



Dave Yost • Auditor of State



**CITY OF CANFIELD  
MAHONING COUNTY**

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# Dave Yost • Auditor of State

## INDEPENDENT AUDITOR'S REPORT

City of Canfield  
Mahoning County  
104 Lisbon Street  
Canfield, Ohio 44406

To the Members of Council:

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canfield, Mahoning County, Ohio (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canfield, Mahoning County, Ohio, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the General and Street Construction, Maintenance and Repair funds thereof for the year then ended in accordance with the accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require this presentation to include *Management's discussion and analysis*, and schedules of net pension liabilities and pension contributions listed in the table of contents, to supplement the basic financial statements. Although this information is not part of the basic financial statements, the Governmental Accounting Standards Board considers it essential for placing the basic financial statements in an appropriate operational, economic, or historical context. We applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, consisting of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, to the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not opine or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to opine or provide any other assurance.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated August 21, 2017, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 21, 2017

## CITY OF CANFIELD, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED

The management's discussion and analysis of the City of Canfield's (the "City") financial performance provides an overall review of the City's financial activities for the year ended December 31, 2016. 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 2016 are as follows:

- The total net position of the City increased \$321,188. Net position of governmental activities increased \$664,925 or 4.48% from 2015 net position. Net position of business-type activities decreased \$343,737 or 1.94% from 2015 net position.
- General revenues accounted for \$3,837,650 of total governmental activities revenue. Program specific revenues accounted for \$2,150,161 or 35.91% of total governmental activities revenue.
- The City had \$5,322,886 in expenses related to governmental activities; \$2,150,161 of these expenses were offset by program specific charges for services, grants or contributions. The remaining expenses of the governmental activities of \$3,172,725 were offset by general revenues (primarily taxes and unrestricted grants and entitlements) of \$3,837,650.
- The general fund had revenues of \$3,928,258 in 2016. This represents an increase of \$185,586 from 2015. The expenditures and other financing uses of the general fund, which totaled \$3,904,818 in 2016, increased \$42,375 from 2015. The net increase in fund balance for the general fund was \$23,440 or 1.84%.
- The street construction maintenance and repair fund had revenues of \$1,529,220 in 2016. The expenditures of the street construction maintenance and repair fund totaled \$1,407,333 in 2016. The net increase in fund balance for the street construction maintenance and repair fund was \$121,887 or 11.45%.
- Net position for the business-type activities, which are made up of the Sewer, Water and Storm enterprise funds decreased in 2016 by \$343,737 from the prior year.

#### **Using this Annual Financial Report**

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand the City as a financial whole, an entire operating entity. The statements then proceed to provide an increasingly detailed look at specific financial activities.

The statement of net position and statement of activities provide information about the activities of the City as a whole, presenting both an aggregate view of the City's finances and a longer-term view of those finances. 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 remains for future spending. The fund financial statements also look at the City's most significant funds with all other nonmajor funds presented in total in one column.

**CITY OF CANFIELD, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
UNAUDITED**

**Reporting the City as a Whole**

*Statement of Net Position and the Statement of Activities*

While this document contains a large number of funds used by the City to provide programs and activities, the view of the City as a whole looks at all financial transactions and asks the question, "How did we do financially during 2016?" The statement of net position and the statement of activities answer this question. These statements include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues and expenses using the accrual basis of accounting similar to the accounting used by most private-sector companies. This basis of accounting will take into account all of the current year's revenues and expenses regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in that position. This change in net position is important because it tells the reader that, for the City as a whole, the financial position of the City has improved or diminished. The causes of this change may be the result of many factors, some financial, some not. Non-financial factors include the City's property tax base, current property tax laws in Ohio restricting revenue growth, facility conditions, required community programs and other factors.

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

Governmental activities - Most of the City's programs and services are reported here including police, parks, recreation, cemeteries, street maintenance, capital improvements and general administration. These services are funded primarily by property and income taxes and intergovernmental revenues including federal and state grants and other shared revenues.

Business-type activities - These services are provided on a charge for goods or services basis to recover all or a significant portion of the expenses of the goods or services provided. The City's sewer, water and storm water operations are reported here.

**Reporting the City's Most Significant Funds**

*Fund Financial Statements*

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Fund financial reports provide detailed information about the City's major funds. The City uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the City's most significant funds. The analysis of the City's major governmental and proprietary funds begins on page 11.



## CITY OF CANFIELD, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED

#### ***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 fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of the 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, the 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 this comparison between governmental funds and governmental activities.

The City maintains a multitude of individual governmental funds. The City has segregated these funds into major funds and nonmajor funds. The City's major governmental funds are the general fund and the street construction maintenance and repair fund. Information for major funds is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures, and changes in fund balances. Data from the other governmental funds are combined into a single, aggregated presentation. The basic governmental fund financial statements can be found on pages 22-27 of this report.

#### ***Proprietary Funds***

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer, water and storm water management functions. All of the City's enterprise funds are considered major funds. The basic proprietary fund financial statements can be found on pages 28-30 of this report.

#### ***Fiduciary Funds***

Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. Agency and private-purpose trust funds are the City's fiduciary fund types. The basic fiduciary fund financial statements can be found on pages 31-32 of this report.

#### ***Notes to the Basic Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. These notes to the basic financial statements can be found beginning on page 33-75 of this report.

#### ***Required Supplementary Information***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's net pension liability. The required supplementary information can be found on pages 77-84 of this report.

**CITY OF CANFIELD, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
UNAUDITED

**Government-Wide Financial Analysis**

The table below provides a summary of the City's net position for 2016 and 2015.

|                                   | <b>Net Position</b>            |                      |                                 |                      |                      |                      |
|-----------------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                                   | <u>Governmental Activities</u> |                      | <u>Business-type Activities</u> |                      | <u>Total</u>         |                      |
|                                   | <u>2016</u>                    | <u>2015</u>          | <u>2016</u>                     | <u>2015</u>          | <u>2016</u>          | <u>2015</u>          |
| <b>Assets:</b>                    |                                |                      |                                 |                      |                      |                      |
| Current and Other Assets          | \$ 5,107,416                   | \$ 5,246,776         | \$ 3,510,530                    | \$ 3,523,851         | \$ 8,617,946         | \$ 8,770,627         |
| Capital Assets                    | 15,866,872                     | 14,748,104           | 15,083,699                      | 15,463,533           | 30,950,571           | 30,211,637           |
| Total Assets                      | <u>20,974,288</u>              | <u>19,994,880</u>    | <u>18,594,229</u>               | <u>18,987,384</u>    | <u>39,568,517</u>    | <u>38,982,264</u>    |
| <u>Deferred Outflows</u>          | <u>1,343,003</u>               | <u>537,141</u>       | <u>181,662</u>                  | <u>59,837</u>        | <u>1,524,665</u>     | <u>596,978</u>       |
| <b>Liabilities:</b>               |                                |                      |                                 |                      |                      |                      |
| Long-term Liabilities Outstanding | 1,218,289                      | 1,176,224            | 925,007                         | 1,003,509            | 2,143,296            | 2,179,733            |
| Net Pension Liability             | 4,858,978                      | 3,758,480            | 460,580                         | 316,464              | 5,319,558            | 4,074,944            |
| Other Liabilities                 | 129,946                        | 169,285              | 25,889                          | 23,700               | 155,835              | 192,985              |
| Total Liabilities                 | <u>6,207,213</u>               | <u>5,103,989</u>     | <u>1,411,476</u>                | <u>1,343,673</u>     | <u>7,618,689</u>     | <u>6,447,662</u>     |
| <b>Deferred Inflows:</b>          |                                |                      |                                 |                      |                      |                      |
| Property taxes                    | 568,097                        | 579,038              | -                               | -                    | 568,097              | 579,038              |
| Pension                           | 49,779                         | 21,717               | 11,156                          | 6,552                | 60,935               | 28,269               |
| Total Deferred Inflows            | <u>617,876</u>                 | <u>600,755</u>       | <u>11,156</u>                   | <u>6,552</u>         | <u>629,032</u>       | <u>607,307</u>       |
| <b>Net Position:</b>              |                                |                      |                                 |                      |                      |                      |
| Net investment in capital assets  | 14,978,451                     | 13,737,574           | 14,176,553                      | 14,479,609           | 29,155,004           | 28,217,183           |
| Restricted                        | 1,844,492                      | 1,819,160            | -                               | -                    | 1,844,492            | 1,819,160            |
| Unrestricted                      | <u>(1,330,741)</u>             | <u>(729,457)</u>     | <u>3,176,706</u>                | <u>3,217,387</u>     | <u>1,845,965</u>     | <u>2,487,930</u>     |
| Total Net Position                | <u>\$ 15,492,202</u>           | <u>\$ 14,827,277</u> | <u>\$ 17,353,259</u>            | <u>\$ 17,696,996</u> | <u>\$ 32,845,461</u> | <u>\$ 32,524,273</u> |

The City has adopted Governmental Accounting Standards Board (GASB) Statement 68, "Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement 27" and GASB Statement 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68" 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:

## CITY OF CANFIELD, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED

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.

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. At December 31, 2016, the City has reported a net pension liability of \$5,319,558, a net pension asset of \$15,288, deferred outflows of resources of \$1,524,665, and deferred outflows of resources of \$60,935 related to GASB 68.

Over time, net position can serve as a useful indicator of a government's financial position. At December 31, 2016, the City's assets and deferred outflows exceeded liabilities and deferred inflows by \$32,845,461. At year-end, net position was \$15,492,202 and \$17,353,259 for the governmental activities and the business-type activities, respectively.

Capital assets reported on the government-wide statements represent the largest portion of the City's assets. At year-end, capital assets represented 78.22% of total assets. Capital assets include land, buildings, land improvements, equipment, infrastructure and construction in progress. Net investment in capital assets at December 31, 2016, was \$14,978,451 and \$14,176,553 in the governmental activities and business-type activities, respectively. 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.

**CITY OF CANFIELD, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
UNAUDITED**

A portion of the City's net position, \$1,844,492, represents resources that are subject to external restriction on how they may be used. In the governmental activities, the remaining balance of unrestricted net position of \$1,845,965 may be used to meet the government's ongoing obligations to citizens and creditors.

The table below shows the changes in net position for fiscal year 2016 and 2015.

|   | <b>Change in Net Position</b> |                      |                          |                      |                      |                      |
|---|-------------------------------|----------------------|--------------------------|----------------------|----------------------|----------------------|
|   | Governmental Activities       |                      | Business-type Activities |                      | Total                |                      |
|   | 2016                          | 2015                 | 2016                     | 2015                 | 2016                 | 2015                 |
| <b>Revenues</b>                           |                               |                      |                          |                      |                      |                      |
| Program revenues:                         |                               |                      |                          |                      |                      |                      |
| Charges for services                      | \$ 728,077                    | \$ 588,139           | \$ 3,100,402             | \$ 2,899,298         | \$ 3,828,479         | \$ 3,487,437         |
| Operating grants and contributions        | 1,402,754                     | 1,036,110            | -                        | -                    | 1,402,754            | 1,036,110            |
| Capital grants and contributions          | 19,330                        | 193,356              | -                        | 47,930               | 19,330               | 241,286              |
| Total program revenues                    | <u>2,150,161</u>              | <u>1,817,605</u>     | <u>3,100,402</u>         | <u>2,947,228</u>     | <u>5,250,563</u>     | <u>4,764,833</u>     |
| General revenues:                         |                               |                      |                          |                      |                      |                      |
| Property taxes                            | 510,285                       | 492,745              | -                        | -                    | 510,285              | 492,745              |
| Income taxes                              | 3,228,676                     | 3,146,467            | -                        | -                    | 3,228,676            | 3,146,467            |
| Unrestricted grants and entitlements      | 58,976                        | 102,997              | -                        | -                    | 58,976               | 102,997              |
| Investment earnings                       | 12,519                        | 14,449               | -                        | -                    | 12,519               | 14,449               |
| Miscellaneous                             | 27,194                        | 81,417               | 2,251                    | 17                   | 29,445               | 81,434               |
| Total general revenues                    | <u>3,837,650</u>              | <u>3,838,075</u>     | <u>2,251</u>             | <u>17</u>            | <u>3,839,901</u>     | <u>3,838,092</u>     |
| Total revenues                            | <u>5,987,811</u>              | <u>5,655,680</u>     | <u>3,102,653</u>         | <u>2,947,245</u>     | <u>9,090,464</u>     | <u>8,602,925</u>     |
| <b>Expenses:</b>                          |                               |                      |                          |                      |                      |                      |
| General government                        | 1,190,668                     | 1,108,426            | -                        | -                    | 1,190,668            | 1,108,426            |
| Security of persons and property          | 3,109,196                     | 2,909,698            | -                        | -                    | 3,109,196            | 2,909,698            |
| Public health and welfare                 | 87,831                        | 111,456              | -                        | -                    | 87,831               | 111,456              |
| Transportation                            | 757,759                       | 814,561              | -                        | -                    | 757,759              | 814,561              |
| Community environment                     | 88,630                        | 68,930               | -                        | -                    | 88,630               | 68,930               |
| Leisure time activity                     | 55,442                        | 82,930               | -                        | -                    | 55,442               | 82,930               |
| Interest and fiscal charges               | 33,360                        | 26,384               | -                        | -                    | 33,360               | 26,384               |
| Water                                     | -                             | -                    | 1,688,339                | 1,670,987            | 1,688,339            | 1,670,987            |
| Sewer                                     | -                             | -                    | 1,518,794                | 1,319,384            | 1,518,794            | 1,319,384            |
| Storm                                     | -                             | -                    | 239,257                  | 340,586              | 239,257              | 340,586              |
| Total expenses                            | <u>5,322,886</u>              | <u>5,122,385</u>     | <u>3,446,390</u>         | <u>3,330,957</u>     | <u>8,769,276</u>     | <u>8,453,342</u>     |
| Increase in net position before transfers | 664,925                       | 533,295              | (343,737)                | (383,712)            | 321,188              | 149,583              |
| Transfers                                 | -                             | (110,391)            | -                        | 110,391              | -                    | -                    |
| Change in net position                    | 664,925                       | 422,904              | (343,737)                | (273,321)            | 321,188              | 149,583              |
| Net position at beginning of year         | <u>14,827,277</u>             | <u>14,404,373</u>    | <u>17,696,996</u>        | <u>17,970,317</u>    | <u>32,524,273</u>    | <u>32,374,690</u>    |
| Net position at end of year               | <u>\$ 15,492,202</u>          | <u>\$ 14,827,277</u> | <u>\$ 17,353,259</u>     | <u>\$ 17,696,996</u> | <u>\$ 32,845,461</u> | <u>\$ 32,524,273</u> |

