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## **CITY OF MASSILLON**

Basic Financial Statements

Year Ended December 31, 2015

With Independent Auditors' Report





# Dave Yost • Auditor of State

City Council  
City of Massillon  
One James Duncan Plaza  
Massillon, Ohio 44646

We have reviewed the *Independent Auditor's Report* of the City of Massillon, Stark County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2015 through December 31, 2015. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

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

A handwritten signature in black ink that reads "Dave Yost".

Dave Yost  
Auditor of State

July 28, 2016

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Massillon, Ohio (the "City"), as of and for the year ended December 31, 2015, 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.

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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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and Parks and Recreation Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Effect of Adopting New Accounting Standards***

As discussed in Note 3, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Our opinions are not modified with the respect to this matter.

### ***Emphasis of Matter***

As discussed in Note 21, the City was placed in fiscal emergency by the Auditor of State's office on October 8, 2013.

### ***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 22, 2016 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 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 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 22, 2016



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*Unaudited*

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The discussion and analysis of the City of Massillon's financial performance provides an overall review of the City's financial activities for the year ended December 31, 2015. 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 2015 are as follows:

- Entity-wide net position increased in 2015 due to an increase in revenues, mainly income tax general revenue and operating grants and contributions program revenue, offset by an increase in expenses, primarily transportation expense.
- The fund balance of the general fund increased in 2015 due to an increase in income tax revenue, partly offset by an increase in transportation expenditures. The increase in general fund transportation expenditures was mainly due to the Millennium Boulevard extension project.
- The City implemented GASB 68 and GASB 71, which establish standards for measuring and recognizing pension liabilities, deferred outflows/inflows of resources, and expenses. The implementation of these GASB statements resulted in a significant change to the financial statements for the City.

**Using This Annual Financial Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are prepared and organized so the reader can understand the City of Massillon as a financial whole or as an entire operating entity. The statements provide a detailed look at the City's specific financial conditions.

The Statement of Net Position and Statement of Activities provide information about the activities of the whole City, presenting both an aggregate view of the City's finances and a longer-term view of those assets. Major fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short term as well as what dollars remain for future spending. The fund financial statements also look at the City's most significant funds with all other non-major funds presented in total in one column. In the case of the City, there are two 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 2015?" 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.

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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 and the parks and recreation fund. An analysis of the City's major governmental funds begins on page 10.

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

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**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 2015 compared to 2014.

Table 1  
Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	Restated 2014	2015	Restated 2014	2015	Restated 2014
<b>Assets</b>						
Current and Other Assets	\$18,921,997	\$15,571,740	\$23,564,217	\$22,491,859	\$42,486,214	\$38,063,599
Capital Assets, Net	39,455,933	39,289,006	43,300,643	44,510,954	82,756,576	83,799,960
<i>Total Assets</i>	<u>58,377,930</u>	<u>54,860,746</u>	<u>66,864,860</u>	<u>67,002,813</u>	<u>125,242,790</u>	<u>121,863,559</u>
<b>Deferred Outflows of Resources</b>						
Deferred Charge on Refunding	298,911	329,581	0	0	298,911	329,581
Pension	2,798,652	1,823,732	248,883	174,258	3,047,535	1,997,990
<i>Total Deferred Outflows of Resources</i>	<u>3,097,563</u>	<u>2,153,313</u>	<u>248,883</u>	<u>174,258</u>	<u>3,346,446</u>	<u>2,327,571</u>
<b>Liabilities</b>						
Current and Other Liabilities	1,368,443	2,222,375	380,210	1,159,428	1,748,653	3,381,803
Long-Term Liabilities:						
Due Within One Year	1,747,784	1,506,510	2,335,837	2,268,876	4,083,621	3,775,386
Due in More Than One Year:						
Net Pension Liability	19,834,931	18,847,918	1,428,596	1,396,328	21,263,527	20,244,246
Other Amounts	24,968,269	25,354,284	21,186,942	22,357,052	46,155,211	47,711,336
<i>Total Liabilities</i>	<u>47,919,427</u>	<u>47,931,087</u>	<u>25,331,585</u>	<u>27,181,684</u>	<u>73,251,012</u>	<u>75,112,771</u>
<b>Deferred Inflows of Resources</b>						
Property Taxes	1,477,639	1,385,916	0	0	1,477,639	1,385,916
Payment in Lieu of Taxes	605,388	451,126	0	0	605,388	451,126
Pension	94,414	0	25,098	0	119,512	0
<i>Total Deferred Inflows of Resources</i>	<u>2,177,441</u>	<u>1,837,042</u>	<u>25,098</u>	<u>0</u>	<u>2,202,539</u>	<u>1,837,042</u>
<b>Net Position</b>						
Net Investment in Capital Assets	18,758,653	18,667,500	31,392,386	31,048,759	50,151,039	49,716,259
Restricted:						
Capital Projects	1,714,739	1,320,506	0	0	1,714,739	1,320,506
Transportation	1,672,206	1,259,561	0	0	1,672,206	1,259,561
Economic Development	657,423	718,088	0	0	657,423	718,088
Security Services	306,716	0	0	0	306,716	0
Other Purposes	744,162	632,672	0	0	744,162	632,672
Unclaimed Monies	23,833	22,196	0	0	23,833	22,196
Unrestricted	(12,499,107)	(15,374,593)	10,364,674	8,946,628	(2,134,433)	(6,427,965)
<i>Total Net Position</i>	<u>\$11,378,625</u>	<u>\$7,245,930</u>	<u>\$41,757,060</u>	<u>\$39,995,387</u>	<u>\$53,135,685</u>	<u>\$47,241,317</u>

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During 2015, the City adopted GASB Statement 68, "Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement 27," which significantly revises accounting for pension costs and liabilities. For reasons discussed below, 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.

Under the new standards required by GASB 68, the net pension liability equals 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.

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

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As a result of implementing GASB 68, the City is reporting a net pension liability and deferred inflows/outflows of resources related to pension on the accrual basis of accounting. This implementation, as well as other restatements which are detailed in the notes to the financial statements, had the effect of restating net position at December 31, 2014, from \$24,495,046 to \$7,245,930 for governmental activities and from \$41,217,457 to \$39,995,387 for business-type activities.

For governmental activities, assets and net position increased while liabilities remained comparable with 2014. The increase in assets was due to increases in equity in pooled cash and cash equivalents and income taxes receivable. The large increase in equity in pooled cash and cash equivalents resulted from revenues significantly outpacing expenses, although revenues, mainly income tax and intergovernmental revenues, and expenses, mainly transportation expense, both increased from 2014.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. The small decrease in capital assets was due to depreciation expense outpacing capital asset acquisitions. 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, 2015, was \$18,758,653. 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 2015 from 2014. The increase in the net position was primarily due to an increase in equity in pooled cash and cash equivalents and a decrease in long-term liabilities resulting from the paying down of debt. Current liabilities also decreased due to a decrease in contracts payable. Although both revenues and expenses increased from 2014, 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, 2015, compared to 2014.

Table 2  
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program Revenues:						
Charges for Services, Sales and Assessments	\$6,340,036	\$6,330,865	\$8,942,860	\$8,140,425	\$15,282,896	\$14,471,290
Operating Grants and Contributions	4,431,216	3,375,218	0	0	4,431,216	3,375,218
Capital Grants and Contributions	614,729	1,665,183	1,131,217	635,118	1,745,946	2,300,301
Total Program Revenues	11,385,981	11,371,266	10,074,077	8,775,543	21,460,058	20,146,809
General Revenues:						
Property Taxes	1,455,170	1,423,254	0	0	1,455,170	1,423,254
Income Taxes	18,174,013	16,183,295	0	0	18,174,013	16,183,295
Intergovernmental	693,745	1,326,656	0	0	693,745	1,326,656
Payment in Lieu of Taxes	540,800	464,545	0	0	540,800	464,545
Interest	15,805	13,587	0	0	15,805	13,587
Other	185,175	655,202	10,675	31,911	195,850	687,113
Total General Revenues	21,064,708	20,066,539	10,675	31,911	21,075,383	20,098,450
Total Revenues	\$32,450,689	\$31,437,805	\$10,084,752	\$8,807,454	\$42,535,441	\$40,245,259

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Table 2  
Changes in Net Position (continued)

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Program Expenses</b>						
Governmental Activities:						
General Government	\$6,496,752	\$6,802,588	\$0	\$0	\$6,496,752	\$6,802,588
Security of Persons and Property	10,443,800	10,224,535	0	0	10,443,800	10,224,535
Transportation	4,791,235	2,891,780	0	0	4,791,235	2,891,780
Public Health and Welfare	623,101	635,108	0	0	623,101	635,108
Leisure Time Activities	3,836,496	3,853,292	0	0	3,836,496	3,853,292
Basic Utility Service	2,989	4,281	0	0	2,989	4,281
Economic Development and Assistance	1,011,934	597,724	0	0	1,011,934	597,724
Urban Redevelopment and Housing	106,809	78,911	0	0	106,809	78,911
Interest and Fiscal Charges	1,004,878	1,074,692	0	0	1,004,878	1,074,692
Wastewater	0	0	8,323,079	6,501,222	8,323,079	6,501,222
Total Expenses	<u>28,317,994</u>	<u>26,162,911</u>	<u>8,323,079</u>	<u>6,501,222</u>	<u>36,641,073</u>	<u>32,664,133</u>
Increase (Decrease) in Net Position	4,132,695	5,274,894	1,761,673	2,306,232	5,894,368	7,581,126
Net Position Beginning of Year, Restated	<u>7,245,930</u>	N/A	<u>39,995,387</u>	N/A	<u>47,241,317</u>	N/A
Net Position End of Year	<u>\$11,378,625</u>	<u>\$7,245,930</u>	<u>\$41,757,060</u>	<u>\$39,995,387</u>	<u>\$53,135,685</u>	<u>\$47,241,317</u>

The information necessary to restate the 2014 beginning balances and the 2014 pension expense amounts for the effects of the initial implementation of GASB 68 is not available. Therefore, 2014 functional expenses still include pension expense of \$1,997,990 computed under GASB 27. GASB 27 required recognizing pension expense equal to the contractually required contributions to the plan. Under GASB 68, pension expense represents additional amounts earned, adjusted by deferred inflows/outflows. The contractually required contribution is no longer a component of pension expense. Under GASB 68, the 2015 statements report pension expense of \$2,150,562. Consequently, in order to compare 2015 total program expenses to 2014, the following adjustments are needed:

	Governmental Activities	Business-Type Activities	Total
Total 2015 program expenses under GASB 68	\$28,317,994	\$8,323,079	\$36,641,073
Pension expense under GASB 68	(1,995,164)	(155,398)	(2,150,562)
2015 contractually required contribution	<u>1,888,657</u>	<u>172,657</u>	<u>2,061,314</u>
Adjusted 2015 program expenses	28,211,487	8,340,338	36,551,825
Total 2014 program expenses under GASB 27	<u>26,162,911</u>	<u>6,501,222</u>	<u>32,664,133</u>
Increase in program expenses not related to pension	<u>\$2,048,576</u>	<u>\$1,839,116</u>	<u>\$3,887,692</u>

**Governmental Activities**

The net position of governmental activities increased in 2015 because revenues exceeded expenses, although the increase in expenses, mainly transportation expense, exceeded the increase in revenues, mainly income taxes and operating grants and contributions. The funding for governmental activities comes from several different sources, with municipal income tax being the largest contributor. Income tax revenues increased from 2014 to 2015 primarily due to the reduction of the income tax credit allowed for taxes paid to other municipalities and due to the recovering economy. The City's governmental activities had an increase in total expenses due mainly to a large increase in transportation expense.

