted the Auditor of State placed the City in fiscal emergency.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 27, 2018

CLARK SCHAEFER HACKETT
CPAS & ADVISORS

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

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for the Major Federal Program

We have audited the City of Massillon, Ohio's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 27, 2018

City of Massillon, Ohio
Schedule of Findings and Questioned Costs
Year Ended December 31, 2017

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

CFDA 14.218 – Community Development Block Grants/Entitlement Grants Cluster

Dollar threshold to distinguish between Type A and Type B Programs:	$750,000
Auditee qualified as low-risk auditee?	no

Section II - Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

None

Dave Yost • Auditor of State

CITY OF MASSILLON

STARK COUNTY

CLERK'S CERTIFICATION

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

Susan Babbitt

CLERK OF THE BUREAU

CERTIFIED
AUGUST, 21 2018