**CITY OF CANFIELD, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
UNAUDITED**

**Governmental Activities**

Governmental activities net position increased \$664,925 in 2016. The majority of this increase is the result of an increase in tax revenues, charges for services and operating grants and contributions combined with a tight control of expenses during 2016.

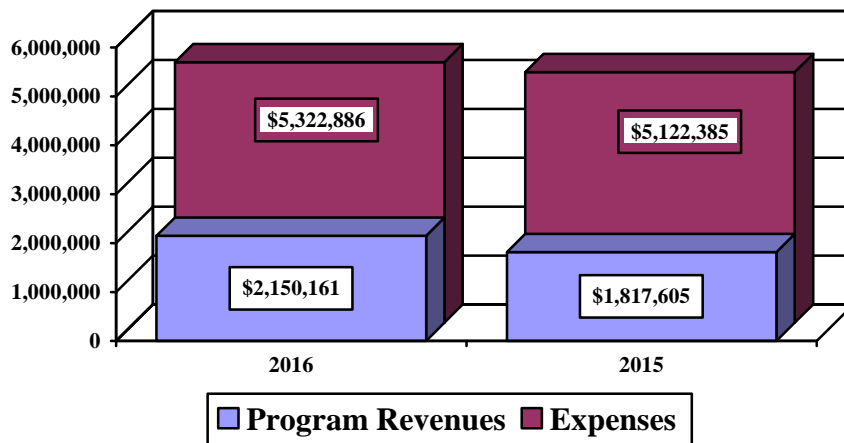
Security of persons and property which primarily supports the operations of the police department and street lights accounted for \$3,109,196 or 58.41% of the total expenses of the City. Security of persons and property expenses were partially funded by \$211,799 in direct charges to users of the services and \$213,183 in operating grants and contributions. General government expenses totaled \$1,190,668 or 22.37% of the total expenses of the City. General government expenses were partially funded by \$476,188 in direct charges to users of the services.

The state and federal government contributed to the City a total of \$1,402,754 in operating grants and contributions and \$19,330 in capital grants and contributions. These revenues are restricted to a particular program or purpose. The City received \$1,185,482 in operating and capital grants and contributions that were used to subsidize transportation programs

General revenues totaled \$3,837,650 and amounted to 64.09% of total governmental revenues. These revenues primarily consist of property and income tax revenue of \$3,738,961. The other primary source of general revenues is grants and entitlements not restricted to specific programs, making up \$58,976. Unrestricted grants and entitlements decreased during 2016 as a result of less collections of estate tax revenue and local government revenue.

The statement of activities shows the cost of program services and the charges for services and grants offsetting those services. The following table shows, for governmental activities, the total cost of services and the net cost of services. That is, it identifies the cost of these services supported by tax revenue and unrestricted State grants and entitlements. As can be seen in the graph below, the City is highly dependent upon general revenues (primarily property and income taxes as well as unrestricted grants and entitlements) to support its governmental activities. As program revenues are not sufficient to cover total governmental expenses.

**Governmental Activities - Program Revenues vs. Total Expenses**



**CITY OF CANFIELD, OHIO**

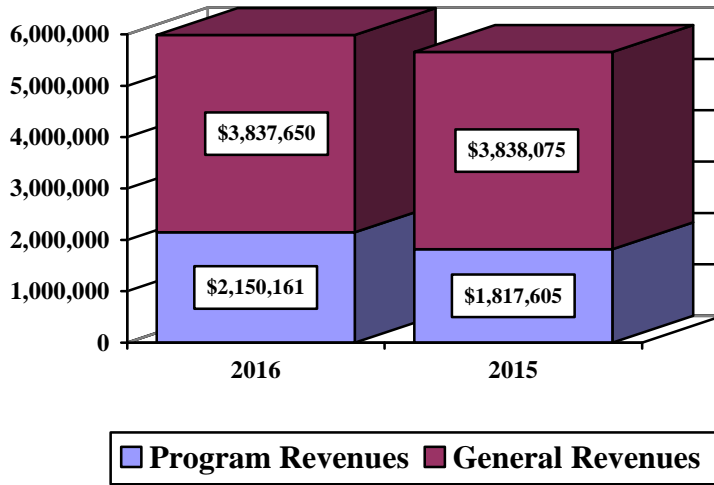
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
UNAUDITED

**Governmental Activities**

|                                  | Total Cost of<br>Services<br><u>2016</u> | Net Cost of<br>Services<br><u>2016</u> | Total Cost of<br>Services<br><u>2015</u> | Net Cost of<br>Services<br><u>2015</u> |
|----------------------------------|--|--|--|--|
| Program Expenses:                |  |  |  |  |
| General government               | \$ 1,190,668                             | \$ 714,480                             | \$ 1,108,426                             | \$ 739,763                             |
| Security of persons and property | 3,109,196                                | 2,684,214                              | 2,909,698                                | 2,509,251                              |
| Public health and welfare        | 87,831                                   | 66,665                                 | 111,456                                  | 89,206                                 |
| Transportation                   | 757,759                                  | (424,723)                              | 814,561                                  | (183,811)                              |
| Community environment            | 88,630                                   | 86,480                                 | 68,930                                   | 67,830                                 |
| Leisure time activity            | 55,442                                   | 31,280                                 | 82,930                                   | 65,785                                 |
| Interest and fiscal charges      | <u>33,360</u>                            | <u>14,329</u>                          | <u>26,384</u>                            | <u>16,756</u>                          |
| Total                            | <u>\$ 5,322,886</u>                      | <u>\$ 3,172,725</u>                    | <u>\$ 5,122,385</u>                      | <u>\$ 3,304,780</u>                    |

The dependence upon general revenues for governmental activities is apparent, with 59.61% of expenses supported through taxes and other general revenues. The chart below illustrates the City's program revenues versus general revenues for 2016 and 2015.

**Governmental Activities – General and Program Revenues**

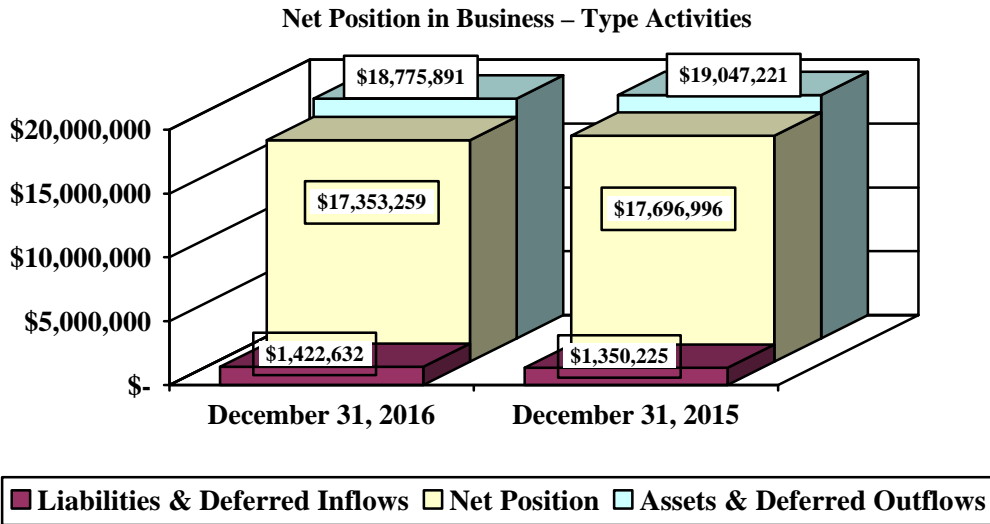


**CITY OF CANFIELD, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
UNAUDITED

**Business-type Activities**

Business-type activities include the sewer, water and storm water enterprise funds. These programs had program revenues of \$3,100,402, general revenues of \$2,251 and expenses of \$3,446,390 for 2016. The graph below shows the business-type activities assets, liabilities and net position at year-end.



**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at year-end.

The City's governmental funds (as presented on the balance sheet on page 22) reported a combined fund balance of \$3,588,758 which is a decrease of \$109,515 from last year's total of \$3,698,273.

**CITY OF CANFIELD, OHIO**

MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
UNAUDITED

The schedule below indicates the fund balances and the total change in fund balances as of December 31, 2016 for all major and non-major governmental funds.

|   | <u>Fund Balances</u><br><u>12/31/16</u> | <u>Fund Balances</u><br><u>12/31/15</u> | <u>Increase</u><br><u>(Decrease)</u> | <u>Percentage</u><br><u>Change</u> |
|---|---|---|--------------------------------------|------------------------------------|
| Major Funds:                                |   |   |                                      |                                    |
| General                                     | \$ 1,300,010                            | \$ 1,276,570                            | \$ 23,440                            | 1.84%                              |
| Street Construction, Maintenance and Repair | 1,186,502                               | 1,064,615                               | 121,887                              | 11.45%                             |
| Other Nonmajor Governmental Funds           | <u>1,102,246</u>                        | <u>1,357,088</u>                        | <u>(254,842)</u>                     | (18.78%)                           |
| Total                                       | <u>\$ 3,588,758</u>                     | <u>\$ 3,698,273</u>                     | <u>\$ (109,515)</u>                  | (2.96%)                            |

The decrease in fund balance of the nonmajor governmental funds is primarily due to spending down the note proceeds issued in 2015 for the police station addition from the general capital improvement fund.

***General Fund***

The City's general fund balance increased \$23,440. The table that follows assists in illustrating the revenues of the general fund.