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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 2014 due to a donated ball field renovation in 2014.

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

### **Business-Type Activities**

The wastewater fund is the City's only enterprise fund. Business-type activities reported an increase in total net position from 2014. This increase was due to increases in charges for services, sales and assessments and capital grants and contributions program revenues, despite an increase in expenses.

The City was able to take on additional debt because of cooperative agreements with Stark County to share the costs of upgrading the Wastewater Treatment Plant Facility to handle additional capacity. As a result of these agreements, the City relies on the County for approximately \$1.42 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 \$4,259,814, a significant increase from the prior year fund balance of \$2,369,034. The increase in the general fund balance in 2015 is attributed to an increase in revenues, which outpaced the increase in expenditures and other financing uses. Total revenues increased \$888,641 from the prior year primarily due to an increase in income tax revenue. Income tax revenues increased as a result of the recovering economy and the reduction of the credit for income taxes paid to other municipalities. Total expenditures and other financing uses increased \$413,381 from 2014 mainly due to an increase in transportation expenditures, partly offset by a decrease in transfers out. The increase in transportation expenditures in the general fund was related to the Millennium Boulevard extension project.

The parks and recreation special revenue fund had an increase in fund balance of \$181,959. This was achieved by a small decrease in expenditures, coupled with an increase in income tax and charges for services revenues.

### **General Fund Budgeting Highlights**

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

**City of Massillon**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

The most significant budgeted governmental fund is the general fund. The final budget (estimated) revenue exceeded the original estimated revenue by \$2,048,838. The most significant variance between the original budgeted revenue and final budgeted revenue amounts was to income taxes revenue due to the reduction of the income tax credit and increased withholdings. Overall, total actual revenues were \$236,734 less than final budgeted revenues. During the year, these estimates were changed as new information was made available.

Final budgeted expenditures increased \$1,013,025, or 5.54 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 \$774,964.

**Capital Assets and Debt Administration**

***Capital Assets***

Table 3 shows the changes in capital assets for the year ended December 31, 2015, compared to 2014.

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$10,855,289	\$10,855,289	\$59,400	\$59,400	\$10,914,689	\$10,914,689
Construction in Progress	0	59,126	2,738,613	2,579,918	2,738,613	2,639,044
Land Improvements	2,946,288	3,117,137	0	0	2,946,288	3,117,137
Buildings and Improvements	7,111,912	7,418,160	568,012	742,356	7,679,924	8,160,516
Vehicles	1,169,598	953,186	446,175	444,990	1,615,773	1,398,176
Machinery and Equipment	919,205	1,052,909	834,281	757,599	1,753,486	1,810,508
Infrastructure	16,453,641	15,833,199	38,654,162	39,926,691	55,107,803	55,759,890
Total Capital Assets	<u>\$39,455,933</u>	<u>\$39,289,006</u>	<u>\$43,300,643</u>	<u>\$44,510,954</u>	<u>\$82,756,576</u>	<u>\$83,799,960</u>

At the end of 2015, the City had \$82,756,576 in capital assets (net of accumulated depreciation). Of this total, \$39,455,933 was reported in governmental activities and \$43,300,643 was reported in business-type activities.

For governmental activities, the increase in total capital assets was due to capital asset additions exceeding annual depreciation. For business-type activities, the decrease in total capital assets was due to annual depreciation exceeding additions. See Note 13 to the basic financial statements for detail on governmental and business-type activities capital assets.

**Debt**

At December 31, 2015, the City had total long-term debt obligations outstanding of \$47,142,131. Of this total, \$3,790,019 is due within one year and \$43,352,112 is due in more than one year.

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



**City of Massillon**  
*Management's Discussion and Analysis*  
*For the Year Ended December 31, 2015*  
*Unaudited*

Table 4  
 Outstanding Debt at Year End

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
General Obligation Bonds	\$18,658,820	\$19,554,318	\$0	\$0	\$18,658,820	\$19,554,318
Loans Payable	3,533,293	2,632,665	23,139,702	24,248,805	26,672,995	26,881,470
Police and Fire Pension	1,222,598	1,262,359	0	0	1,222,598	1,262,359
Judgment Payable	350,000	420,000	0	0	350,000	420,000
Capital Leases	108,223	82,031	129,495	170,564	237,718	252,595
<b>Total</b>	<b>\$23,872,934</b>	<b>\$23,951,373</b>	<b>\$23,269,197</b>	<b>\$24,419,369</b>	<b>\$47,142,131</b>	<b>\$48,370,742</b>

All governmental long-term debt will be repaid by the general fund, section 108 loan payment special revenue fund, the debt retirement debt service fund, and the tax increment financing, 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, 2015, the City's overall legal debt margin was \$35,062,343 with an unvoted debt margin of \$8,722,651. In 2016, the City's credit rating was upgraded to Baa1 (Moody's) with a positive outlook. See Notes 16 and 17 to the basic financial statements for details on the City's long-term obligations.

**Current Financial Related Activities**

In 2015, the additional unexpected revenue received by the City due to the reduction of the income tax credit was a key factor in keeping ahead of expenses and ending the year in a positive status with a carryover balance.

Income tax was higher than anticipated due to increased withholding taxes and the reduction of the income tax credit.

The amount of general fund transfers for debt decreased in 2015 due to the paying off of the Lincoln Centre Phase II refunding bonds in December 2014.

The City continues to maintain and/or cut costs in various areas pertinent to managing a balanced budget. Health care costs were reduced by the City's use of four-tiered pricing and the standardization of all employees paying 15 percent of premiums.

The street lighting assessment implemented in the second quarter of 2014 had a full year of collection in 2015, resulting in an increase of more than \$134,000 of revenue for the general fund.

**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](http://www.massillonohio.com).

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**City of Massillon, Ohio**  
*Statement of Net Position*  
*December 31, 2015*

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Equity in Pooled Cash and Cash Equivalents	\$8,178,905	\$9,080,012	\$17,258,917
Cash and Cash Equivalents:			
In Segregated Accounts	127,608	0	127,608
With Fiscal Agents	1,360,678	0	1,360,678
Materials and Supplies Inventory	85,556	710	86,266
Accrued Interest Receivable	1,299	0	1,299
Accounts Receivable	1,027,777	2,670,465	3,698,242
Intergovernmental Receivable	1,287,713	11,813,030	13,100,743
Income Taxes Receivable	4,487,987	0	4,487,987
Property Taxes Receivable	1,759,086	0	1,759,086
Payment in Lieu of Taxes Receivable	605,388	0	605,388
Nondepreciable Capital Assets	10,855,289	2,798,013	13,653,302
Depreciable Capital Assets, Net	28,600,644	40,502,630	69,103,274
<i>Total Assets</i>	<u>58,377,930</u>	<u>66,864,860</u>	<u>125,242,790</u>
<b>Deferred Outflows of Resources</b>			
Deferred Charge on Refunding Pension	298,911	0	298,911
	<u>2,798,652</u>	<u>248,883</u>	<u>3,047,535</u>
<i>Total Deferred Outflows of Resources</i>	<u>3,097,563</u>	<u>248,883</u>	<u>3,346,446</u>
<b>Liabilities</b>			
Accounts Payable	227,053	183,170	410,223
Accrued Wages	193,510	26,256	219,766
Contracts Payable	239,018	127,999	367,017
Intergovernmental Payable	520,387	42,108	562,495
Accrued Interest Payable	94,064	677	94,741
Unearned Revenue	94,411	0	94,411
Long-Term Liabilities:			
Due Within One Year	1,747,784	2,335,837	4,083,621
Due in More Than One Year:			
Net Pension Liability (See Note 14)	19,834,931	1,428,596	21,263,527
Other Amounts	24,968,269	21,186,942	46,155,211
<i>Total Liabilities</i>	<u>47,919,427</u>	<u>25,331,585</u>	<u>73,251,012</u>
<b>Deferred Inflows of Resources</b>			
Property Taxes	1,477,639	0	1,477,639
Payment in Lieu of Taxes	605,388	0	605,388
Pension	94,414	25,098	119,512
<i>Total Deferred Inflows of Resources</i>	<u>2,177,441</u>	<u>25,098</u>	<u>2,202,539</u>
<b>Net Position</b>			
Net Investment in Capital Assets	18,758,653	31,392,386	50,151,039
Restricted for:			
Capital Projects	1,714,739	0	1,714,739
Transportation	1,672,206	0	1,672,206
Economic Development	657,423	0	657,423
Security Services	306,716	0	306,716
Other Purposes	744,162	0	744,162
Unclaimed Monies	23,833	0	23,833
Unrestricted	(12,499,107)	10,364,674	(2,134,433)
<i>Total Net Position</i>	<u>\$11,378,625</u>	<u>\$41,757,060</u>	<u>\$53,135,685</u>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Statement of Activities*  
For the Year Ended December 31, 2015

	Expenses	Program Revenues		
		Charges for Services, Sales and Assessments	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General Government	\$6,496,752	\$1,673,588	\$66,988	\$0
Security of Persons and Property	10,443,800	1,779,157	301,492	0
Transportation	4,791,235	514,593	2,955,839	614,729
Public Health and Welfare	623,101	224,588	136,866	0
Leisure Time Activities	3,836,496	2,123,110	101,723	0
Basic Utility Service	2,989	0	38,853	0
Economic Development and Assistance	1,011,934	5,000	729,169	0
Urban Redevelopment and Housing	106,809	20,000	100,286	0
Interest and Fiscal Charges	1,004,878	0	0	0
<i>Total Governmental Activities</i>	<u>28,317,994</u>	<u>6,340,036</u>	<u>4,431,216</u>	<u>614,729</u>
<b>Business-Type Activities:</b>				
Wastewater	8,323,079	8,942,860	0	1,131,217
<i>Total Business-Type Activities</i>	<u>8,323,079</u>	<u>8,942,860</u>	<u>0</u>	<u>1,131,217</u>
<i>Total</i>	<u>\$36,641,073</u>	<u>\$15,282,896</u>	<u>\$4,431,216</u>	<u>\$1,745,946</u>

**General Revenues:**

Property Taxes Levied for:  
General Purposes  
Police and Fire Pension  
Income Tax Levied for:  
General Purposes  
Debt Services  
Capital Improvements  
Leisure Time Activities  
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 - Restated (See Note 3)*