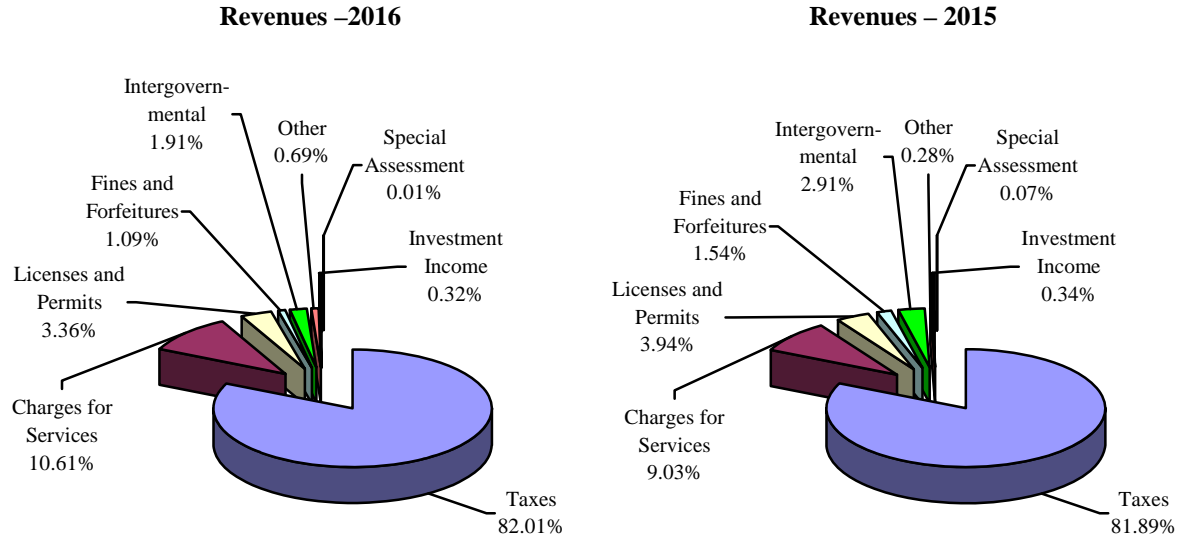
|                        | <u>2016</u><br><u>Amount</u> | <u>2015</u><br><u>Amount</u> | <u>Increase</u><br><u>(Decrease)</u> | <u>Percentage</u><br><u>Change</u> |
|------------------------|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <b><u>Revenues</u></b> |                              |                              |                                      |                                    |
| Income Taxes           | \$ 3,211,604                 | \$ 3,064,836                 | \$ 146,768                           | 4.79%                              |
| Real and Other Taxes   | 10,000                       | -                            | 10,000                               | 100.00%                            |
| Special Assessments    | 381                          | 2,654                        | (2,273)                              | (85.64%)                           |
| Charges for Services   | 416,686                      | 337,825                      | 78,861                               | 23.34%                             |
| Licenses and Permits   | 132,012                      | 147,627                      | (15,615)                             | (10.58%)                           |
| Fines and Forfeitures  | 42,655                       | 57,763                       | (15,108)                             | (26.16%)                           |
| Intergovernmental      | 75,207                       | 108,737                      | (33,530)                             | (30.84%)                           |
| Investment income      | 12,519                       | 12,755                       | (236)                                | (1.85%)                            |
| Other                  | <u>27,194</u>                | <u>10,475</u>                | <u>16,719</u>                        | 159.61%                            |
| Total                  | <u>\$ 3,928,258</u>          | <u>\$ 3,742,672</u>          | <u>\$ 185,586</u>                    | 4.96%                              |

Revenues in the general fund increased \$185,586 or 4.96% in 2016. Income tax revenue represents 81.76% of all 2016 general fund revenue. Income tax revenue increased 4.79% over the prior year. Intergovernmental revenue decreased \$33,530 or 30.84% due to a decrease in inheritance tax, local government revenue and various federal grants received for security of persons and property in the current year. Revenues from special assessments decreased \$2,273 or 85.64% compared to 2015. Investment income decreased slightly by \$236 or 1.85% due to a decrease in interest earned on investments. Other revenues increased \$16,719 due to reimbursements received in the current year.



**CITY OF CANFIELD, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
UNAUDITED**



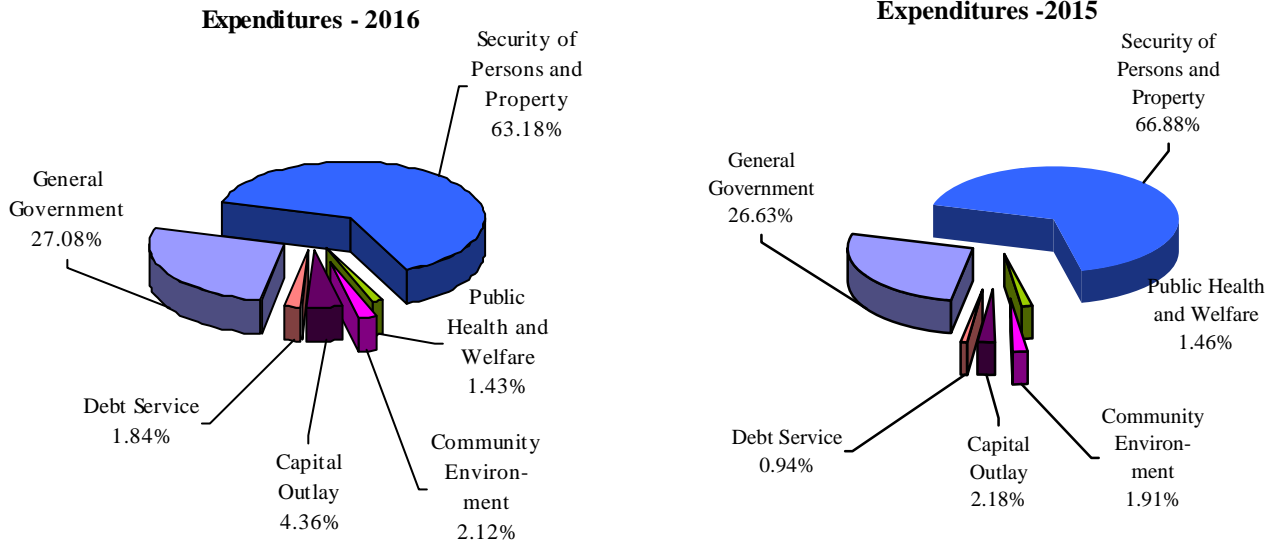
The table that follows assists in illustrating the expenditures of the general fund.

|                                  | <u>2016</u><br><u>Amount</u> | <u>2015</u><br><u>Amount</u> | <u>Increase</u><br><u>(Decrease)</u> | <u>Percentage</u><br><u>Change</u> |
|----------------------------------|------------------------------|------------------------------|--------------------------------------|------------------------------------|
| <b><u>Expenditures</u></b>       |                              |                              |                                      |                                    |
| General Government               | \$ 1,046,619                 | \$ 1,006,172                 | \$ 40,447                            | 4.02%                              |
| Security of Persons and Property | 2,441,906                    | 2,526,029                    | (84,123)                             | (3.33%)                            |
| Public Health and Welfare        | 55,234                       | 55,104                       | 130                                  | 0.24%                              |
| Community Environment            | 81,805                       | 72,268                       | 9,537                                | 13.20%                             |
| Capital Outlay                   | 168,359                      | 82,422                       | 85,937                               | 104.26%                            |
| Debt service                     | <u>70,895</u>                | <u>35,448</u>                | <u>35,447</u>                        | 100.00%                            |
| <b>Total</b>                     | <u><u>\$ 3,864,818</u></u>   | <u><u>\$ 3,777,443</u></u>   | <u><u>\$ 87,375</u></u>              | 2.31%                              |

The City's total general fund expenditures increased \$87,375 or 2.31% in 2016. The greatest increases were in capital outlay and debt service. Capital outlay is a category that can fluctuate significantly depending on what is being replaced or purchased. During 2016 the general fund purchased equipment and contributed to the construction of the new police station addition. The increase in debt service was due to the City making a full year of principal and interest payments on the police department general obligation note that was issued in 2015. The greatest area of decrease was in security of persons and property due to an overall decrease in personal services, contract services, and supplies and materials expenditures in the police department.

**CITY OF CANFIELD, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
UNAUDITED**



***Budgeting Highlights***

The City's budgeting process is prescribed by the Ohio Revised Code (ORC). Essentially the budget is the City's appropriations which are restricted by the amounts of anticipated revenues certified by the 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.

Budgetary information is presented for the general fund and the street construction maintenance and repair fund. In the general fund, the actual revenues and other financing sources came in \$280,092 higher than they were in the final budget and actual expenditures and other financing uses were \$337,617 less than the amount in the final budget. Budgeted expenditures and other financing uses were increased \$65,445 from the original to the final budget. Budgeted revenues did not change from the original to the final budget.

***Street Construction Maintenance and Repair Fund***

The street construction maintenance and repair fund had revenues of \$1,523,635 in 2016. The expenditures of the street construction maintenance and repair fund, totaled \$1,407,333 and fund balance increased \$121,887 or 11.45% during 2016. The increase in intergovernmental revenue and capital outlay expenditures was a result of federal grants passed through the Ohio Department of Transportation that were received in 2016 for the signalization project and other road improvement projects within the City.

**CITY OF CANFIELD, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
UNAUDITED**

***Proprietary Funds***

The City's enterprise funds provide the same type of information found in the government-wide financial statements for business-type activities, except in more detail. All of the City's enterprise funds are considered major funds. The Water fund had operating revenues of \$1,615,101 and operating expenses of \$1,679,270 for 2016. The Water fund net position decreased \$73,238 in 2016. The Sewer fund had operating revenues of \$1,323,993 and operating expenses of \$1,517,866 for 2016. The Sewer fund net position decreased \$194,801 in 2016. The Storm fund had operating revenues of \$163,559 and operating expenses of \$236,651 in 2016. The Storm fund net position decreased \$75,698 in 2016.

**Capital Assets and Debt Administration**

***Capital Assets***

At the end of fiscal 2016, the City had \$30,950,571 (net of accumulated depreciation) invested in land, buildings, land improvements, equipment, infrastructure, and construction in progress (CIP). Of this total, \$15,866,872 was reported in governmental activities and \$15,083,699 was reported in business-type activities. The following table shows fiscal 2016 balances compared to 2015. See Note 9 to the basic financial statements for details on the City's capital assets.

**Capital Assets at December 31  
(Net of Depreciation)**

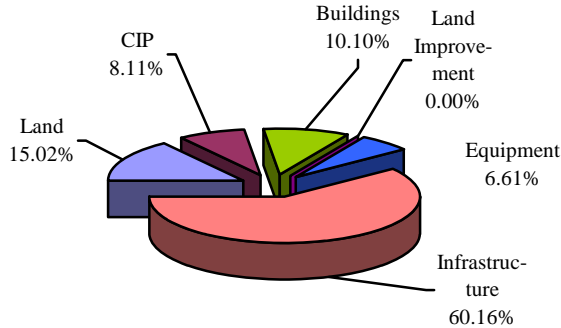
|                          | <u>Governmental Activities</u> |                      | <u>Business-Type Activities</u> |                      | <u>Total</u>         |                      |
|--------------------------|--------------------------------|----------------------|---------------------------------|----------------------|----------------------|----------------------|
|                          | <u>2016</u>                    | <u>2015</u>          | <u>2016</u>                     | <u>2015</u>          | <u>2016</u>          | <u>2015</u>          |
| Land                     | \$ 2,383,608                   | \$ 2,383,608         | \$ 21,297                       | \$ 21,297            | \$ 2,404,905         | \$ 2,404,905         |
| Construction in progress | 1,287,093                      | 813,288              | 22,796                          | 927,899              | 1,309,889            | 1,741,187            |
| Buildings                | 1,602,634                      | 1,051,218            | 1,047,570                       | 1,069,111            | 2,650,204            | 2,120,329            |
| Equipment                | 1,048,504                      | 1,090,778            | 94,596                          | 106,868              | 1,143,100            | 1,197,646            |
| Infrastructure           | <u>9,545,033</u>               | <u>9,409,212</u>     | <u>13,897,440</u>               | <u>13,338,358</u>    | <u>23,442,473</u>    | <u>22,747,570</u>    |
| Totals                   | <u>\$ 15,866,872</u>           | <u>\$ 14,748,104</u> | <u>\$ 15,083,699</u>            | <u>\$ 15,463,533</u> | <u>\$ 30,950,571</u> | <u>\$ 30,211,637</u> |

The graphs on the following page show the breakdown of governmental capital assets by category for 2016 and 2015.

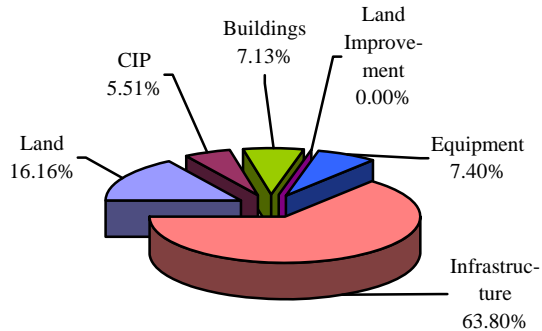
**CITY OF CANFIELD, OHIO**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016  
UNAUDITED**

**Capital Assets - Governmental Activities  
2016**



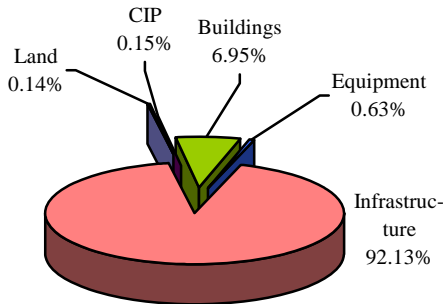
**Capital Assets - Governmental Activities  
2015**



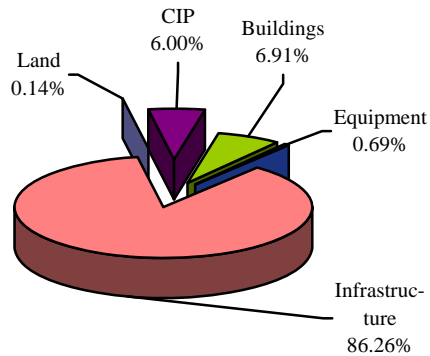
The City's infrastructure is the largest governmental activities capital asset category, which includes bridges and streets. These items are immovable and of value only to the City, however, the annual cost of purchasing these items is quite significant. The net book value of the City's infrastructure (cost less accumulated depreciation) represents 60.16% of the City's total governmental capital assets at December 31, 2016.