*Net Position End of Year*

See accompanying notes to the basic financial statements

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
(\$4,756,176)	\$0	(\$4,756,176)
(8,363,151)	0	(8,363,151)
(706,074)	0	(706,074)
(261,647)	0	(261,647)
(1,611,663)	0	(1,611,663)
35,864	0	35,864
(277,765)	0	(277,765)
13,477	0	13,477
<u>(1,004,878)</u>	<u>0</u>	<u>(1,004,878)</u>
<u>(16,932,013)</u>	<u>0</u>	<u>(16,932,013)</u>
<u>0</u>	<u>1,750,998</u>	<u>1,750,998</u>
<u>0</u>	<u>1,750,998</u>	<u>1,750,998</u>
<u>(16,932,013)</u>	<u>1,750,998</u>	<u>(15,181,015)</u>
1,191,902	0	1,191,902
263,268	0	263,268
14,959,287	0	14,959,287
1,738,766	0	1,738,766
222,075	0	222,075
1,253,885	0	1,253,885
693,745	0	693,745
540,800	0	540,800
15,805	0	15,805
<u>185,175</u>	<u>10,675</u>	<u>195,850</u>
<u>21,064,708</u>	<u>10,675</u>	<u>21,075,383</u>
4,132,695	1,761,673	5,894,368
<u>7,245,930</u>	<u>39,995,387</u>	<u>47,241,317</u>
<u>\$11,378,625</u>	<u>\$41,757,060</u>	<u>\$53,135,685</u>

**City of Massillon, Ohio**

*Balance Sheet*

*Governmental Funds*

*December 31, 2015*

	General	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Equity in Pooled Cash and Cash Equivalents	\$2,267,073	\$801,880	\$5,014,119	\$8,083,072
Cash and Cash Equivalents:				
In Segregated Accounts	85,138	0	42,470	127,608
With Fiscal Agents	0	0	1,360,678	1,360,678
Materials and Supplies Inventory	66,973	18,583	0	85,556
Accrued Interest Receivable	1,299	0	0	1,299
Accounts Receivable	197,211	0	830,566	1,027,777
Interfund Receivable	70,000	0	0	70,000
Intergovernmental Receivable	450,043	0	837,670	1,287,713
Income Taxes Receivable	3,665,190	317,899	504,898	4,487,987
Property Taxes Receivable	1,429,458	0	329,628	1,759,086
Payment in Lieu of Taxes Receivable	0	0	605,388	605,388
Restricted Assets:				
Equity in Pooled Cash and Cash Equivalents	23,833	0	0	23,833
<b>Total Assets</b>	<b>\$8,256,218</b>	<b>\$1,138,362</b>	<b>\$9,525,417</b>	<b>\$18,919,997</b>
<b>Liabilities</b>				
Accounts Payable	\$141,899	\$32,954	\$52,200	\$227,053
Accrued Wages	164,250	14,617	14,643	193,510
Contracts Payable	11,365	5,529	222,124	239,018
Interfund Payable	0	70,000	0	70,000
Intergovernmental Payable	203,247	33,369	152,924	389,540
Unearned Revenue	0	94,411	0	94,411
<b>Total Liabilities</b>	<b>520,761</b>	<b>250,880</b>	<b>441,891</b>	<b>1,213,532</b>
<b>Deferred Inflows of Resources</b>				
Property Taxes	1,194,491	0	283,148	1,477,639
Payment in Lieu of Taxes	0	0	605,388	605,388
Unavailable Revenues	2,281,152	142,429	1,765,866	4,189,447
<b>Total Deferred Inflows of Resources</b>	<b>3,475,643</b>	<b>142,429</b>	<b>2,654,402</b>	<b>6,272,474</b>
<b>Fund Balances</b>				
Nonspendable	160,806	18,583	0	179,389
Restricted	0	0	5,101,439	5,101,439
Committed	0	726,470	1,498,558	2,225,028
Assigned	187,652	0	149,686	337,338
Unassigned (Deficit)	3,911,356	0	(320,559)	3,590,797
<b>Total Fund Balances</b>	<b>4,259,814</b>	<b>745,053</b>	<b>6,429,124</b>	<b>11,433,991</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$8,256,218</b>	<b>\$1,138,362</b>	<b>\$9,525,417</b>	<b>\$18,919,997</b>

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, 2015*

<b>Total Governmental Fund Balances</b>	<b>\$11,433,991</b>
 <i>Amounts reported for governmental activities in the statement of net position are different because:</i>	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	39,455,933
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	281,447
Income Taxes	2,010,759
Intergovernmental	913,393
Charges for Services	983,848
Total	4,189,447
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	(154,922)
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.	(94,064)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds:	
General Obligation Bonds	(18,658,820)
Loans Payable	(3,533,293)
Police and Fire Pension	(1,222,598)
Compensated Absences	(2,747,044)
Judgments	(350,000)
Capital Leases	(108,223)
Total	(26,619,978)
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.	298,911
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	2,798,652
Deferred Inflows - Pension	(94,414)
Net Pension Liability	(19,834,931)
Total	(17,130,693)
 <i>Net Position of Governmental Activities</i>	 <b><u><u>\$11,378,625</u></u></b>

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, 2015*

	General	Parks and Recreation	Other Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$1,185,479	\$0	\$261,532	\$1,447,011
Income Taxes	14,037,888	1,173,336	1,825,631	17,036,855
Payment in Lieu of Taxes	0	0	540,800	540,800
Intergovernmental	2,328,227	13,000	3,284,652	5,625,879
Interest	14,701	0	1,104	15,805
Licenses and Permits	708,242	45,159	72,418	825,819
Fines and Forfeitures	1,145,320	0	601,918	1,747,238
Charges for Services	1,417,018	2,057,398	295,038	3,769,454
Contributions and Donations	0	0	138,723	138,723
Other	12,028	33,659	139,488	185,175
<i>Total Revenues</i>	<u>20,848,903</u>	<u>3,322,552</u>	<u>7,161,304</u>	<u>31,332,759</u>
<b>Expenditures</b>				
Current:				
General Government	5,831,804	0	582,050	6,413,854
Security of Persons and Property	8,790,697	0	1,412,193	10,202,890
Transportation	2,519,096	0	1,373,984	3,893,080
Public Health and Welfare	348,414	0	265,195	613,609
Leisure Time Activities	0	3,140,593	87,658	3,228,251
Basic Utility Service	0	0	2,989	2,989
Economic Development and Assistance	36,695	0	977,174	1,013,869
Urban Redevelopment and Housing	0	0	106,809	106,809
Capital Outlay	0	0	2,024,297	2,024,297
Debt Service:				
Principal Retirement	39,761	0	1,049,021	1,088,782
Interest and Fiscal Charges	53,232	0	882,910	936,142
Capital Appreciation Bonds Interest	0	0	79,521	79,521
<i>Total Expenditures</i>	<u>17,619,699</u>	<u>3,140,593</u>	<u>8,843,801</u>	<u>29,604,093</u>
<i>Excess of Revenues Over (Under) Expenditures</i>	<u>3,229,204</u>	<u>181,959</u>	<u>(1,682,497)</u>	<u>1,728,666</u>
<b>Other Financing Sources (Uses)</b>				
Inception of Capital Lease	0	0	90,103	90,103
OPWC Loans Issued	0	0	1,020,259	1,020,259
Transfers In	0	0	1,266,424	1,266,424
Transfers Out	(1,338,424)	0	0	(1,338,424)
<i>Total Other Financing Sources (Uses)</i>	<u>(1,338,424)</u>	<u>0</u>	<u>2,376,786</u>	<u>1,038,362</u>
<i>Net Change in Fund Balances</i>	1,890,780	181,959	694,289	2,767,028
<i>Fund Balances Beginning of Year</i>	<u>2,369,034</u>	<u>563,094</u>	<u>5,734,835</u>	<u>8,666,963</u>
<i>Fund Balances End of Year</i>	<u>\$4,259,814</u>	<u>\$745,053</u>	<u>\$6,429,124</u>	<u>\$11,433,991</u>

See accompanying notes to the basic financial statements



**City of Massillon, Ohio**  
*Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended December 31, 2015*

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$2,767,028</b>
<i>Amounts reported for governmental activities in the statement of activities are different because:</i>	
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	2,131,043
Current Year Depreciation	<u>(1,964,116)</u>
Total	166,927
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Delinquent Property Taxes	8,159
Income Taxes	1,137,158
Intergovernmental	(24,912)
Charges for Services	<u>(2,475)</u>
Total	1,117,930
Other financing sources in the governmental funds that increase long-term liabilities in the statement of net position are not reported as revenues in the statement of activities:	
Inception of Capital Lease	(90,103)
OPWC Loans Issued	<u>(1,020,259)</u>
Total	(1,110,362)
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.	
	1,168,303
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	11,436
Amortization of Deferred Loss	(30,670)
Bond Accretion	(41,657)
Amortization of Discount	<u>(7,845)</u>
Total	(68,736)
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.	
	128,104
The change in net position of the internal service fund is reported with governmental activities in the statement of activities.	
	70,008
Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.	
	1,888,657
Except for amounts reported as deferred inflows/outflows, changes in the net pension liability are reported as pension expense in the statement of activities.	
	<u>(1,995,164)</u>
<i>Change in Net Position of Governmental Activities</i>	<u><u>\$4,132,695</u></u>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
General Fund  
For the Year Ended December 31, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Property Taxes	\$1,058,274	\$1,172,759	\$1,172,759	\$0
Income Taxes	12,761,204	14,141,720	13,904,986	(236,734)
Intergovernmental	2,168,052	2,402,593	2,402,593	0
Interest	13,292	14,730	14,730	0
Licenses and Permits	585,785	649,155	649,155	0
Fines and Forfeitures	1,035,829	1,147,886	1,147,886	0
Charges for Services	1,264,232	1,400,997	1,400,997	0
Other	52,927	58,593	58,593	0
<i>Total Revenues</i>	<u>18,939,595</u>	<u>20,988,433</u>	<u>20,751,699</u>	<u>(236,734)</u>
<b>Expenditures</b>				
Current:				
General Government	6,209,921	6,554,283	6,062,509	491,774
Security of Persons and Property	8,868,057	9,359,821	9,197,430	162,391
Transportation	2,831,700	2,988,728	2,885,644	103,084
Public Health and Welfare	358,342	378,213	360,498	17,715
Economic Development and Assistance	34,097	34,097	34,097	0
<i>Total Expenditures</i>	<u>18,302,117</u>	<u>19,315,142</u>	<u>18,540,178</u>	<u>774,964</u>
<i>Excess of Revenues Over Expenditures</i>	637,478	1,673,291	2,211,521	538,230
<b>Other Financing Uses</b>				
Transfers Out	<u>(1,267,554)</u>	<u>(1,339,554)</u>	<u>(1,338,424)</u>	<u>1,130</u>
<i>Net Change in Fund Balance</i>	(630,076)	333,737	873,097	539,360
<i>Fund Balance Beginning of Year</i>	807,651	807,651	807,651	0
Prior Year Encumbrances Appropriated	<u>288,778</u>	<u>288,778</u>	<u>288,778</u>	<u>0</u>
<i>Fund Balance End of Year</i>	<u>\$466,353</u>	<u>\$1,430,166</u>	<u>\$1,969,526</u>	<u>\$539,360</u>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget (Non-GAAP Basis) and Actual  
Parks and Recreation Fund  
For the Year Ended December 31, 2015*

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Income Taxes	\$1,135,882	\$1,214,190	\$1,160,153	(\$54,037)
Intergovernmental	12,162	13,000	13,000	0
Licenses and Permits	42,247	45,159	45,159	0
Charges for Services	1,889,256	2,019,502	2,019,502	0
Other	31,488	33,659	33,659	0
<i>Total Revenues</i>	3,111,035	3,325,510	3,271,473	(54,037)
<b>Expenditures</b>				
Current:				
Leisure Time Activities	3,195,186	3,614,184	3,304,543	309,641
<i>Net Change in Fund Balance</i>	(84,151)	(288,674)	(33,070)	255,604
<i>Fund Balance Beginning of Year</i>	626,525	626,525	626,525	0
Prior Year Encumbrances Appropriated	145,905	145,905	145,905	0
<i>Fund Balance End of Year</i>	<u>\$688,279</u>	<u>\$483,756</u>	<u>\$739,360</u>	<u>\$255,604</u>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Statement of Fund Net Position*  
*Proprietary Funds*  
*December 31, 2015*

	<u>Wastewater</u>	<u>Governmental Activities - Internal Service</u>
<b>Assets</b>		
<i>Current Assets:</i>		
Equity in Pooled Cash and Cash Equivalents	\$9,080,012	\$72,000
Accounts Receivable	2,670,465	0
Intergovernmental Receivable	11,813,030	0
Materials and Supplies Inventory	710	0
<i>Total Current Assets</i>	<u>23,564,217</u>	<u>72,000</u>
<i>Non-Current Assets:</i>		
Nondepreciable Capital Assets	2,798,013	0
Depreciable Capital Assets, Net	40,502,630	0
<i>Total Non-Current Assets</i>	<u>43,300,643</u>	<u>0</u>
<i>Total Assets</i>	<u>66,864,860</u>	<u>72,000</u>
<b>Deferred Outflows of Resources</b>		
Pension	248,883	0
<b>Liabilities</b>		
<i>Current Liabilities:</i>		
Accounts Payable	183,170	0
Accrued Wages	26,256	0
Contracts Payable	127,999	0
Intergovernmental Payable	42,108	130,847
Accrued Interest Payable	677	0
Compensated Absences Payable	8,447	0
Loans Payable	2,285,290	0
Capital Leases Payable	42,100	0
Claims Payable	0	90,743
<i>Total Current Liabilities</i>	<u>2,716,047</u>	<u>221,590</u>
<i>Long-Term Liabilities (net of current portion):</i>		
Compensated Absences Payable	245,135	0
Loans Payable	20,854,412	0
Capital Leases Payable	87,395	0
Claims Payable	0	5,332
Net Pension Liability	1,428,596	0
<i>Total Long-Term Liabilities</i>	<u>22,615,538</u>	<u>5,332</u>
<i>Total Liabilities</i>	<u>25,331,585</u>	<u>226,922</u>
<b>Deferred Inflows of Resources</b>		
Pension	25,098	0
<b>Net Position</b>		
Net Investment in Capital Assets	31,392,386	0
Unrestricted	10,364,674	(154,922)
<i>Total Net Position</i>	<u>\$41,757,060</u>	<u>(\$154,922)</u>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Statement of Revenues,  
Expenses and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2015*

	<u>Wastewater</u>	<u>Governmental Activities - Internal Service</u>
<b>Operating Revenues</b>		
Charges for Services	\$8,930,732	\$120,657
Special Assessments	12,128	0
Other	10,675	0
	<u>8,953,535</u>	<u>120,657</u>
<i>Total Operating Revenues</i>		
<b>Operating Expenses</b>		
Personal Services	1,536,816	0
Fringe Benefits	669,114	0
Contractual Services	3,339,521	0
Materials and Supplies	692,382	0
Depreciation	1,712,992	0
Claims	0	122,649
Refunds	1,367	0
	<u>7,952,192</u>	<u>122,649</u>
<i>Total Operating Expenses</i>		
<i>Operating Income (Loss)</i>	1,001,343	(1,992)
<b>Non-Operating Expenses</b>		
Interest and Fiscal Charges	<u>(370,887)</u>	<u>0</u>
<i>Income (Loss) before Contributions and Transfers</i>	630,456	(1,992)
Capital Contributions	1,131,217	0
Transfers In	<u>0</u>	<u>72,000</u>
<i>Change in Net Position</i>	1,761,673	70,008
<i>Net Position Beginning of Year - Restated (See Note 3)</i>	<u>39,995,387</u>	<u>(224,930)</u>
<i>Net Position End of Year</i>	<u>\$41,757,060</u>	<u>(\$154,922)</u>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Statement of Cash Flows*  
*Proprietary Funds*  
For the Year Ended December 31, 2015

	<u>Wastewater</u>	<u>Governmental Activities - Internal Service</u>
<b>Increase in Cash and Cash Equivalents</b>		
<b>Cash Flows from Operating Activities</b>		
Cash Received from Customers	\$8,744,106	\$0
Cash Received from Transactions with Other Funds	0	120,657
Cash Received from Other Operating Sources	10,675	0
Cash Payments for Employee Services and Benefits	(2,235,376)	0
Cash Payments to Suppliers for Goods and Services	(4,068,117)	0
Cash Payments for Claims	0	(120,657)
<i>Net Cash Provided by Operating Activities</i>	<u>2,451,288</u>	<u>0</u>
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers In	0	72,000
<b>Cash Flows from Capital and Related Financing Activities</b>		
Capital Grants	1,412,597	0
OPWC Loan Issued	10,016	0
OWDA Loans Issued	1,525,202	0
Payments for Capital Acquisitions	(1,187,827)	0
Principal Paid on Loans	(2,644,321)	0
Interest Paid on Loans	(366,821)	0
Principal Paid on Capital Leases	(41,069)	0
Interest Paid on Capital Leases	(4,281)	0
<i>Net Cash Used in Capital and Related Financing Activities</i>	<u>(1,296,504)</u>	<u>0</u>
<i>Net Increase in Cash and Cash Equivalents</i>	1,154,784	72,000
<i>Cash and Cash Equivalents Beginning of Year</i>	<u>7,925,228</u>	<u>0</u>
<i>Cash and Cash Equivalents End of Year</i>	<u><u>\$9,080,012</u></u>	<u><u>\$72,000</u></u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>		
Operating Income (Loss)	\$1,001,343	(\$1,992)
Adjustments:		
Depreciation	1,712,992	0
(Increase) Decrease in Assets:		
Accounts Receivable	(21,538)	0
Intergovernmental Receivable	(177,216)	0
Materials and Supplies Inventory	(200)	0
(Increase) Decrease in Deferred Outflows of Resources - Pension	20,657	0
Increase (Decrease) in Liabilities:		
Accounts Payable	(529)	0
Accrued Wages	(50,609)	0
Contracts Payable	(27,911)	0
Intergovernmental Payable	(11,319)	10,190
Retainage Payable	(3,489)	0
Compensated Absences Payable	47,023	0
Claims Payable	0	(8,198)
Net Pension Liability	(26,336)	0
Increase (Decrease) in Deferred Inflows of Resources - Pension	(11,580)	0
<i>Net Cash Provided by Operating Activities</i>	<u><u>\$2,451,288</u></u>	<u><u>\$0</u></u>

Changes in contracts payable recorded in the wastewater fund impact the payments for capital acquisitions. For 2015, the total of these changes was (\$685,146).

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Statement of Fiduciary Assets and Liabilities*  
*Agency Funds*  
*December 31, 2015*

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<b>Assets</b>	
Equity in Pooled Cash and Cash Equivalents	\$171,421
Cash and Cash Equivalents in Segregated Accounts	79,991
Intergovernmental Receivable	62,477
Property Taxes Receivable	<u>515,324</u>
<i>Total Assets</i>	<u><u>\$829,213</u></u>
 <b>Liabilities</b>	
Undistributed Monies	\$52,117
Due to Other Governments	660,096
Deposits Held and Due to Others	<u>117,000</u>
<i>Total Liabilities</i>	<u><u>\$829,213</u></u>

See accompanying notes to the basic financial statements

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**Note 1 – Description of the City and Reporting Entity**

The City of Massillon (the “City”) was first incorporated by the Act of the State Legislature (the Act) as a town in 1838 under the Constitution of 1802. The Act establishing its incorporation was repealed in 1845 and Massillon was without municipal incorporation until March 10, 1853, when, under the provisions of the general act, it was incorporated as a village. Massillon has grown to a city of 32,149 inhabitants, covering 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. The Commission is composed of the Mayor of the City, Council President, three financial consultants from various corporations and/or organizations within the City and two representatives from the State of Ohio. The City had 120 days after the first meeting of the Commission to approve a financial recovery plan. Once the plan was adopted, the City’s discretion was limited in that all financial activity of the City must be in accordance with the plan. See Note 21 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 9 and 10 to the basic financial statements.



**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**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 below.

***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:

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**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.

**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 11.

**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

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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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 8). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

***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.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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***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, 2015, but which were levied to finance 2016 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 2015 amounted to \$14,701, \$12,624 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.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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

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

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

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

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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***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.

***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 position 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.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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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

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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authorizes the City Auditor to assign fund balance for purchases on order provided such amounts have been lawfully appropriated. City Council 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.



**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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***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 – Change in Accounting Principle and Restatement of Net Position**

***Change in Accounting Principle***

For 2015, the City implemented the Governmental Accounting Standards Board (GASB) Statement No. 68, "Accounting and Financial Reporting for Pensions" and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68." GASB 68 established standards for measuring and recognizing pension liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditure. The implementation of this pronouncement had an effect on net position as reported December 31, 2014, as disclosed below.

***Restatement of Prior Year Net Position***

During 2015, it was determined that intergovernmental payables had been understated by \$120,657 at December 31, 2014. This payable was related to retrospective Workers' Compensation claims that were billed and paid in 2015.

During 2015, it was determined that claims payable had been understated by \$104,273 at December 31, 2014. The claims were related to the retrospective Workers' Compensation program.

**City of Massillon, Ohio**  
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For the Year Ended December 31, 2015

The implementation of GASB Statements No. 68 and No. 71 and the corrections to the intergovernmental payable and the claims payable had the following effect on net position as reported December 31, 2014:

	Governmental Activities	Business -Type Activities
Net Position December 31, 2014	\$24,495,046	\$41,217,457
Adjustments:		
Intergovernmental Payable	(120,657)	0
Claims Payable	(104,273)	0
Net Pension Liability	(18,847,918)	(1,396,328)
Deferred Outflow - Payments Subsequent to Measurement Date	1,823,732	174,258
Restated Net Position December 31, 2014	\$7,245,930	\$39,995,387
	Wastewater Fund	Internal Service Fund
Net Position December 31, 2014	\$41,217,457	\$0
Adjustments:		
Intergovernmental Payable	0	(120,657)
Claims Payable	0	(104,273)
Net Pension Liability	(1,396,328)	0
Deferred Outflow - Payments Subsequent to Measurement Date	174,258	0
Restated Net Position December 31, 2014	\$39,995,387	(\$224,930)

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

**Note 4 – Accountability**

As of December 31, 2015, the following funds had deficit fund balances:

	Amount
<i>Special Revenue:</i>	
Community Development	(\$113,157)
Police Pension	(42,164)
Fire Pension	(65,997)
<i>Capital Projects:</i>	
Project Grants	(99,241)

The deficits in the special revenue and capital projects 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.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**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 parking enforcement 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 parks and recreation special revenue fund.