The following graphs show the breakdown of business-type capital assets by category for 2016 and 2015.

**Capital Assets - Business-Type Activities 2016**



**Capital Assets - Business-Type Activities 2015**



The City's largest business-type capital asset category is infrastructure, which include water and sewer lines. These items play a vital role in the income producing ability of the business-type activities. The net book value of the City's infrastructure (cost less accumulated depreciation) represents 92.13% of the City's total business-type capital assets at December 31, 2016.

## CITY OF CANFIELD, OHIO

### MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED DECEMBER 31, 2016 UNAUDITED

#### *Debt Administration*

The City had the following long-term obligations outstanding at December 31, 2016 and 2015:

|                             | <b>Governmental Activities</b> |                     |
|-----------------------------|--------------------------------|---------------------|
|                             | <u>2016</u>                    | <u>2015</u>         |
| General obligation notes    | \$ 888,421                     | \$ 1,010,530        |
| Special assessment notes    | <u>165,000</u>                 | <u>-</u>            |
| Total long-term obligations | <u>\$ 1,053,421</u>            | <u>\$ 1,010,530</u> |

|                             | <b>Business-type Activities</b> |                   |
|-----------------------------|---------------------------------|-------------------|
|                             | <u>2016</u>                     | <u>2015</u>       |
| OPWC loans                  | <u>\$ 907,146</u>               | <u>\$ 983,924</u> |
| Total long-term obligations | <u>\$ 907,146</u>               | <u>\$ 983,924</u> |

Further detail on the City's long-term obligations can be found in Note 11 to the financial statements.

#### **Economic Conditions and Outlook**

The City of Canfield is an attractive community with a population of 7,515 as of the 2010 census. The City continues to strive to provide the services that its citizens desire while maintaining costs.

During 2016, the City used grants to resurface SR 62 (Village Green west to SR446), US224 (Village Green west to Palmyra Rd.) and SR46 (Village Green south to Fairground Blvd.). Also, the design of N. Broad St. Safety Upgrade Phase III was completed with grant funds.

The City of Canfield and Canfield Township entered into a Joint Economic Development District Agreement (JEDD) for the purpose of facilitating the development of Windsor House at Canfield. Ground was broken for this project in 2016 and it is scheduled to open during 2017.

The City continues to carefully monitor two primary sources of revenue, local income taxes and intergovernmental revenue. In 2018, the City will begin receiving revenue from the 3.9 mil Police Department Operating Levy for a period of 5 years.

#### **Contacting the City's Financial Management**

This financial report is designed to provide our citizens, taxpayers, and 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 please contact: Christine Stack-Clayton, Finance Director, 104 Lisbon Street, Canfield, Ohio 44406.

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**CITY OF CANFIELD, OHIO**

STATEMENT OF NET POSITION  
DECEMBER 31, 2016

|  | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>         |
|--|------------------------------------|-------------------------------------|----------------------|
| <b>Assets:</b>                                       |                                    |                                     |                      |
| Equity in pooled cash and cash equivalents . . .     | \$ 3,062,462                       | \$ 2,514,068                        | \$ 5,576,530         |
| Receivables:   |                                    |                                     |                      |
| Income taxes. . . . .                                | 833,498                            | -                                   | 833,498              |
| Real and other taxes . . . . .                       | 615,034                            | -                                   | 615,034              |
| Accounts. . . . .                                    | 135,818                            | 967,290                             | 1,103,108            |
| Special assessments . . . . .                        | 61,432                             | -                                   | 61,432               |
| Due from other governments. . . . .                  | 280,212                            | -                                   | 280,212              |
| Prepayments . . . . .                                | 107,327                            | 25,517                              | 132,844              |
| Net pension asset. . . . .                           | 11,633                             | 3,655                               | 15,288               |
| Capital assets:                                      |                                    |                                     |                      |
| Land and construction in progress. . . . .           | 3,670,701                          | 44,093                              | 3,714,794            |
| Depreciable capital assets, net. . . . .             | 12,196,171                         | 15,039,606                          | 27,235,777           |
| Total capital assets, net. . . . .                   | <u>15,866,872</u>                  | <u>15,083,699</u>                   | <u>30,950,571</u>    |
| Total assets . . . . .                               | <u>20,974,288</u>                  | <u>18,594,229</u>                   | <u>39,568,517</u>    |
| <b>Deferred outflows of resources:</b>               |                                    |                                     |                      |
| Pension- OP&F . . . . .                              | 764,895                            | -                                   | 764,895              |
| Pension- OPERS . . . . .                             | 578,108                            | 181,662                             | 759,770              |
| Total deferred outflows of resources . . . . .       | <u>1,343,003</u>                   | <u>181,662</u>                      | <u>1,524,665</u>     |
| <b>Liabilities:</b>                                  |                                    |                                     |                      |
| Accounts payable. . . . .                            | 40                                 | 46                                  | 86                   |
| Accrued wages payable. . . . .                       | 95,681                             | 20,358                              | 116,039              |
| Due to other governments . . . . .                   | 31,596                             | 5,485                               | 37,081               |
| Accrued interest payable . . . . .                   | 2,629                              | -                                   | 2,629                |
| Long-term liabilities:                               |                                    |                                     |                      |
| Due within one year . . . . .                        | 321,472                            | 94,638                              | 416,110              |
| Due in more than one year:                           |                                    |                                     |                      |
| Net pension liability. . . . .                       | 4,858,978                          | 460,580                             | 5,319,558            |
| Other amounts due in more than one year. . . . .     | 896,817                            | 830,369                             | 1,727,186            |
| Total liabilities . . . . .                          | <u>6,207,213</u>                   | <u>1,411,476</u>                    | <u>7,618,689</u>     |
| <b>Deferred inflows of resources:</b>                |                                    |                                     |                      |
| Property taxes levied for the next fiscal year . . . | 568,097                            | -                                   | 568,097              |
| Pension- OP&F. . . . .                               | 14,274                             | -                                   | 14,274               |
| Pension- OPERS . . . . .                             | 35,505                             | 11,156                              | 46,661               |
| Total deferred inflows of resources . . . . .        | <u>617,876</u>                     | <u>11,156</u>                       | <u>629,032</u>       |
| <b>Net position:</b>                                 |                                    |                                     |                      |
| Net investment in capital assets . . . . .           | 14,978,451                         | 14,176,553                          | 29,155,004           |
| Restricted for:                                      |                                    |                                     |                      |
| Debt service . . . . .                               | 121,868                            | -                                   | 121,868              |
| Capital projects . . . . .                           | 4,828                              | -                                   | 4,828                |
| Transportation projects . . . . .                    | 1,303,364                          | -                                   | 1,303,364            |
| Security of persons and property. . . . .            | 254,989                            | -                                   | 254,989              |
| Permanent fund - expendable . . . . .                | 87,043                             | -                                   | 87,043               |
| Permanent fund - nonexpendable . . . . .             | 72,400                             | -                                   | 72,400               |
| Unrestricted (deficit) . . . . .                     | <u>(1,330,741)</u>                 | <u>3,176,706</u>                    | <u>1,845,965</u>     |
| Total net position. . . . .                          | <u>\$ 15,492,202</u>               | <u>\$ 17,353,259</u>                | <u>\$ 32,845,461</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

|  | Expenses            | Program Revenues               |                                    |                                  |
|--|---------------------|--------------------------------|------------------------------------|----------------------------------|
|  |                     | Charges for Services and Sales | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Governmental activities:</b>            |                     |                                |                                    |                                  |
| General government . . . . .               | \$ 1,190,668        | \$ 476,188                     | \$ -                               | \$ -                             |
| Security of persons and property . . . . . | 3,109,196           | 211,799                        | 213,183                            | -                                |
| Public health and welfare . . . . .        | 87,831              | 20,900                         | 266                                | -                                |
| Transportation . . . . .                   | 757,759             | -                              | 1,163,152                          | 19,330                           |
| Community environment . . . . .            | 88,630              | 2,150                          | -                                  | -                                |
| Leisure time activity . . . . .            | 55,442              | 17,040                         | 7,122                              | -                                |
| Interest and fiscal charges . . . . .      | 33,360              | -                              | 19,031                             | -                                |
| Total governmental activities . . . . .    | <u>5,322,886</u>    | <u>728,077</u>                 | <u>1,402,754</u>                   | <u>19,330</u>                    |
| <b>Business-type activities:</b>           |                     |                                |                                    |                                  |
| Water . . . . .                            | 1,688,339           | 1,613,024                      | -                                  | -                                |
| Sewer . . . . .                            | 1,518,794           | 1,323,993                      | -                                  | -                                |
| Storm . . . . .                            | 239,257             | 163,385                        | -                                  | -                                |
| Total business-type activities . . . . .   | <u>3,446,390</u>    | <u>3,100,402</u>               | <u>-</u>                           | <u>-</u>                         |
| Total primary government . . . . .         | <u>\$ 8,769,276</u> | <u>\$ 3,828,479</u>            | <u>\$ 1,402,754</u>                | <u>\$ 19,330</u>                 |

**General revenues:**

|   |
|---|
| Property taxes levied for:  |
| General purposes . . . . .  |
| Street construction, maintenance and repair . . . . .                 |
| Debt retirement . . . . .   |
| Income taxes levied for:  |
| General purposes . . . . .  |
| Grants and entitlements not restricted to specific programs . . . . . |
| Investment earnings . . . . .   |
| Miscellaneous . . . . .   |
| <br>Total general revenues . . . . .                                  |
| <br>Change in net position . . . . .                                  |
| <br>Net position at beginning of year . . . . .                       |
| <br>Net position at end of year . . . . .                             |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**Net (Expense) Revenue  
and Changes in Net Position**

| <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>         |
|------------------------------------|-------------------------------------|----------------------|
| \$ (714,480)                       | \$ -                                | \$ (714,480)         |
| (2,684,214)                        | -                                   | (2,684,214)          |
| (66,665)                           | -                                   | (66,665)             |
| 424,723                            | -                                   | 424,723              |
| (86,480)                           | -                                   | (86,480)             |
| (31,280)                           | -                                   | (31,280)             |
| (14,329)                           | -                                   | (14,329)             |
| <u>(3,172,725)</u>                 | <u>-</u>                            | <u>(3,172,725)</u>   |
| -                                  | (75,315)                            | (75,315)             |
| -                                  | (194,801)                           | (194,801)            |
| -                                  | (75,872)                            | (75,872)             |
| -                                  | <u>(345,988)</u>                    | <u>(345,988)</u>     |
| <u>(3,172,725)</u>                 | <u>(345,988)</u>                    | <u>(3,518,713)</u>   |
| 10,000                             | -                                   | 10,000               |
| 383,726                            | -                                   | 383,726              |
| 116,559                            | -                                   | 116,559              |
| 3,228,676                          | -                                   | 3,228,676            |
| 58,976                             | -                                   | 58,976               |
| 12,519                             | -                                   | 12,519               |
| 27,194                             | 2,251                               | 29,445               |
| <u>3,837,650</u>                   | <u>2,251</u>                        | <u>3,839,901</u>     |
| 664,925                            | (343,737)                           | 321,188              |
| <u>14,827,277</u>                  | <u>17,696,996</u>                   | <u>32,524,273</u>    |
| <u>\$ 15,492,202</u>               | <u>\$ 17,353,259</u>                | <u>\$ 32,845,461</u> |