Net Change in Fund Balance		
	General	Parks and Recreation
GAAP Basis	\$1,890,780	\$181,959
Adjustment for Revenue Accruals	(87,983)	(51,079)
Beginning Unrecorded Cash	585	0
Ending Unrecorded Cash	(619)	0
Adjustment for Expenditure Accruals	(646,004)	(101,430)
Perspective Differences:		
Parking Enforcement	5,604	0
Enterprise Zone	(2,432)	0
Adjustment for Encumbrances	(286,834)	(62,520)
Budget Basis	\$873,097	(\$33,070)

**City of Massillon, Ohio**  
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**Note 6 – Fund Balances**

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

Fund Balances	General	Parks and Recreation	Other Governmental Funds	Total
<u>Nonspendable:</u>				
Interfund Loans	\$70,000	\$0	\$0	\$70,000
Inventory	66,973	18,583	0	85,556
Unclaimed Monies	23,833	0	0	23,833
<i>Total Nonspendable</i>	<u>160,806</u>	<u>18,583</u>	<u>0</u>	<u>179,389</u>
<u>Restricted for:</u>				
Court Operations	0	0	344,959	344,959
Police Department	0	0	554,426	554,426
Debt Service	0	0	1,889	1,889
Street Maintenance	0	0	1,069,400	1,069,400
Economic Development	0	0	1,385,555	1,385,555
Community Development	0	0	3,176	3,176
Public Health and Welfare	0	0	97,069	97,069
Capital Improvements	0	0	1,615,498	1,615,498
Community Improvement	0	0	28,417	28,417
Other Purposes	0	0	1,050	1,050
<i>Total Restricted</i>	<u>0</u>	<u>0</u>	<u>5,101,439</u>	<u>5,101,439</u>
<u>Committed to:</u>				
Leisure Time Activities	0	726,470	79,093	805,563
Police Department	0	0	34,985	34,985
Fines and Forfeitures	0	0	42,926	42,926
Economic Development	0	0	165,201	165,201
Debt Service	0	0	851,968	851,968
Capital Improvements	0	0	274,385	274,385
Streetscape Project	0	0	50,000	50,000
<i>Total Committed</i>	<u>0</u>	<u>726,470</u>	<u>1,498,558</u>	<u>2,225,028</u>
<u>Assigned to:</u>				
<u>Purchases on Order:</u>				
City Administration	88,996	0	0	88,996
Court Operations	22,849	0	0	22,849
Engineering and Building Services	7,430	0	0	7,430
Fire and EMS Department	4,434	0	0	4,434
Police Department	23,565	0	0	23,565
Street Maintenance	6,819	0	0	6,819
Capital Improvements	0	0	149,686	149,686
Parking Enforcement	18,428	0	0	18,428
Community and Economic Development	15,131	0	0	15,131
<i>Total Assigned</i>	<u>187,652</u>	<u>0</u>	<u>149,686</u>	<u>337,338</u>
Unassigned (Deficit)	3,911,356	0	(320,559)	3,590,797
<b>Total Fund Balances</b>	<u><u>\$4,259,814</u></u>	<u><u>\$745,053</u></u>	<u><u>\$6,429,124</u></u>	<u><u>\$11,433,991</u></u>

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
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**Note 7 – Deposits and Investments**

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

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

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

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

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

1. United States Treasury bills, bonds, notes, or any other obligation or security issued by the United States Treasury, or any other obligation guaranteed as to principal and interest by the United States;
2. Bonds, notes, debentures, or any other obligation or security issued by any federal government agency or instrumentality including, but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, 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.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
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The City has passed an ordinance allowing the City to invest monies not required to be used for a period of six months or more in the following:

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

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

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

### **Deposits**

***Custodial Credit Risk.*** Custodial credit risk for deposits is the risk that in the event of bank failure, the City will not be able to recover deposits or collateral securities that are in the possession of an outside party. At year-end, \$6,489,509 of the City's bank balance of \$10,718,360 was exposed to custodial credit risk because it was uninsured and uncollateralized. Although the securities were held by the pledging financial institutions' trust department and all statutory requirements for the deposit of money had been followed, noncompliance with Federal requirements could potentially subject the City to a successful claim by the FDIC.

The City has no deposit policy for custodial risk beyond the requirements of State statute. Ohio law requires that deposits be either insured or be protected by eligible securities pledged to and deposited either with the City or a qualified trustee by the financial institution as security for repayment, or by a collateral pool of eligible securities deposited with a qualified trustee and pledged to secure the repayment of all public monies deposited in the financial institution whose market value at all times shall be at least one hundred five percent of the deposits being secured.

### **Investments**

As of December 31, 2015, the City had an investment in a repurchase agreement with a fair value of \$8,810,000.

***Interest Rate Risk.*** The City has no investment policy that addresses interest rate risk. State statute requires that an investment mature within five years from the date of purchase, unless matched to a specific obligation or debt of the City, and that an investment must be purchased with the expectation that it will be held to maturity. Repurchase agreements are limited to 30 days and the fair value of the securities must exceed the principal value of the agreement by at least 2 percent and be marked to market daily.

***Credit Risk.*** The City has no investment policy that addresses credit risk.

***Custodial Credit Risk.*** For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute which states that the securities must be delivered into the custody of the Treasurer or the Treasurer's agent.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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**Concentration of Credit Risk.** With the exception of U.S. Treasury securities, federal government agency securities, and authorized pools, no more than 50 percent of the City's total investment portfolio will be invested in a single security type or with a single financial institution. The City's only investment is a repurchase agreement.

**Note 8 – Receivables**

Receivables at December 31, 2015, 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 2015 for real and public utility property taxes represents collections of 2014 taxes.

2015 real property taxes were levied after October 1, 2015, on the assessed value as of January 1, 2015, the lien date. Assessed values are established by State law at 35 percent of appraised market value. 2015 real property taxes are collected in and intended to finance 2016.

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. 2015 public utility property taxes which became a lien December 31, 2014, are levied after October 1, 2015, and are collected in 2016 with real property taxes.

The full tax rate for all City operations for the year ended December 31, 2015, was \$4.70 per \$1,000 of assessed value. The assessed values of real property and public utility tangible property upon which 2015 property tax receipts were based are as follows:

<u>Category</u>	<u>Assessed Values</u>
Real Estate	
Residential/Agricultural	\$323,060,710
Other Real Estate	151,930,630
Tangible Personal Property	
Public Utility	<u>27,350,550</u>
Total	<u><u>\$502,341,890</u></u>

The County Treasurer collects property taxes on behalf of all taxing districts in the county, including the City. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real and public utility property taxes and outstanding delinquencies which were measurable as of December 31, 2015, and for which there was an enforceable legal claim. In governmental funds, the portion of the receivable not levied to finance 2015 operations is offset to

**City of Massillon, Ohio**  
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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 1.8 percent on all income earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 75 percent of the tax paid to another municipality, not to exceed the amount owed. Employers within the City are required to withhold income tax on employee earnings and remit the tax to the City at least quarterly. Corporations and other individual taxpayers are also required to pay their estimated taxes at least quarterly and to file a final return annually. Income tax revenues are distributed based on Council’s discretion and can change during the year. Currently the tax revenues are distributed between the general fund, 81.34 percent, income tax capital improvements fund, 1.66 percent, and parks and recreation fund, 17 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.

***Intergovernmental Receivable***

A summary of the principal items of intergovernmental receivables follows:

<b>Governmental Activities:</b>	
Gasoline Tax	\$539,707
Local Government	276,360
Motor Vehicle License Tax	219,269
Homestead and Rollback	210,706
District Share of Court Costs	14,215
WIC Grant	10,195
Recycling Grant	9,901
Domestic Violence Grant	4,335
Other	3,025
Total	\$1,287,713
 <b>Business-Type Activities:</b>	
Wastewater	
Stark County - Loan Commitment	\$11,415,195
Stark County - Maintenance Share	397,835
Total	\$11,813,030

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, 2015, is \$11,415,195. 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.



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***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.

**Note 9 – 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. The City did not make any contributions during the year and has no financial responsibility for any of the Authority's liabilities. Complete financial statements may be obtained from the Stark Area Regional Transit Authority, 1600 Gateway Boulevard, SE, Canton, Ohio.

***Stark County Tax Incentive Review Council***

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

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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 2015, the City contributed \$23,875 to the Commission. Complete financial statements may be obtained from the Stark County Regional Planning Commission, Stark County, Ohio.

**Note 10 – 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 2015, the City made contributions of \$550,408, 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 11 – 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 Services Group, Inc. (York), a division of York Insurance Services Group, 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.

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The Pool uses reinsurance and excess risk-sharing arrangements to reduce its exposure to loss. These agreements permit recovery of a portion of its claims from reinsurers and a risk-sharing pool; however, they do not discharge the Pool's primary liability for such payments. APEEP provides the Pool with an excess risk-sharing program. Under this arrangement, the Pool retains insured risks up to an amount specified in the contracts. (At December 31, 2015, 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.

***Financial Position***

PEP's financial statements conform to generally accepted accounting principles, and preliminarily show the following assets, liabilities and net position at December 31, 2015 and 2014:

Casualty and Property Coverage	2015	2014
Assets	\$38,307,677	\$35,402,177
Liabilities	12,759,127	12,363,257
Net Position - Unrestricted	\$25,548,550	\$23,038,920

The casualty coverage assets and net position above include approximately \$11.0 million and \$10.8 million of unpaid claims to be billed to approximately 499 member governments in the future, as of December 31, 2015 and 2014, respectively. These amounts will be included in future contributions from members when the related claims are due for payment. The City's share of these unpaid claims collectible in future years is approximately \$410,594. This payable includes subsequent year's contributions due if the City terminates participation, as described in the last paragraph below.

Based on discussions with PEP, the expected rates PEP charges to compute member contributions, which are used to pay claims as they become due, are not expected to change significantly from those used to determine the historical contributions detailed below. 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
2015	\$377,593
2014	369,215
2013	377,244

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.

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***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 2015 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 \$130,847 (reported in the internal service fund). The maintenance of these benefits is accounted for in the retrospective workers' compensation internal service fund.

The intergovernmental payable and incurred but not reported claims of \$226,922 have been accrued as a liability at December 31, 2015, based on information and an estimate by the Bureau of Workers' Compensation. The intergovernmental and claims liability reported in the retrospective workers' compensation internal service fund at December 31, 2015, 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 2015 were as follows:

	Balance at Beginning of Year	Current Year Claims	Claim Payments	Change in Workers' Compensation Estimate	Balance at End of Year
2015	\$224,930	\$3,905	\$120,657	\$118,744	\$226,922

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 12 – Contingencies**

***Grants***

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

***Litigation***

Several claims and lawsuits are pending against the City. The amount of the liability, if any, cannot be reasonably estimated at this time. However, in the opinion of management, any such claims and lawsuits will not have a material adverse effect on the overall financial position of the City at December 31, 2015.

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**Note 13 – Capital Assets**

Capital asset activity for governmental activities for the year ended December 31, 2015, was as follows:

	Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015
<b>Governmental Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$10,855,289	\$0	\$0	\$10,855,289
Construction in Progress	59,126	21,112	(80,238)	0
<i>Total Capital Assets, not being depreciated</i>	<u>10,914,415</u>	<u>21,112</u>	<u>(80,238)</u>	<u>10,855,289</u>
<i>Capital Assets, being depreciated</i>				
Land Improvements	6,596,858	12,100	0	6,608,958
Buildings and Improvements	15,625,163	70,283	0	15,695,446
Vehicles	4,716,248	338,063	(94,975)	4,959,336
Machinery and Equipment	4,837,714	30,975	0	4,868,689
Infrastructure	29,107,418	1,738,748	0	30,846,166
<i>Total Capital Assets, being depreciated</i>	<u>60,883,401</u>	<u>2,190,169</u>	<u>(94,975)</u>	<u>62,978,595</u>
<i>Less Accumulated Depreciation:</i>				
Land Improvements	(3,479,721)	(182,949)	0	(3,662,670)
Buildings and Improvements	(8,207,003)	(376,531)	0	(8,583,534)
Vehicles	(3,763,062)	(121,651)	94,975	(3,789,738)
Machinery and Equipment	(3,784,805)	(164,679)	0	(3,949,484)
Infrastructure	(13,274,219)	(1,118,306)	0	(14,392,525)
<i>Total Accumulated Depreciation</i>	<u>(32,508,810)</u>	<u>(1,964,116) *</u>	<u>94,975</u>	<u>(34,377,951)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>28,374,591</u>	<u>226,053</u>	<u>0</u>	<u>28,600,644</u>
<i>Governmental Activities Capital Assets, Net</i>	<u>\$39,289,006</u>	<u>\$247,165</u>	<u>(\$80,238)</u>	<u>\$39,455,933</u>

\* Depreciation expense was charged to governmental activities as follows:

General Government	\$148,861
Security of Persons and Property	152,029
Public Health and Welfare	567
Leisure Time Activities	622,146
Transportation	<u>1,040,513</u>
Total Depreciation Expense	<u>\$1,964,116</u>

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Capital asset activity for business-type activities for the year ended December 31, 2015, was as follows:

	Balance 12/31/2014	Additions	Deductions	Balance 12/31/2015
<b>Business-Type Activities</b>				
<i>Capital Assets, not being depreciated</i>				
Land	\$59,400	\$0	\$0	\$59,400
Construction in Progress	2,579,918	238,425	(79,730)	2,738,613
<i>Total Capital Assets, not being depreciated</i>	<u>2,639,318</u>	<u>238,425</u>	<u>(79,730)</u>	<u>2,798,013</u>
<i>Capital Assets, being depreciated</i>				
Buildings and Improvements	7,397,746	0	0	7,397,746
Vehicles	1,262,379	78,973	0	1,341,352
Machinery and Equipment	2,231,339	185,283	0	2,416,622
Infrastructure	59,025,477	79,730	0	59,105,207
<i>Total Capital Assets, being depreciated</i>	<u>69,916,941</u>	<u>343,986</u>	<u>0</u>	<u>70,260,927</u>
<i>Less Accumulated Depreciation:</i>				
Buildings and Improvements	(6,655,390)	(174,344)	0	(6,829,734)
Vehicles	(817,389)	(77,788)	0	(895,177)
Machinery and Equipment	(1,473,740)	(108,601)	0	(1,582,341)
Infrastructure	(19,098,786)	(1,352,259)	0	(20,451,045)
<i>Total Accumulated Depreciation</i>	<u>(28,045,305)</u>	<u>(1,712,992)</u>	<u>0</u>	<u>(29,758,297)</u>
<i>Total Capital Assets being depreciated, Net</i>	<u>41,871,636</u>	<u>(1,369,006)</u>	<u>0</u>	<u>40,502,630</u>
<i>Business-Type Activities Capital Assets, Net</i>	<u>\$44,510,954</u>	<u>(\$1,130,581)</u>	<u>(\$79,730)</u>	<u>\$43,300,643</u>

**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.

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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 and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan, and the combined plan is a 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. The report 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 above for additional information):

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

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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
<b>2015 Statutory Maximum Contribution Rates</b>	
Employer	14.0 %
Employee	10.0 %
 <b>2015 Actual Contribution Rates</b>	
Employer:	
Pension	12.0 %
Post-employment Health Care Benefits	2.0
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 \$822,176 for 2015. Of this amount, \$78,948 is reported as an intergovernmental payable.

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

Plan Description – City full-time police and firefighters participate in the 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.opf.org](http://www.opf.org) or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.



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Upon attaining a qualifying age with sufficient years of service, a member of 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 5 years of service credit, and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least 1 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, will receive a COLA equal to either 3 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, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013, is equal to 3 percent of their base pension or disability benefit.

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

	<u>Police</u>	<u>Firefighters</u>
<b>2015 Statutory Maximum Contribution Rates</b>		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2015, through July 1, 2015	11.50 %	11.50 %
July 2, 2015, through December 31, 2015	12.25 %	12.25 %
<b>2015 Actual Contribution Rates</b>		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2015, through July 1, 2015	11.50 %	11.50 %
July 2, 2015, through December 31, 2015	12.25 %	12.25 %

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Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OPF was \$1,239,138 for 2015. Of this amount, \$127,918 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, 2015, the specific liability of the City was \$1,222,598 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, 2014, 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, 2014, and was determined by rolling forward the total pension liability as of January 1, 2014, to December 31, 2014. 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:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$6,802,833	\$14,460,694	\$21,263,527
Proportion of the Net Pension Liability	0.056403%	0.2791415%	
Pension Expense	\$739,988	\$1,410,574	\$2,150,562

At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OPF</u>	<u>Total</u>
<b>Deferred Outflows of Resources</b>			
Net difference between projected and actual earnings on pension plan investments	\$362,979	\$623,242	\$986,221
City contributions subsequent to the measurement date	<u>822,176</u>	<u>1,239,138</u>	<u>2,061,314</u>
Total Deferred Outflows of Resources	<u>\$1,185,155</u>	<u>\$1,862,380</u>	<u>\$3,047,535</u>
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience	<u>\$119,512</u>	<u>\$0</u>	<u>\$119,512</u>

\$2,061,314 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

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Year Ending December 31:	OPERS	OPF	Total
2016	\$35,601	\$155,811	\$191,412
2017	35,601	155,811	191,412
2018	81,518	155,811	237,329
2019	90,747	155,809	246,556
Total	\$243,467	\$623,242	\$866,709

***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 in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Wage Inflation	3.75 percent
Future Salary Increases, including inflation	4.25 to 10.05 percent including wage inflation
COLA or Ad Hoc COLA	3 percent, simple
Investment Rate of Return	8 percent
Actuarial Cost Method	Individual Entry Age

Mortality rates were 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.

The most recent 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.

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 115 Health Care Trust portfolio and the Defined Contribution portfolio. The Defined Benefit portfolio includes the investment assets of the Traditional Pension Plan, the defined benefit component of the Combined Plan, the annuitized accounts of the Member-Directed Plan and the VEBA Trust. 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 money weighted rate of return, net of investments expense, for the Defined Benefit portfolio is 6.95 percent for 2014.

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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 below displays the Board-approved asset allocation policy for 2014 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	23.00 %	2.31 %
Domestic Equities	19.90	5.84
Real Estate	10.00	4.25
Private Equity	10.00	9.25
International Equities	19.10	7.40
Other investments	18.00	4.59
Total	<u>100.00 %</u>	<u>5.28 %</u>

**Discount Rate** The discount rate used to measure the total pension liability 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 8 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 percent) or one percentage point higher (9 percent) than the current rate:

	<u>1% Decrease (7.00%)</u>	<u>Current Discount Rate (8.00%)</u>	<u>1% Increase (9.00%)</u>
City's proportionate share of the net pension liability	\$12,515,262	\$6,802,833	\$1,991,590

**Actuarial Assumptions – OPF**

OPF’s total pension liability as of December 31, 2014, is based on the results of an actuarial valuation date of January 1, 2014, 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.

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Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2014, are presented below:

Valuation Date	January 1, 2014
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
Cost of Living Adjustments	2.60 percent and 3.00 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 averaged 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, 2014, are summarized below:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	- %	(0.25) %
Domestic Equity	16.00	4.47
Non-US Equity	16.00	4.47
Core Fixed Income *	20.00	1.62
Global Inflation Protected *	20.00	1.33
High Yield	15.00	3.39
Real Estate	12.00	3.93
Private Markets	8.00	6.98
Timber	5.00	4.92
Master Limited Partnerships	8.00	7.03
Total	<u>120.00 %</u>	

\* levered 2x

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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 above, 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 of 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 net pension liability calculated using the discount rate of 8.25 percent, as well as what 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	\$20,001,327	\$14,460,694	\$9,769,462

**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 Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains two cost-sharing, multiple-employer defined benefit post-employment health care trusts, which fund multiple health care plans including medical coverage, prescription drug coverage, deposits to a health reimbursement arrangement, and Medicare Part B premium reimbursements, for qualifying benefit recipients of both the Traditional Pension and Combined plans. Members of the member-directed plan do not qualify for ancillary benefits, including OPERS sponsored health care coverage.

In order to qualify for post-employment 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 below for additional information.

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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 OPERS Board of Trustees 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 post-employment health care through their contributions to OPERS. A portion of each employer's contribution to OPERS is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2015, 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.

OPERS maintains three health care trusts. The two cost-sharing, multiple-employer trusts, the 401(h) Health Care Trust and the 115 Health Care Trust, work together to provide health care funding to eligible retirees of the Traditional Pension and Combined plans. The third trust is a Voluntary Employee's Beneficiary Association (VEBA) that provides funding for a Retiree Medical Account for Member-Directed Plan members. Each year, the OPERS Board of Trustees 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 the Combined Plan was 2.0 percent during calendar year 2015. As recommended by OPERS' actuary, the portion of employer contributions allocated to health care beginning January 1, 2016, remained at 2.0 percent for both plans. The OPERS Board of Trustees is also authorized to establish rules for the retiree or the retiree's 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 to the VEBA for participants in the Member-Directed Plan for 2015 was 4.5 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, 2015, 2014, and 2013 was \$137,029, \$160,862, and \$79,699, respectively. For 2015, 90.4 percent has been contributed with the balance being reported as an intergovernmental payable. The full amount has been contributed for 2014 and 2013.

### ***Ohio Police and Fire Pension Fund***

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OPF) sponsored health care program, a cost-sharing, multiple-employer defined post-employment health care 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 survivor benefit check, or is a spouse or eligible dependent child of such person. The health care coverage provided by OPF meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 45.