**CITY OF CANFIELD, OHIO**

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

|   | <u>General</u>      | <u>Street<br/>Construction<br/>Maintenance<br/>and Repair</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|---|---------------------|---|---|---|
| <b>Assets:</b>  |                     |   |   |   |
| Equity in pooled cash and cash equivalents . . .                                | \$ 892,035          | \$ 1,079,190  | \$ 1,091,237                            | \$ 3,062,462                            |
| Receivables:  |                     |   |   |   |
| Income taxes . . . . .  | 833,498             | -   | -                                       | 833,498                                 |
| Real and other taxes . . . . .  | 208,634             | 312,566   | 93,834                                  | 615,034                                 |
| Accounts . . . . .  | 132,729             | -   | 3,089                                   | 135,818                                 |
| Special assessments . . . . .   | 31,510              | -   | 29,922                                  | 61,432                                  |
| Interfund loans . . . . .   | 20,000              | -   | -                                       | 20,000                                  |
| Due from other governments . . . . .  | 31,945              | 212,458   | 35,809                                  | 280,212                                 |
| Prepayments . . . . .   | 91,743              | 13,479  | 2,105                                   | 107,327                                 |
| Total assets . . . . .  | <u>\$ 2,242,094</u> | <u>\$ 1,617,693</u>   | <u>\$ 1,255,996</u>                     | <u>\$ 5,115,783</u>                     |
| <b>Liabilities:</b>   |                     |   |   |   |
| Accounts payable . . . . .  | 40                  | -   | -                                       | 40                                      |
| Accrued wages payable . . . . .   | 85,664              | 8,672   | 1,345                                   | 95,681                                  |
| Interfund loans payable . . . . .   | -                   | -   | 20,000                                  | 20,000                                  |
| Due to other governments . . . . .  | 28,406              | 2,662   | 528                                     | 31,596                                  |
| Total liabilities . . . . .   | <u>114,110</u>      | <u>11,334</u>   | <u>21,873</u>                           | <u>147,317</u>                          |
| <b>Deferred inflows of resources:</b>   |                     |   |   |   |
| Property taxes levied for the next fiscal year . . .                            | 198,634             | 284,048   | 85,415                                  | 568,097                                 |
| Delinquent property tax revenue not available . . .                             | -                   | 14,518  | 4,419                                   | 18,937                                  |
| Special assessments revenue not available . . . . .                             | 31,510              | -   | 29,922                                  | 61,432                                  |
| Miscellaneous revenue not available . . . . .                                   | 1,807               | -   | 2,288                                   | 4,095                                   |
| Income tax revenue not available . . . . .                                      | 574,300             | -   | -                                       | 574,300                                 |
| Other nonexchange transactions . . . . .  | 21,723              | 121,291   | 9,833                                   | 152,847                                 |
| Total deferred inflows of resources . . . . .                                   | <u>827,974</u>      | <u>419,857</u>  | <u>131,877</u>                          | <u>1,379,708</u>                        |
| <b>Fund balances:</b>   |                     |   |   |   |
| Nonspendable . . . . .  | 94,211              | 13,479  | 74,505                                  | 182,195                                 |
| Restricted . . . . .  | -                   | 1,173,023   | 562,336                                 | 1,735,359                               |
| Committed . . . . .   | 43,184              | -   | 465,526                                 | 508,710                                 |
| Assigned . . . . .  | 229,111             | -   | -                                       | 229,111                                 |
| Unassigned (deficit) . . . . .  | 933,504             | -   | (121)                                   | 933,383                                 |
| Total fund balances . . . . .   | <u>1,300,010</u>    | <u>1,186,502</u>  | <u>1,102,246</u>                        | <u>3,588,758</u>                        |
| Total liabilities, deferred inflows<br>of resources and fund balances . . . . . | <u>\$ 2,242,094</u> | <u>\$ 1,617,693</u>   | <u>\$ 1,255,996</u>                     | <u>\$ 5,115,783</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO  
NET POSITION OF GOVERNMENTAL ACTIVITIES  
DECEMBER 31, 2016

|   |    |             |             |
|---|----|-------------|-------------|
| <b>Total governmental fund balances</b>   |    | \$          | 3,588,758   |
| <i>Amounts reported for governmental activities on 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.   |    |             | 15,866,872  |
| Other long-term assets are not available to pay for current period expenditures and therefore are deferred inflows in the funds.  |    |             |             |
| Income taxes receivable   | \$ | 574,300     |             |
| Real and other taxes receivable   |    | 18,937      |             |
| Accounts receivable   |    | 4,095       |             |
| Intergovernmental receivable  |    | 152,847     |             |
| Special assessments receivable  |    | 61,432      |             |
| Total   |    | 811,611     | 811,611     |
| Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds.   |    |             | (2,629)     |
| The net pension asset and net pension liability are not available to pay for current period expenditures and are not due and payable in the current period, respectively; therefore, the asset, liability and related deferred inflows/outflows are not reported in governmental funds. |    |             |             |
| Net pension asset   |    | 11,633      |             |
| Deferred outflows of resources  |    | 1,343,003   |             |
| Deferred inflows of resources   |    | (49,779)    |             |
| Net pension liability   |    | (4,858,978) |             |
| Total   |    | (3,554,121) | (3,554,121) |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.  |    |             |             |
| Compensated absences  |    | 164,868     |             |
| General obligation notes payable  |    | 888,421     |             |
| Special assessment notes payable  |    | 165,000     |             |
| Total   |    | (1,218,289) | (1,218,289) |
| <b>Net position of governmental activities</b>  |    | \$          | 15,492,202  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

|  | <u>General</u>      | <u>Street<br/>Construction<br/>Maintenance<br/>and Repair</u> | <u>Other<br/>Governmental<br/>Funds</u> | <u>Total<br/>Governmental<br/>Funds</u> |
|--|---------------------|---|---|---|
| <b>Revenues:</b>   |                     |   |   |   |
| Income taxes . . . . .   | \$ 3,211,604        | \$ -  | \$ -                                    | \$ 3,211,604                            |
| Real and other taxes. . . . .  | 10,000              | 395,906   | 120,265                                 | 526,171                                 |
| Other local taxes . . . . .  | -                   | 64,002  | -                                       | 64,002                                  |
| Special assessments . . . . .  | 381                 | -   | 31,909                                  | 32,290                                  |
| Charges for services. . . . .  | 416,686             | -   | 35,940                                  | 452,626                                 |
| Licenses and permits . . . . .   | 132,012             | -   | -                                       | 132,012                                 |
| Fines and forfeitures. . . . .   | 42,655              | -   | 11,002                                  | 53,657                                  |
| Intergovernmental . . . . .  | 75,207              | 1,053,652   | 267,255                                 | 1,396,114                               |
| Investment income. . . . .   | 12,519              | 1,538   | 801                                     | 14,858                                  |
| Other . . . . .  | 27,194              | 8,537   | 47,813                                  | 83,544                                  |
| Total revenues . . . . .   | <u>3,928,258</u>    | <u>1,523,635</u>  | <u>514,985</u>                          | <u>5,966,878</u>                        |
| <b>Expenditures:</b>   |                     |   |   |   |
| Current:   |                     |   |   |   |
| General government . . . . .   | 1,046,619           | -   | 23,176                                  | 1,069,795                               |
| Security of persons and property . . . . .                             | 2,441,906           | -   | 316,610                                 | 2,758,516                               |
| Public health and welfare. . . . .                                     | 55,234              | -   | 35,088                                  | 90,322                                  |
| Leisure time activity . . . . .  | -                   | -   | 67,910                                  | 67,910                                  |
| Community environment. . . . .   | 81,805              | -   | -                                       | 81,805                                  |
| Transportation . . . . .   | -                   | 337,269   | 10,539                                  | 347,808                                 |
| Capital outlay . . . . .   | 168,359             | 1,070,064   | 439,559                                 | 1,677,982                               |
| Debt service:  |                     |   |   |   |
| Principal retirement. . . . .  | 57,423              | -   | 64,686                                  | 122,109                                 |
| Interest and fiscal charges . . . . .                                  | 13,472              | -   | 17,259                                  | 30,731                                  |
| Total expenditures. . . . .  | <u>3,864,818</u>    | <u>1,407,333</u>  | <u>974,827</u>                          | <u>6,246,978</u>                        |
| Excess (deficiency) of revenues over<br>(under) expenditures . . . . . | <u>63,440</u>       | <u>116,302</u>  | <u>(459,842)</u>                        | <u>(280,100)</u>                        |
| <b>Other financing sources (uses):</b>                                 |                     |   |   |   |
| Note issuance . . . . .  | -                   | -   | 165,000                                 | 165,000                                 |
| Sale of capital assets. . . . .  | -                   | 5,585   | -                                       | 5,585                                   |
| Transfers in . . . . .   | -                   | -   | 40,000                                  | 40,000                                  |
| Transfers (out). . . . .   | (40,000)            | -   | -                                       | (40,000)                                |
| Total other financing sources (uses) . . . . .                         | <u>(40,000)</u>     | <u>5,585</u>  | <u>205,000</u>                          | <u>170,585</u>                          |
| Net change in fund balances . . . . .                                  | 23,440              | 121,887   | (254,842)                               | (109,515)                               |
| <b>Fund balances at beginning of year . . . . .</b>                    | <u>1,276,570</u>    | <u>1,064,615</u>  | <u>1,357,088</u>                        | <u>3,698,273</u>                        |
| <b>Fund balances at end of year . . . . .</b>                          | <u>\$ 1,300,010</u> | <u>\$ 1,186,502</u>   | <u>\$ 1,102,246</u>                     | <u>\$ 3,588,758</u>                     |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, 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, 2016

|   |                  |                       |
|---|------------------|-----------------------|
| <b>Net change in fund balances - total governmental funds</b>   | \$               | (109,515)             |
| <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 exceeds depreciation expense in the current period. |                  |                       |
| Capital asset additions   | \$ 1,738,101     |                       |
| Current year depreciation   | <u>(575,681)</u> |                       |
| Total   |                  | 1,162,420             |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals, trade-ins, and donations) is to decrease net position.   |                  |                       |
|   |                  | (43,652)              |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.  |                  |                       |
| Income taxes  | 17,072           |                       |
| Real and other taxes  | (15,886)         |                       |
| Special assessments   | 25,716           |                       |
| Charges for services  | (11,148)         |                       |
| Fines and forfeitures   | 1,304            |                       |
| Intergovernmental revenues  | 3,233            |                       |
| Other   | 642              |                       |
| Total   | <u>642</u>       | 20,933                |
| Proceeds of notes are reported as an other financing source in the governmental funds, however, in the statement of activities, they are not reported as revenues as they increase the liabilities on the statement of net position.  |                  |                       |
|   |                  | (165,000)             |
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities on the statement of net position.  |                  |                       |
|   |                  | 122,109               |
| In the statement of activities, interest is accrued on outstanding notes, whereas in governmental funds, an interest expenditure is reported when due.  |                  |                       |
|   |                  | (2,629)               |
| Contractually required pension contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows.   |                  |                       |
|   |                  | 354,572               |
| Except for amounts reported as deferred inflows/outflows, changes in the net pension asset/liability are reported as pension expense in the statement of activities.  |                  |                       |
|   |                  | (675,139)             |
| Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.  |                  |                       |
|   |                  | <u>826</u>            |
| <b>Change in net position of governmental activities</b>  | <b>\$</b>        | <b><u>664,925</u></b> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 GENERAL FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016