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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. That report may be obtained by visiting the OPF website at [www.op-f.org](http://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 percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and firefighters, respectively. 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 administrated as an Internal Revenue Code 401(h) account, both of which are within the defined benefit pension plan, under the authority granted by the Ohio Revised Code to the 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 2015, the employer contribution allocated to the health care plan was .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 also is authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contribution to OPF for the years ended December 31, 2015, 2014, and 2013 were \$1,268,237, \$1,195,585, and \$1,387,725, respectively, of which \$29,099, \$27,396, and \$229,102, respectively, was allocated to the healthcare plan. For 2015, 89.77 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 2014 and 2013.

## **Note 16 – Leases**

### ***Operating Leases***

In 2014, the City entered into an operating lease with American Financial Network, Incorporated, for check processing equipment. The City paid \$6,964 in principal and \$0 in interest on the lease in 2015.

In 2015, the City entered into an operating lease with PNC Equipment Finance, LLC, for golf carts. The City made no payments on the lease in 2015.



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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, 2015:

Fiscal Year	Check Processing Equipment Lease	Golf Carts Lease
2016	\$6,964	\$89,400
2017	0	89,400
2018	0	89,400
2019	0	89,400
2020	0	89,400
2021	0	89,400
Total	\$6,964	\$536,400

***Capital Leases***

In 2013, the City entered into several lease agreements for two copiers, an ambulance, and for a truck with a sewer cleaner. In 2015, the City entered into two lease agreements for a transport van and for exercise equipment. 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
	Ambulance	Transport Van	Total	Sewer Cleaner
Asset:				
Vehicles	\$112,710	\$30,017	\$142,727	\$290,977
Less: Accumulated depreciation	(16,906)	(3,002)	(19,908)	(58,195)
Total	\$95,804	\$27,015	\$122,819	\$232,782

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

	Governmental Activities				
	Copiers	Ambulance	Transport Van	Exercise Equipment	Total
2016	\$2,247	\$30,042	\$10,267	\$22,601	\$65,157
2017	2,247	0	10,266	22,601	35,114
2018	1,498	0	0	15,067	16,565
Total Minimum Lease Payment	5,992	30,042	20,533	60,269	116,836
Less: Amount Representing Interest	(381)	(1,279)	(783)	(6,170)	(8,613)
Present Value of Minimum Lease Payment	\$5,611	\$28,763	\$19,750	\$54,099	\$108,223

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	Business-Type Activities
	Sewer Cleaner
2016	\$45,350
2017	45,350
2018	45,349
Total Minimum Lease Payment	136,049
Less: Amount Representing Interest	(6,554)
Present Value of Minimum Lease Payment	\$129,495

**Note 17 – Long-Term Obligations**

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

Debt Issue	Interest Rate	Original Issue Amount	Date of Maturity
<b>Governmental Activities:</b>			
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
Housing and Urban Development Section 108 Loan - 1999	6.75	2,250,000	August 1, 2019
<b>Business-Type Activities:</b>			
OWDA Loan - Water Pollution Control 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 Design - 2014	3.37	Not Finalized	Not Finalized
OWDA Loan - WWTP Nutrient Removal Equipment Procurement HAB - 2015	0.00	Not Finalized	Not Finalized
OPWC Loan - Griffith Avenue SW Sanitary Sewer - 2013	0.00	86,195	July 1, 2044
OPWC Loan - Levee Infrastructure Improvement - 2014	0.00	1,130,748	January 1, 2046

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

	Balance 12/31/2014	Issued	Retired	Balance 12/31/2015	Amounts Due in One Year
<b>Governmental Activities:</b>					
<u>General Obligation Bonds:</u>					
Park and Recreation Bonds - 2002	\$3,955,000	\$0	\$0	\$3,955,000	\$0
Golf Course Construction Refunding Bonds - 2002					
Serial Bonds	5,185,000	0	(175,000)	5,010,000	260,000
Unamortized Discount	(29,363)	0	3,027	(26,336)	0
Capital Appreciation Bonds	32,537	0	(12,012)	20,525	20,525
Accretion on Bonds	43,205	5,522	(17,988)	30,739	30,739
Marketplace Infrastructure TIF Bonds - 2004					
Serial Bonds	885,000	0	0	885,000	95,000
Capital Appreciation Bonds	33,467	0	(33,467)	0	0
Accretion on Bonds	53,468	8,065	(61,533)	0	0
Lincoln Center Phase III Bonds - 2007					
Serial Bonds	135,000	0	(135,000)	0	0
Term Bonds	1,455,000	0	0	1,455,000	0
Capital Appreciation Bonds	179,998	0	0	179,998	63,547
Accretion on Bonds	143,818	28,070	0	171,888	71,453
Various Purpose Improvement Refunding Bonds - 2012A					
Serial Bonds	6,615,000	0	(440,000)	6,175,000	480,000
Unamortized Discount	(57,812)	0	4,818	(52,994)	0
Various Purpose Improvement Refunding Bonds - 2012B	925,000	0	(70,000)	855,000	75,000
Total General Obligation Bonds	<u>19,554,318</u>	<u>41,657</u>	<u>(937,155)</u>	<u>18,658,820</u>	<u>1,096,264</u>
<u>Loans Payable:</u>					
OPWC Loan - 2006	284,341	0	(24,631)	259,710	24,631
OPWC Loan - Hankins Road - 2014	559,562	517,027	0	1,076,589	35,886
OPWC Loan - 9th St. Improvement - 2014	393,762	503,232	0	896,994	29,900
HUD Section 108 Loan	1,395,000	0	(95,000)	1,300,000	105,000
Total Loans Payable	<u>2,632,665</u>	<u>1,020,259</u>	<u>(119,631)</u>	<u>3,533,293</u>	<u>195,417</u>
<u>Other Long-Term Obligations:</u>					
Police and Fireman's Pension Liability	1,262,359	0	(39,761)	1,222,598	41,469
Compensated Absences	2,805,148	143,312	(201,416)	2,747,044	194,412
Judgment Payable	420,000	0	(70,000)	350,000	70,000
Claims Payable	104,273	118,744	(126,942)	96,075	90,743
Capital Leases Payable	82,031	90,103	(63,911)	108,223	59,479
Total Other Long-Term Obligations	<u>4,673,811</u>	<u>352,159</u>	<u>(502,030)</u>	<u>4,523,940</u>	<u>456,103</u>
<u>Net Pension Liability:</u>					
OPERS	5,252,851	121,386	0	5,374,237	0
OPF	13,595,067	865,627	0	14,460,694	0
Total Net Pension Liability	<u>18,847,918</u>	<u>987,013</u>	<u>0</u>	<u>19,834,931</u>	<u>0</u>
Total Governmental Activities	<u>\$45,708,712</u>	<u>\$2,401,088</u>	<u>(\$1,558,816)</u>	<u>\$46,550,984</u>	<u>\$1,747,784</u>

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	Balance 12/31/2014	Issued	Retired	Balance 12/31/2015	Amounts Due in One Year
<b>Business-Type Activities:</b>					
<u>Loans Payable:</u>					
OWDA Loans Payable:					
WPCL Fothergill Loan - 1999	\$497,981	\$0	(\$83,027)	\$414,954	\$86,220
WWTP Upgrade OWDA Phase I Loan - 2002	3,104,656	0	(309,636)	2,795,020	313,550
WWTP Upgrade OWDA Phase II Loan - 2002	18,317,323	0	(1,823,764)	16,493,559	1,847,495
WWTP Nutrient Removal Upgrade Design - 2014	1,111,902	925,352	(341,699)	1,695,555	0
WWTP Nutrient Removal - Equipment Procurement HAB - 2015	0	599,850	0	599,850	0
Total OWDA Loans Payable	<u>23,031,862</u>	<u>1,525,202</u>	<u>(2,558,126)</u>	<u>21,998,938</u>	<u>2,247,265</u>
OPWC Loans Payable:					
Griffith Avenue SW Sanitary Sewer Loan - 2013	86,195	0	(86,195)	0	0
Levee Infrastructure Improvement Loan - 2014	1,130,748	10,016	0	1,140,764	38,025
Total OPWC Loans Payable	<u>1,216,943</u>	<u>10,016</u>	<u>(86,195)</u>	<u>1,140,764</u>	<u>38,025</u>
Total Loans Payable	<u>24,248,805</u>	<u>1,535,218</u>	<u>(2,644,321)</u>	<u>23,139,702</u>	<u>2,285,290</u>
<u>Other Long-Term Obligations:</u>					
Compensated Absences	206,559	55,530	(8,507)	253,582	8,447
Capital Leases	170,564	0	(41,069)	129,495	42,100
Total Other Long-Term Obligations	<u>377,123</u>	<u>55,530</u>	<u>(49,576)</u>	<u>383,077</u>	<u>50,547</u>
<u>Net Pension Liability - OPERS:</u>					
Wastewater	1,396,328	32,268	0	1,428,596	0
Total Business-Type Activities	<u>\$26,022,256</u>	<u>\$1,623,016</u>	<u>(\$2,693,897)</u>	<u>\$24,951,375</u>	<u>\$2,335,837</u>

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

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

The golf course construction refunding capital appreciation bonds were originally sold at a discount of \$353,767, which is being accreted annually until the point of maturity of the capital appreciation bonds, which is 2011 through 2016. The maturity amount of outstanding capital appreciation bonds at December 31, 2015, is \$55,000. For the capital appreciation bonds, the amount of additions for 2015 was \$5,522, which represents the annual accretion of discounted interest. \$30,000 of the capital appreciation bonds were retired during 2015, with an outstanding amount at year-end of \$51,264.

The Marketplace Infrastructure TIF capital appreciation bonds were originally sold at a discount of \$175,001, which was accreted annually until the point of maturity of the capital appreciation bonds, which was 2013 through 2015. For the capital appreciation bonds, the amount of additions for 2015 was \$8,065, which represents the annual accretion of discounted interest. The capital appreciation bonds were fully retired during 2015.

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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, 2015, is \$415,000. The accretion recorded for 2015 was \$28,070, for a total outstanding bond liability at year-end of \$351,886.

*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:

Year	Issue		
	\$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
<i>Stated Maturity</i>	<i>12/1/2021</i>	<i>12/1/2024</i>	<i>12/1/2027</i>

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.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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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, 2015, \$6,010,000 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 Hankins Road and for 9<sup>th</sup> 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 111 percent of net revenues and less than 34 percent of total revenues. The total principal and interest remaining to be paid on the debt is \$22,011,837. The amount of principal and interest paid in the current year was \$3,011,142. Net revenues available were \$2,714,335 and total revenues were \$8,953,535.

The City pays obligations related to employee compensation from the fund benefitting from their service. Compensated absences will be paid from the general fund and the street construction maintenance and repair, state highway, 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 fire fireman's pension liability will be paid from the general fund.

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2015

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.