|   | <u>Budgeted Amounts</u> |                  | <u>Actual</u>     | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|-------------------------|------------------|-------------------|---|
|   | <u>Original</u>         | <u>Final</u>     |                   |   |
| <b>Revenues:</b>                                      |                         |                  |                   |   |
| Income taxes . . . . .                                | \$ 3,107,500            | \$ 3,107,500     | \$ 3,295,790      | \$ 188,290  |
| Special assessments . . . . .                         | 500                     | 500              | 381               | (119)   |
| Charges for services. . . . .                         | 356,168                 | 356,168          | 409,525           | 53,357  |
| Licenses and permits . . . . .                        | 146,335                 | 146,335          | 131,889           | (14,446)  |
| Fines and forfeitures . . . . .                       | 61,000                  | 61,000           | 41,656            | (19,344)  |
| Intergovernmental. . . . .                            | 79,936                  | 79,936           | 82,827            | 2,891   |
| Investment income . . . . .                           | 4,730                   | 4,730            | 12,519            | 7,789   |
| Other . . . . .                                       | 7,576                   | 7,576            | 9,231             | 1,655   |
| Total revenues . . . . .                              | <u>3,763,745</u>        | <u>3,763,745</u> | <u>3,983,818</u>  | <u>220,073</u>  |
| <b>Expenditures:</b>                                  |                         |                  |                   |   |
| Current:  |                         |                  |                   |   |
| General government . . . . .                          | 1,205,152               | 1,206,077        | 1,104,285         | 101,792   |
| Security of persons and property . . . . .            | 2,778,571               | 2,638,925        | 2,539,617         | 99,308  |
| Public health and welfare. . . . .                    | 60,200                  | 60,200           | 55,232            | 4,968   |
| Community environment . . . . .                       | 91,368                  | 91,368           | 84,915            | 6,453   |
| Capital outlay. . . . .                               | 138,625                 | 341,621          | 197,130           | 144,491   |
| Debt service:   |                         |                  |                   |   |
| Principal retirement. . . . .                         | 57,500                  | 57,500           | 57,423            | 77  |
| Interest and fiscal charges . . . . .                 | 14,000                  | 14,000           | 13,472            | 528   |
| Total expenditures . . . . .                          | <u>4,345,416</u>        | <u>4,409,691</u> | <u>4,052,074</u>  | <u>357,617</u>  |
| Excess of expenditures over revenues. . . . .         | <u>(581,671)</u>        | <u>(645,946)</u> | <u>(68,256)</u>   | <u>577,690</u>  |
| <b>Other financing sources (uses):</b>                |                         |                  |                   |   |
| Sale of capital assets. . . . .                       | 200                     | 200              | 1                 | (199)   |
| Advances in . . . . .                                 | -                       | -                | 45,000            | 45,000  |
| Advances (out). . . . .                               | -                       | -                | (20,000)          | (20,000)  |
| Transfers (out). . . . .                              | (40,000)                | (41,170)         | (41,170)          | -   |
| Other financing sources . . . . .                     | 2,600                   | 2,600            | 17,818            | 15,218  |
| Total other financing sources (uses) . . . . .        | <u>(37,200)</u>         | <u>(38,370)</u>  | <u>1,649</u>      | <u>40,019</u>   |
| Net change in fund balances . . . . .                 | (618,871)               | (684,316)        | (66,607)          | 617,709   |
| <b>Fund balances at beginning of year . . . . .</b>   | 553,827                 | 553,827          | 553,827           | -   |
| <b>Prior year encumbrances appropriated . . . . .</b> | 182,167                 | 182,167          | 182,167           | -   |
| <b>Fund balance at end of year . . . . .</b>          | <u>\$ 117,123</u>       | <u>\$ 51,678</u> | <u>\$ 669,387</u> | <u>\$ 617,709</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCE - BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
 STREET CONSTRUCTION, MAINTENANCE AND REPAIR FUND  
 FOR THE YEAR ENDED DECEMBER 31, 2016

|   | <u>Budgeted Amounts</u> |                   |                   | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|-------------------------|-------------------|-------------------|---|
|   | <u>Original</u>         | <u>Final</u>      | <u>Actual</u>     |   |
| <b>Revenues:</b>                                      |                         |                   |                   |   |
| Real and other taxes. . . . .                         | \$ 452,654              | \$ 452,654        | \$ 390,636        | \$ (62,018)   |
| Other local taxes. . . . .                            | 68,000                  | 68,000            | 64,328            | (3,672)   |
| Intergovernmental. . . . .                            | 2,583,925               | 1,226,912         | 1,066,083         | (160,829)   |
| Investment income. . . . .                            | 700                     | 700               | 1,538             | 838   |
| Other. . . . .  | 100                     | 100               | 1,468             | 1,368   |
| <b>Total revenues</b> . . . . .                       | <u>3,105,379</u>        | <u>1,748,366</u>  | <u>1,524,053</u>  | <u>(224,313)</u>  |
| <b>Expenditures:</b>                                  |                         |                   |                   |   |
| Current:  |                         |                   |                   |   |
| Transportation . . . . .                              | 528,514                 | 528,514           | 365,903           | 162,611   |
| Capital outlay . . . . .                              | 2,642,225               | 1,412,226         | 1,349,363         | 62,863  |
| <b>Total expenditures</b> . . . . .                   | <u>3,170,739</u>        | <u>1,940,740</u>  | <u>1,715,266</u>  | <u>225,474</u>  |
| Excess of expenditures over revenues. . . . .         | <u>(65,360)</u>         | <u>(192,374)</u>  | <u>(191,213)</u>  | <u>1,161</u>  |
| <b>Other financing sources:</b>                       |                         |                   |                   |   |
| Sale of capital assets. . . . .                       | 100                     | 100               | 5,585             | 5,485   |
| Other financing sources . . . . .                     | 400                     | 400               | 7,069             | 6,669   |
| <b>Total other financing sources</b> . . . . .        | <u>500</u>              | <u>500</u>        | <u>12,654</u>     | <u>12,154</u>   |
| Net change in fund balances . . . . .                 | (64,860)                | (191,874)         | (178,559)         | 13,315  |
| <b>Fund balances at beginning of year</b> . . . . .   | 902,241                 | 902,241           | 902,241           | -   |
| <b>Prior year encumbrances appropriated</b> . . . . . | 64,154                  | 64,154            | 64,154            | -   |
| <b>Fund balance at end of year</b> . . . . .          | <u>\$ 901,535</u>       | <u>\$ 774,521</u> | <u>\$ 787,836</u> | <u>\$ 13,315</u>  |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF CANFIELD, OHIO

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2016

|  | <b>Business-type Activities - Enterprise Funds</b> |                     |                     |                      |
|--|--|---------------------|---------------------|----------------------|
|  | <b>Water</b>                                       | <b>Sewer</b>        | <b>Storm</b>        | <b>Total</b>         |
| <b>Assets:</b>                                   |  |                     |                     |                      |
| Current assets:                                  |  |                     |                     |                      |
| Equity in pooled cash and cash equivalents . . . | \$ 351,516   | \$ 1,690,689        | \$ 471,863          | \$ 2,514,068         |
| Receivables:                                     |  |                     |                     |                      |
| Accounts . . . . .                               | 496,847  | 420,944             | 49,499              | 967,290              |
| Prepayments . . . . .                            | 16,542   | 7,210               | 1,765               | 25,517               |
| Total current assets . . . . .                   | <u>864,905</u>                                     | <u>2,118,843</u>    | <u>523,127</u>      | <u>3,506,875</u>     |
| Noncurrent assets:                               |  |                     |                     |                      |
| Net pension asset . . . . .                      | 1,659  | 1,733               | 263                 | 3,655                |
| Capital assets:                                  |  |                     |                     |                      |
| Land and construction in progress . . . . .      | 23,796   | -                   | 20,297              | 44,093               |
| Depreciable capital assets, net . . . . .        | 5,558,730  | 3,569,950           | 5,910,926           | 15,039,606           |
| Total capital assets, net . . . . .              | <u>5,582,526</u>                                   | <u>3,569,950</u>    | <u>5,931,223</u>    | <u>15,083,699</u>    |
| Total noncurrent assets . . . . .                | <u>5,584,185</u>                                   | <u>3,571,683</u>    | <u>5,931,486</u>    | <u>15,087,354</u>    |
| Total assets . . . . .                           | <u>6,449,090</u>                                   | <u>5,690,526</u>    | <u>6,454,613</u>    | <u>18,594,229</u>    |
| <b>Deferred outflows of resources:</b>           |  |                     |                     |                      |
| Pension - OPERS . . . . .                        | 82,464   | 86,111              | 13,087              | 181,662              |
| <b>Liabilities:</b>                              |  |                     |                     |                      |
| Current liabilities:                             |  |                     |                     |                      |
| Accounts payable . . . . .                       | 46   | -                   | -                   | 46                   |
| Accrued wages payable . . . . .                  | 11,869   | 7,384               | 1,105               | 20,358               |
| Due to other governments . . . . .               | 2,865  | 2,284               | 336                 | 5,485                |
| Compensated absences payable - current . . . . . | 7,340  | 8,361               | 2,160               | 17,861               |
| OPWC loans payable . . . . .                     | 14,093   | 41,166              | 21,518              | 76,777               |
| Total current liabilities . . . . .              | <u>36,213</u>                                      | <u>59,195</u>       | <u>25,119</u>       | <u>120,527</u>       |
| Long-term liabilities:                           |  |                     |                     |                      |
| OPWC loans payable . . . . .                     | 394,606  | 201,967             | 233,796             | 830,369              |
| Net pension liability . . . . .                  | 209,079  | 218,322             | 33,179              | 460,580              |
| Total long-term liabilities . . . . .            | <u>603,685</u>                                     | <u>420,289</u>      | <u>266,975</u>      | <u>1,290,949</u>     |
| Total liabilities . . . . .                      | <u>639,898</u>                                     | <u>479,484</u>      | <u>292,094</u>      | <u>1,411,476</u>     |
| <b>Deferred inflows of resources:</b>            |  |                     |                     |                      |
| Pension - OPERS . . . . .                        | 5,064  | 5,288               | 804                 | 11,156               |
| <b>Net position:</b>                             |  |                     |                     |                      |
| Net investment in capital assets . . . . .       | 5,173,827  | 3,326,817           | 5,675,909           | 14,176,553           |
| Unrestricted . . . . .                           | 712,765  | 1,965,048           | 498,893             | 3,176,706            |
| Total net position . . . . .                     | <u>\$ 5,886,592</u>                                | <u>\$ 5,291,865</u> | <u>\$ 6,174,802</u> | <u>\$ 17,353,259</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS



**CITY OF CANFIELD, OHIO**

STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

|   | <b>Business-type Activities - Enterprise Funds</b> |                     |                     |                      |
|---|--|---------------------|---------------------|----------------------|
|   | <b>Water</b>                                       | <b>Sewer</b>        | <b>Storm</b>        | <b>Total</b>         |
| <b>Operating revenues:</b>                        |  |                     |                     |                      |
| Charges for services . . . . .                    | \$ 1,613,024                                       | \$ 1,323,993        | \$ 163,385          | \$ 3,100,402         |
| Other operating revenues . . . . .                | 2,077  | -                   | 174                 | 2,251                |
| Total operating revenues. . . . .                 | <u>1,615,101</u>                                   | <u>1,323,993</u>    | <u>163,559</u>      | <u>3,102,653</u>     |
| <b>Operating expenses:</b>                        |  |                     |                     |                      |
| Personal services . . . . .                       | 259,951  | 260,130             | 34,797              | 554,878              |
| Contract services . . . . .                       | 1,121,746  | 1,046,905           | 10,425              | 2,179,076            |
| Materials and supplies. . . . .                   | 34,174   | 12,478              | 9,671               | 56,323               |
| Depreciation. . . . .                             | 207,707  | 143,353             | 171,758             | 522,818              |
| Other . . . . .                                   | 55,692   | 55,000              | 10,000              | 120,692              |
| Total operating expenses. . . . .                 | <u>1,679,270</u>                                   | <u>1,517,866</u>    | <u>236,651</u>      | <u>3,433,787</u>     |
| Operating loss . . . . .                          | <u>(64,169)</u>                                    | <u>(193,873)</u>    | <u>(73,092)</u>     | <u>(331,134)</u>     |
| <b>Nonoperating expenses:</b>                     |  |                     |                     |                      |
| Loss on disposal of capital assets . . . . .      | (9,069)  | (928)               | (2,606)             | (12,603)             |
| Total nonoperating expenses. . . . .              | <u>(9,069)</u>                                     | <u>(928)</u>        | <u>(2,606)</u>      | <u>(12,603)</u>      |
| Change in net position . . . . .                  | (73,238)   | (194,801)           | (75,698)            | (343,737)            |
| <b>Net position at beginning of year. . . . .</b> | <u>5,959,830</u>                                   | <u>5,486,666</u>    | <u>6,250,500</u>    | <u>17,696,996</u>    |
| <b>Net position at end of year . . . . .</b>      | <u>\$ 5,886,592</u>                                | <u>\$ 5,291,865</u> | <u>\$ 6,174,802</u> | <u>\$ 17,353,259</u> |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2016

|   | <b>Business-type Activities - Enterprise Funds</b> |                     |                   |                     |
|---|--|---------------------|-------------------|---------------------|
|   | <b>Water</b>                                       | <b>Sewer</b>        | <b>Storm</b>      | <b>Total</b>        |
| <b>Cash flows from operating activities:</b>  |  |                     |                   |                     |
| Cash received from sales/charges for services. . . . .  | \$ 1,590,312                                       | \$ 1,293,734        | \$ 162,791        | \$ 3,046,837        |
| Cash received from other operations . . . . .   | 2,077  | -                   | 174               | 2,251               |
| Cash payments for personal services. . . . .  | (246,311)  | (247,738)           | (34,271)          | (528,320)           |
| Cash payments for contractual services . . . . .  | (1,121,880)  | (1,047,000)         | (10,385)          | (2,179,265)         |
| Cash payments for materials and supplies. . . . .   | (34,564)   | (12,478)            | (9,671)           | (56,713)            |
| Cash payments for other expenses. . . . .   | (55,692)   | (55,000)            | (10,000)          | (120,692)           |
| Net cash provided by (used in)<br>operating activities . . . . .                                | <u>133,942</u>                                     | <u>(68,482)</u>     | <u>98,638</u>     | <u>164,098</u>      |
| <b>Cash flows from capital and related financing activities:</b>                                |  |                     |                   |                     |
| Acquisition of capital assets. . . . .  | (49,690)   | (100,970)           | (4,927)           | (155,587)           |
| Principal retirement on OPWC loans . . . . .  | (14,093)   | (41,166)            | (21,519)          | (76,778)            |
| Net cash used in capital and related<br>financing activities. . . . .                           | <u>(63,783)</u>                                    | <u>(142,136)</u>    | <u>(26,446)</u>   | <u>(232,365)</u>    |
| Net increase (decrease) in cash and cash equivalents . . .                                      | 70,159   | (210,618)           | 72,192            | (68,267)            |
| <b>Cash and cash equivalents at beginning of year. . . . .</b>                                  | <u>\$281,357</u>                                   | <u>\$1,901,307</u>  | <u>\$399,671</u>  | <u>2,582,335</u>    |
| <b>Cash and cash equivalents at end of year . . . . .</b>                                       | <u>\$ 351,516</u>                                  | <u>\$ 1,690,689</u> | <u>\$ 471,863</u> | <u>\$ 2,514,068</u> |
| <b>Reconciliation of operating loss to net cash provided by (used in) operating activities:</b> |  |                     |                   |                     |
| Operating loss . . . . .  | \$ (64,169)  | \$ (193,873)        | \$ (73,092)       | \$ (331,134)        |
| Adjustments:  |  |                     |                   |                     |
| Depreciation . . . . .  | 207,707  | 143,353             | 171,758           | 522,818             |
| Changes in assets and liabilities:  |  |                     |                   |                     |
| (Increase) in accounts receivable . . . . .   | (22,712)   | (30,259)            | (594)             | (53,565)            |
| (Increase) decrease in prepayments. . . . .   | (160)  | (522)               | 10                | (672)               |
| (Increase) in net pension asset . . . . .   | (306)  | (365)               | (38)              | (709)               |
| (Increase) in deferred outflows - pension - OPERS. . .  | (54,981)   | (58,322)            | (8,522)           | (121,825)           |
| (Decrease) in accounts payable . . . . .  | (390)  | -                   | -                 | (390)               |
| Increase (decrease) in accrued wages payable. . . . .   | 4,171  | (677)               | (86)              | 3,408               |
| (Decrease) in intergovernmental payable . . . . .   | (192)  | (548)               | (89)              | (829)               |
| (Decrease) in compensated absences payable . . . . .  | (810)  | (866)               | (48)              | (1,724)             |
| Increase in net pension liability . . . . .   | 63,729   | 71,352              | 9,035             | 144,116             |
| Increase in deferred inflows - pension - OPERS. . . . .   | 2,055  | 2,245               | 304               | 4,604               |
| Net cash provided by (used in) operating activities. . . . .                                    | <u>\$ 133,942</u>                                  | <u>\$ (68,482)</u>  | <u>\$ 98,638</u>  | <u>\$ 164,098</u>   |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2016

|   | <u>Private-Purpose<br/>Trust</u> | <u>Agency</u> |
|---|----------------------------------|---------------|
| <b>Assets:</b>  |                                  |               |
| Current assets:   |                                  |               |
| Equity in pooled cash<br>and cash equivalents . . . . . | \$ 27,855                        | \$ 32,686     |
| Total assets . . . . .                                  | 27,855                           | 32,686        |
| <b>Liabilities:</b>                                     |                                  |               |
| Deposits held and due to others . . . . .               | -                                | \$ 32,686     |
| Total liabilities. . . . .                              | -                                | \$ 32,686     |
| <b>Net position:</b>                                    |                                  |               |
| Held in trust for other purposes. . . . .               | 27,855                           |               |
| Total net position. . . . .                             | \$ 27,855                        |               |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND  
FOR THE YEAR ENDED DECEMBER 31, 2016

|   | <u>Private-Purpose<br/>Trust</u> |
|---|----------------------------------|
| Net position at beginning of year . . . . . | <u>\$ 27,855</u>                 |
| Net position at end of year . . . . .       | <u><u>\$ 27,855</u></u>          |

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 1 - DESCRIPTION OF THE CITY**

The City of Canfield (the “City”) was incorporated under the laws of the State of Ohio in 1852, and adopted its first charter in 1968. The form of government provided in this Charter is known as the “Council-Manager Plan”. The Charter provides for a council of five members consisting of the Mayor and four other persons elected at large. Council members are elected to terms of 2 years with a maximum of 3 consecutive terms. The Mayor is elected to a term of 4 years with a maximum of 2 consecutive terms. The Mayor does not serve as President of the Council and does not have any veto power over the actions of the Council.

The City Manager is appointed by the Council and is the chief executive, administrative and law enforcement officer of the City. The Director of Finance is appointed by the Manager, with the approval of Council. The Director of Finance is the fiscal officer of the City.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements (BFS) of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial principles. The most significant of the City’s accounting policies are described below.

**A. Reporting Entity**

For financial reporting purposes, the City’s BFS include all funds, agencies, boards, commissions, and departments for which the City is financially accountable. Financial accountability, as defined by the GASB, exists if the City appoints a voting majority of an organization’s governing board and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on, the City. The City may also be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The City also took into consideration other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s basic financial statements to be misleading or incomplete.

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 Canfield, this includes police protection, street maintenance and repairs, planning and zoning, parks and recreation, water and wastewater. The operation of each of these activities is directly controlled by Council through the budgetary process.

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. 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. The City has no component units.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

Prior to 1990, the Fire Department of Canfield was solely operated by the City. The Cardinal Joint Fire district is a jointly managed organization with the Township of Canfield. The City and Township appoint two each of the five member board. The fifth board member is selected by the other four members. The Cardinal Joint Fire District is supported by its own millage.

The City is associated with one organization which is defined as a jointly governed organization. The Canfield Community Joint Economic District was established during 2016. See Note 16 to the notes to the basic financial statements for detail.

**B. Basis of Presentation - Fund Accounting**

The City's BFS 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 functions are self-financing or draw 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.

**C. 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. There are three categories of funds: governmental, proprietary and fiduciary.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

***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, deferred outflows, liabilities and deferred inflows is reported as fund balance. The following are the City's major governmental funds:

*General Fund* - The general fund is used to account for and report all financial resources not accounted for in another fund. The general fund balance is available for any purpose provided it is expended or transferred according to the general laws of Ohio. This includes, but is not limited to, police and fire protection, public health activities, cemetery, and the general administration of City functions.

*Street Construction Maintenance and Repair Fund* - This fund accounts for revenues generated from license and gasoline taxes to be used on local roads within the City.

Other governmental funds of the City are used to account for (a) financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets, (b) specific revenue sources that are restricted or committed to an expenditure for specified purposes other than debt service or capital projects and (c) financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

***Proprietary Funds*** - Proprietary fund reporting focuses on changes in net position, financial position and cash flows.

*Enterprise Funds* - The 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 are the City's major enterprise funds:

*Water Fund* - This fund accounts for the provision of water treatment and distribution to its residential and commercial users located within the City.

*Sewer Fund* - This fund accounts for the provision of sanitary sewer service to the residents and commercial users located within the City.

*Storm Fund* - This fund accounts for the provision of storm water services to the residents and commercial users located within the City.

***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. The City's only trust fund is a private-purpose trust fund. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has five agency funds. The City's agency funds primarily account for mayor's court and deposits.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Private Purpose Trust Fund*

*Cemetery Endowment Fund* - This fund accounts for endowments received by sale of lots and specific bequests. All monies of the fund shall be invested in any qualified investment as determined by the Ohio Revised Code, the City of Canfield's Charter and the Finance Director of the City of Canfield. The corpus of the Endowment Fund shall be used only for additional cemetery land acquisition or improvements necessary to expand the cemetery, and must be approved by a majority vote of Council.

Earnings from the Cemetery Endowment Fund may be transferred to the Cemetery Operating Fund and shall be used first to provide plantings, flowers and/or maintenance to those grave sites requiring same as a condition of a bequest. All other money shall be used for general care of the cemetery. Such care may include but not be limited to: (1) lawn and tree maintenance, replacement and additions; and (2) expenses involved with labor and equipment involved in (1).

**D. Measurement Focus and Basis of Accounting**

***Government-wide Financial Statements*** - The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows, liabilities and deferred inflows associated with the operation of the City are included on the statement of 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 generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the financial 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, deferred outflows, liabilities and deferred inflows associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operation. The principal operating revenues of the City's proprietary funds are charges for sales and services. Operating expenses for the enterprise funds include personnel and other expenses related to the operations of the enterprise activities. All revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.



**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

**E. Basis of Accounting**

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Proprietary and agency funds use the accrual basis of accounting. Differences in the accrual and modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred inflows and outflows 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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the City, available means expected to be received within sixty days after year-end.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. On an accrual basis, revenue from income taxes is recognized in the period in which the income is earned (See Note 7). Revenue from property taxes is recognized in the year for which the taxes are levied (See Note 6). 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 nonexchange 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, local government funds and permissive tax), fines and forfeitures, fees and special assessments.

***Deferred Outflows of Resources and Deferred Inflows of Resources*** - In addition to assets, the government-wide statement of net position will report a separate section for deferred outflows of resources. Deferred outflows of resources, represents 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, see Note 13 for deferred outflows of resources related the City's net pension liability.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

In addition to liabilities, both the government-wide statement of net position and the governmental fund financial statements 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 and unavailable revenue. Property taxes and payments in lieu of taxes represent amounts for which there is an enforceable legal claim as of December 31, 2016, but which were levied to finance 2017 operations. These amounts have been recorded as a deferred inflow of resources 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, but is not limited to, income taxes, delinquent property taxes and intergovernmental grants. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

For the City, See Note 13 for deferred inflows of resources related to the City's net pension liability. This deferred inflow of resources is only reported on the government-wide statement of net position.

**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.

**F. Budgetary Data**

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. 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 certificate of estimated resources and the appropriations ordinance are subject to amendment throughout the year with the legal restriction that appropriations cannot exceed estimated resources, as certified. The legal level of budgetary control is at the object level within each department. Budgetary modifications may only be made by resolution of the City Council at the legal level of control.

**Tax Budget** - During the first Council meeting in July, the Manager presents the annual operating budget for the following fiscal year to City Council for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year, for the period January 1 to December 31 of the following year. In accordance with Section 5705.281 of the Ohio Revised Code, the Mahoning County Budget Commission waived the requirement of the City to adopt a tax budget under Section 5705.28 of the Ohio Revised Code for the calendar year.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Estimated Resources* - The County Budget Commission determines if the budget substantiates a need to levy all or part of previously authorized taxes and reviews estimated revenue. The Commission certifies its actions to the City by September 1. As part of this certification, the City receives the official certificate of estimated resources, which states the projected revenue of each fund. On or before December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year will not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include unencumbered cash balances at December 31 of the preceding year. The certificate may be further amended during the year if the City Finance Director determines, and the Budget Commission agrees, that an estimates need to be either increased or decreased.

*Appropriations* - A temporary appropriation ordinance to control expenditures may be passed on or about January 1 of each year for the period January 1 to March 31. An annual appropriation ordinance must be passed by April 1 of each year for the period January 1 to December 31. The appropriation ordinance fixes spending authority at the fund, department, and object level. The appropriation ordinance may be amended during the year as new information becomes available, provided that total fund appropriations do not exceed current estimated resources, as certified. The allocation of appropriations among departments and objects within a fund may be modified during the year by an ordinance of Council.

*Lapsing of Appropriations* - At the close of each year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. Encumbrances are carried forward and are not reappropriated as part of the subsequent year appropriations.

**G. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is utilized during the year for budget control purposes. Encumbrances outstanding at year-end are reported as expenditures under the City's budgetary basis of accounting. For GAAP reporting purposes, encumbrances outstanding at year-end are reported in restricted, committed, or assigned fund balance for governmental funds since they do not constitute expenditures or liabilities.

**H. Cash and Cash Equivalents**

To improve cash management, cash received by the City is pooled. Monies for all funds, including proprietary funds, are maintained in this pool. Individual fund integrity is maintained through the City's records. Each fund's interest in the pool is presented as "equity in pooled cash and cash equivalents" on the financial statements.