Lines of credit have been established with the Ohio Water Development Authority in the amount of \$8,273,420, 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, 2015	Lines of Credit
<b>Business-Type Activities:</b>		
<i>OWDA Loan:</i>		
WWTP Nutrient Removal Upgrade Design	\$1,695,555	\$3,688,070
WWTP Nutrient Removal - Equipment Procurement HAB	599,850	4,585,350
<b>Total Loans Not Finalized</b>	<b>\$2,295,405</b>	<b>\$8,273,420</b>

The City's overall debt margin was \$35,062,343 and the unvoted legal debt margin was \$8,722,651 at December 31, 2015. Principal and interest requirements to retire the long-term obligations outstanding at December 31, 2015, are as follows:

	Governmental Activities					
	General Obligation Bonds					
	Serial Bonds		Term Bonds		Capital Appreciation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$910,000	\$745,259	\$0	\$0	\$84,072	\$105,928
2017	1,025,000	711,782	0	0	60,644	79,356
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
2021-2025	5,120,000	2,298,643	805,000	176,405	0	0
2026-2030	5,515,000	1,152,437	370,000	23,101	0	0
2031	1,280,000	62,970	0	0	0	0
Totals	<b>\$16,880,000</b>	<b>\$6,855,981</b>	<b>\$1,455,000</b>	<b>\$311,868</b>	<b>\$200,523</b>	<b>\$269,477</b>

(continued)

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
For the Year Ended December 31, 2015

	Governmental Activities (continued)		
	OPWC Loans	HUD Section 108 Loan	
	Principal	Principal	Interest
2016	\$90,417	\$105,000	\$41,583
2017	90,418	110,000	38,790
2018	90,418	120,000	35,589
2019	90,418	965,000	31,845
2020	90,418	0	0
2021-2025	452,085	0	0
2026-2030	342,326	0	0
2031-2035	328,930	0	0
2036-2040	328,933	0	0
2041-2045	328,930	0	0
Totals	\$2,233,293	\$1,300,000	\$147,807

	Business-Type Activities		
	OWDA Loans		OPWC Loan
	Principal	Interest	Principal
2016	\$2,247,265	\$250,870	\$38,025
2017	2,278,598	222,882	38,026
2018	2,310,437	191,909	38,025
2019	2,342,794	160,454	38,026
2020	2,325,066	128,507	38,025
2021-2025	8,199,373	212,918	190,128
2026-2030	0	0	190,127
2031-2035	0	0	190,128
2036-2040	0	0	190,127
2041-2045	0	0	190,127
Totals	\$19,703,533	\$1,167,540	\$1,140,764

**Note 18 – Interfund Transfers and Balances**

***Interfund Transfers***

During the year ended December 31, 2015, the City made interfund transfers totaling \$1,338,424 from the general fund to the police pension and fire pension special revenue funds, three debt service funds, and the retrospective workers' compensation internal service fund. These transfers represent amounts paying the employer's share of police and fire pensions, amounts for debt payments, and amounts for workers' compensation claims.

***Interfund Balances***

At December 31, 2015, the general fund had an interfund receivable of \$70,000, and the parks and recreation fund had the corresponding interfund payable. The advance was originally made to support operations in the parks and recreation fund.



**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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

***Insurance***

In 2015, the City provided health insurance to its employees through the Health Plan/Hometown. Dental and vision insurance was provided through AFSCME. For 2015, the City’s portion of monthly premiums for health insurance for single and for family was \$291.02 and \$1,085.02, respectively, for the HMO plan, and \$357.70 and \$1,267.12, respectively, for the PPO plan. The City’s portion of monthly insurance premiums was \$28 for dental insurance and \$8.13 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	\$286,834
Parks and Recreation	62,520
Other Governmental Funds	297,621
Wastewater	1,035,451
Total	<u><u>\$1,682,426</u></u>

**Note 21 – 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

**City of Massillon, Ohio**  
*Notes to the Basic Financial Statements*  
*For the Year Ended December 31, 2015*

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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.

**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 Two Years (1)*

	2014	2013
City's Proportion of the Net Pension Liability	0.056403%	0.056403%
City's Proportionate Share of the Net Pension Liability	\$6,802,833	\$6,649,179
City's Covered-Employee Payroll	\$6,915,008	\$6,977,329
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	98.38%	95.30%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.45%	86.36%

(1) Information prior to 2013 is not available.

Amounts presented 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 Two Years (1)*

	2014	2013
City's Proportion of the Net Pension Liability	0.27914150%	0.27914150%
City's Proportionate Share of the Net Pension Liability	\$14,460,694	\$13,595,067
City's Covered-Employee Payroll	\$5,479,273	\$6,334,725
City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	263.92%	214.61%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.20%	73.00%

(1) Information prior to 2013 is not available.

Amounts presented 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 Three Years (1)*

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$822,176	\$829,801	\$907,053
Contributions in Relation to the Contractually Required Contribution	<u>(822,176)</u>	<u>(829,801)</u>	<u>(907,053)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$6,851,467	\$6,915,008	\$6,977,329
Contributions as a Percentage of Covered-Employee Payroll	12.00%	12.00%	13.00%

(1) Information prior to 2013 is not available.

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

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually Required Contribution	\$1,239,138	\$1,168,189	\$1,158,623	\$863,008
Contributions in Relation to the Contractually Required Contribution	<u>(1,239,138)</u>	<u>(1,168,189)</u>	<u>(1,158,623)</u>	<u>(863,008)</u>
Contribution Deficiency (Excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City Covered-Employee Payroll	\$5,819,720	\$5,479,273	\$6,334,725	\$5,731,190
Contributions as a Percentage of Covered-Employee Payroll	21.29%	21.32%	18.29%	15.06%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$875,018	\$827,512	\$837,115	\$849,408	\$801,758	\$722,065
<u>(875,018)</u>	<u>(827,512)</u>	<u>(837,115)</u>	<u>(849,408)</u>	<u>(801,758)</u>	<u>(722,065)</u>
<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
\$5,856,873	\$5,529,132	\$5,601,176	\$5,679,302	\$5,360,638	\$5,182,890
14.94%	14.97%	14.95%	14.96%	14.96%	13.93%

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City of Massillon, Ohio  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2015

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>				
<i>(Passed through Ohio Department of Health)</i>				
Special Supplemental Nutrition Program for Women Infants and Children	10.557	01-76201FCL389	\$ -	\$ <u>128,843</u>
Total U.S. Department of Agriculture				<u>128,843</u>
<u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grants/Entitlement Grants	14.218		55,000	777,479
<i>(Passed through Stark County HOME Consortium)</i>				
HOME Investment Partnerships Program	14.239	M-14-DC-39-0204	-	<u>129,781</u>
Total U.S. Department of Housing and Urban Development				<u>907,260</u>
<u>U.S. Department of Justice</u>				
<i>(Passed through Ohio Office of Criminal Justice Services)</i>				
Equitable Sharing Program	16.922	OH0760800	-	23,499
<i>(Passed through Ohio Department of Public Safety)</i>				
Violence Against Women Formula Grants	16.588	2014-WF-VA2-8225	-	<u>67,099</u>
Total U.S. Department of Justice				<u>90,598</u>
<u>U.S. Department of Homeland Security</u>				
Staffing for Adequate Fire and Emergency Response	97.083		-	<u>233,864</u>
Total U.S. Department of Homeland Security				<u>233,864</u>
Total			\$ <u>55,000</u>	\$ <u>1,360,565</u>

**NOTE A – BASIS OF PRESENTATION**

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal award activity of the City of Massillon, Ohio (the “City”) under programs of the federal government for the year ended December 31, 2015. 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 – COMMUNITY DEVELOPMENT BLOCK GRANT (CDBG) REVOLVING LOAN PROGRAM**

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

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

Activity in the CDBG revolving loan fund during 2015 is as follows:

Beginning loans receivable balance as of January 1, 2015	\$19,035
Loan principal repaid	<u>19,035</u>
Ending loans receivable balance as of December 31, 2015	\$ -
 Cash balance on hand in the revolving loan fund as of December 31, 2015	 \$1,360,678

Note: The table above reports loans receivable at gross.

**NOTE D – MATCHING REQUIREMENTS**

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

**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, 2015, 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 22, 2016 wherein we noted the Auditor of State placed the City in fiscal emergency and the City adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*.

**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.

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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 22, 2016

**REPORT ON COMPLIANCE FOR THE 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, 2015. 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.

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***Basis for Qualified Opinion on the Community Development Block Grants/Entitlement Grants Program***

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding the CFDA 14.218 Community Development Block Grants/Entitlement Grants program as described in finding number 2015-001 for Reporting. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

***Qualified Opinion on the Community Development Block Grants/Entitlement Grants Program***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Community Development Block Grants/Entitlement Grants program for the year ended December 31, 2015.

***Other Matter***

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001 that we consider to be a material weakness.

The City's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 22, 2016

**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?	yes
• Significant deficiency(ies) identified not considered to be material weaknesses?	none
Type of auditors' report issued on compliance for major programs:	qualified
Any audit findings that are required to be reported in accordance with the Uniform Guidance?	yes
Identification of major programs:	
<i>CFDA 14.218 – Community Development Block Grants/Entitlement Grants</i>	
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

#### 2015-001 Community Development Block Grants/Entitlement Grants – Reporting

*CFDA #14.218*

*U.S. Department of Housing and Urban Development*

*B-14-MC-39-0029*

*Criteria:* According to 24 CFR 135.90, the City shall submit an annual report for the purpose of determining the effectiveness of section 3. HUD has established the Section 3 Performance Evaluation and Registry System (SPEARS) and HUD grantees must submit Section 3 Reports through this system at the same time they submit annual performance reports. Additionally, the U.S. Department of Housing and Urban Development requires the use of the Federal Financial Report (FFR) to report the status of funds and requires the FFR to be submitted no later than 30 days after the end of each quarter. OMB prescribes the use of the SF-425 to standardize Federal financial reporting.

*Condition:* The City did not file any of the quarterly Federal Financial Reports, Standard Form 425 (SF-425) during 2015. Additionally, the City did not submit Section 3 Reports through SPEARS during 2015.

*Context:* We requested all quarterly filings for 2015 and the City had not prepared and submitted these filings.

*Effect:* The City was not in compliance with reporting requirements in 2015.

*Cause:* The Department of Community Development experienced turnover at key positions during 2015 which caused the oversight in reporting.

*Recommendation:* We recommend the City implement procedures to ensure each department is knowledgeable and compliant with reporting requirements of federal awards.

#### **Views of Responsible Officials:**

*Action and Procedures taken by the City: New Community Development Director Hired 2/9/16.*

*Action and Procedures taken by the New Community Development Director:*

*Upon request of documents from Clark Schaefer Hackett auditors, the U.S. Department of Housing and Urban Development (HUD) Columbus field office (The City's HUD Community Planning Development CPD office) was contacted and received instructions and requirements regarding these reports as follows:*

- 1. Federal Financial Reports, SF 425 – Per HUD field office, they required the City provide the report for the Fourth quarter of 2015 and the First quarter of 2016. Both reports were mailed to the Columbus field office on April 21, 2016. All SF 425 reports will be filed quarterly here forward.*
- 2. Section 3 Report – Per HUD field office they required the City to file the MBE Report #2516 reporting Contractor's information for the semi-annual period of October 1, 2015 – March 31, 2016. The report was mailed to the Columbus field office on April 21, 2016. The Section 3 Report was required to be filed annually with 2016 here forward.*

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# 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 9, 2016**