During 2016, investments were limited to a repurchase agreement and investments in State Treasury Asset Reserve of Ohio (STAR Ohio). Except for nonparticipating investment contracts, investments are reported at fair value which is based on quoted market prices. Nonparticipating investment contracts such as repurchase agreements are reported at cost.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

STAR Ohio is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but has adopted Governmental Accounting Standards Board (GASB), Statement No. 79, "Certain External Investment Pools and Pool Participants." The City measures its investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides an NAV per share that approximates fair value.

For 2016, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$25 million. STAR Ohio reserves the right to limit the transaction to \$50 million, requiring the excess amount to be transacted the following business day(s), but only to the \$50 million limit. All accounts of the participant will be combined for these purposes.

Interest income is distributed to the funds according to charter and statutory requirements. Interest revenue earned and credited to the general fund during 2016 amounted to \$12,519, which included \$10,317 assigned from other funds of the City.

For purposes of the statement of cash flows and for presentation on the statement of net position, investments of the cash management pool and investments with original maturities of three months or less at the time they are purchased by the City, are considered to be cash equivalents. Investments with maturities greater than three months at the time of purchase are reported as investments.

An analysis of the City's investment account at year-end is provided in Note 4.

**I. Capital Assets**

General capital assets are those assets not specifically related to activities reported in the proprietary funds. These assets generally result from expenditures in the governmental funds. These assets are reported in the governmental activities column of the government-wide statement of net position but are not reported in the fund financial statements. Capital assets utilized by the proprietary 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. Donated capital assets are recorded at their fair market values as of the date received. The City maintains a capitalization threshold of \$5,000 for all assets other than grants that require the reporting of all assets regardless of cost. The City's infrastructure consists of bridges, culverts, curbs, sidewalks, storm sewers, streets, irrigation systems, and water and sewer lines. 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. If interest is incurred during the construction of capital assets, it will be capitalized for the business-type activities.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

All reported 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>Governmental<br/>Activities<br/>Estimated Lives</u> | <u>Business-type<br/>Activities<br/>Estimated Lives</u> |
|-----------------------------------|--|---|
| Improvements Other Than Buildings | 7-20 years   | 7-20 years  |
| Buildings                         | 50 years   | 50 years  |
| Equipment                         | 3-20 years   | 3-20 years  |
| Infrastructure                    | 50-75 years  | -   |
| Water and Sewer Lines             | -  | 50 years  |

**J. Compensated Absences**

The City reports compensated absences in accordance with the provisions of GASB Statement No. 16, “Accounting for Compensated Absences”. Vacation benefits are accrued as a liability as the benefits are earned if the employees’ rights to receive compensation are attributed to services already rendered and it is probable that the City will compensate the employees for the benefits through paid time off or some other means. The City records a liability for accumulated unused vacation time when earned for all employees.

Sick leave benefits are accrued as liability using the vesting method. The liability is based on the sick leave accumulated at December 31 by those employees who are currently eligible to receive termination payments and by those employees for whom it is probable they will become eligible to receive termination benefits in the future. The City records a liability for accumulated unused sick, comp, and vacation time at year end for all employees eligible to receive comp and vacation. Department heads do not receive payment for comp time. The sick liability is reported after an employee becomes eligible to retire and has ten years of continuous service with the City.

The entire compensated absence liability is reported on the government-wide financial statements.

On governmental fund financial statements, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. These amounts are recorded in the account “compensated absences payable” in the fund from which the employees who have accumulated leave are paid. The noncurrent portion of the liability is not reported. For proprietary funds, the entire amount of compensated absences is reported as a fund liability.

**K. 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 CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**L. Interfund Balances**

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as “interfund loans receivable/payable”. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any net residual amounts due between governmental and business-type activities, which are presented as internal balances.

**M. Interfund Activity**

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 BFS.

**N. Prepayments**

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items using the consumption method by recording a current asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed.

**O. 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 classification includes amounts that cannot be spent because they are not in spendable form or legally 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 loans receivable in the general fund.

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

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

*Committed* - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by a formal action (ordinance) of City Council (the highest level of decision making authority). 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) it employed to previously commit those amounts. 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 nor committed. In governmental funds other than the general fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the general fund, assigned amounts represent intended uses established by policies of City Council, which includes giving the Finance Director the authority to constrain monies for intended purposes.

*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 only used to report a deficit fund balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The City applies restricted resources first when expenditures are incurred for purposes for which restricted and unrestricted (committed, assigned, and unassigned) fund balance is 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.

**P. Estimates**

The preparation of the BFS in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the BFS and accompanying notes. Actual results may differ from those estimates.

**Q. Contributions of Capital**

Contributions of capital in proprietary fund financial statements arise from outside contributions of capital assets, tap-in fees to the extent they exceed the cost of the connection to the system, or from grants or outside contributions of resources restricted to capital acquisition and construction. Capital contributions from grants and other funds are reported as revenue in the proprietary fund financial statements. The City did not have any contributions of capital during 2016.

**R. Net Position**

Net position represents the difference between assets plus deferred outflows and liabilities plus deferred inflows. Net position invested in capital assets, net of related debt 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 is reported as restricted when there are limitations imposed on its 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. Police Department assets acquired through the trust funds are restricted to law enforcement use.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)**

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

**S. 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 water, sewer and storm water programs. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

**T. Extraordinary and Special Items**

Extraordinary items are transactions or events that are both unusual in nature and infrequent in occurrence. Special items are transactions or events that are within the control of the City Council and that are either unusual in nature or infrequent in occurrence. The City had no extraordinary or special items during 2016.

**U. 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.

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE**

**A. Change in Accounting Principles**

For 2016, the City has implemented GASB Statement No. 72, "Fair Value Measurement and Application", GASB Statement No. 73 "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", GASB Statement No. 77, "Tax Abatement Disclosures", GASB Statement No. 78, "Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans" and GASB Statement No. 79, "Certain External Investment Pools and Pool Participants".

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurement. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The implementation of GASB Statement No. 72 did not have an effect on the financial statements of the City.

GASB Statement No. 73 improves the usefulness of information about pensions included in the general purposes external financial reports of state and local governments for making decisions and assessing accountability. The implementation of GASB Statement No. 73 did not have an effect on the financial statements of the City.



**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 3 - ACCOUNTABILITY AND COMPLIANCE - (Continued)**

GASB Statement No. 76 identifies - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The implementation of GASB Statement No. 76 did not have an effect on the financial statements of the City.

GASB Statement No. 77 requires governments that enter into tax abatement agreements to disclose certain information about the agreement. GASB Statement No. 77 also requires disclosures related to tax abatement agreements that have been entered into by other governments that reduce the reporting government's tax revenues. The implementation of GASB Statement No. 77 did not have an effect on the financial statements of the City.

GASB Statement No. 78 establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan (cost-sharing pension plan) that meets the criteria in paragraph 4 of Statement 68 and that (a) is not a state or local governmental pension plan, (b) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (c) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The implementation of GASB Statement No. 78 did not have an effect on the financial statements of the City.

GASB Statement No. 79 establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This Statement provides accounting and financial reporting guidance also establishes additional note disclosure requirements for governments that participate in those pools. The City participates in STAR Ohio which implemented GASB Statement No. 79 for 2016. The City incorporated the corresponding GASB 79 guidance into its 2016 financial statements; however, there was no effect on beginning net position/fund balance.

**B. Deficit Fund Balance**

Fund balances at December 31, 2016 included the following individual fund deficit:

|                                      |                |
|--------------------------------------|----------------|
| <u>Nonmajor Special Revenue Fund</u> | <u>Deficit</u> |
| OVI Task Force Grant - FY17          | \$ 121         |

The general fund is liable for the deficit in this fund and provides transfers when cash is required, not when accruals occur. The deficit fund balance resulted from adjustments for accrued liabilities.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS**

The City maintains a cash and investment pool used by all funds. Each fund type's portion of this pool is displayed on the financial statements as "equity in pooled cash and cash equivalents." Statutes require the classification of monies held by the City into three categories:

*Active Monies:* those monies required to be kept in a "cash" or "near-cash" status for immediate use by the City. Such monies must by law be maintained either as cash in the City treasury; in depository accounts payable or withdrawable on demand; including negotiable order of withdrawal (NOW) account; or in money market deposit accounts.

*Inactive Monies:* those monies not required for use within the current five year period of designation of depositories. Inactive monies may be deposited or invested as certificates of deposit maturing not later than the end of the current period of designation of depositories or as savings or deposit accounts including, but not limited to, passbook accounts.

*Interim Monies:* 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 monies must be evidenced by time certificates of deposit maturing not more than one year from the date of deposit accounts including passbook accounts.

Interim monies may be deposited or invested in the following securities:

1. United States Treasury Notes, Bills, Bonds, or any other obligation or security issued by the United States Treasury or any other obligation guaranteed as to principal or interest by the United States;
2. Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the Federal National Mortgage Association, Federal Home Loan Bank, Federal Farm Credit Bank, Federal Home Loan Mortgage Corporation, Government National Mortgage Association, and Student Loan Marketing Association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
3. Written repurchase agreements in the securities listed above provided that 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 that the term of the agreement must not exceed thirty days;
4. Bonds and other obligations of the State of Ohio;
5. No-load money market mutual funds consisting exclusively of obligations described in items (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;
6. The State Treasurer's investment pool (STAR Ohio);
7. Certain banker's acceptance and commercial paper notes for a period not to exceed one hundred eighty days from the purchase date in an amount not to exceed twenty-five percent of the interim monies available for investment at any one time: and,
8. Under limited circumstances, corporate debt interests rated in either of the two highest classifications by at least two nationally recognized rating agencies.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

The City may also invest any 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.

Protection of the City's deposits is provided by the Federal Deposit Insurance Corporation (FDIC), by eligible securities pledged by the financial institution as security for repayment, by surety company bonds deposited with the Finance Director by the financial institution or by a single collateral pool established by the financial institution to secure the repayment of all public monies deposited with the institution.

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. An investment must mature within five years from the date of purchase unless matched to a specific obligation or debt of the City, and must be purchased with the expectation that it will be held to maturity. 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.

**A. Cash on Hand**

At year-end, the City had \$1,710 in undeposited cash on hand which is included on the financial statements of the City as part of 'Equity in pooled cash and cash equivalents'.

**B. Deposits with Financial Institutions**

At December 31, 2016, the carrying amount of all City deposits was \$2,007,834, exclusive of the \$3,625,585 in a repurchase agreement included in investments below. Based on the criteria described in GASB Statement No. 40, "Deposits and Investment Risk Disclosures", as of December 31, 2016, \$1,849,720 of the City's bank balance of \$2,349,720 was exposed to custodial risk as discussed below, while \$500,000 was covered by the FDIC.

Custodial credit risk 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. As permitted by Ohio Revised Code, the City's deposits are collateralized by a pool of eligible securities deposited with Federal Reserve Banks, or at member banks of the Federal Reserve System, in the name of the depository bank and pledged as a pool of collateral against all public deposits held by the depository. The City has no deposit policy for custodial credit risk beyond the requirements of State statute. Although the securities were held by the pledging 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.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**C. Investments**

As of December 31, 2016 the City had the following investments and maturities:

| <u>Investment type</u> | <u>Measurement<br/>Value</u> | <u>Investment<br/>Maturities<br/>6 months or<br/>less</u> |
|------------------------|------------------------------|---|
| Repurchase agreement   | \$ 3,625,585                 | \$ 3,625,585  |
| STAR Ohio              | <u>1,942</u>                 | <u>1,942</u>  |
| Total                  | <u>\$ 3,627,527</u>          | <u>\$ 3,627,527</u>                                       |

*Interest Rate Risk:* As a means of limiting its exposure to fair value losses arising from rising interest rates and according to state law, the City's investment policy limits investment portfolio maturities to five years or less.

*Credit Risk:* STAR Ohio carries a rating of AAAm by Standard & Poor's. Ohio law requires that STAR Ohio maintain the highest rating provided by at least one nationally recognized standard service rating. The City's federal agency securities that underlie the repurchase agreements were rated AA+ and Aaa by Standard & Poor's and Moody's Investor Services, respectively.

*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. Of the City's \$3,625,585 investment in a repurchase agreement, the entire balance is collateralized by underlying securities that are held by the investment's counterparty, not in the name of the City. Ohio law requires the market value of the securities subject to repurchase agreements must exceed the principal value of securities subject to a repurchase agreement by 2%. The City has no investment policy dealing with investment custodial risk beyond the requirement in State statute that prohibits payment for investments prior to the delivery of the securities representing such investments to the treasurer or qualified trustee.

*Concentration of Credit Risk:* The City places no limit on the amount that may be invested in any one issuer. The following table includes the percentage of each investment type held by the City at December 31, 2016:

| <u>Investment type</u> | <u>Measurement</u>  |                   |
|------------------------|---------------------|-------------------|
|                        | <u>Value</u>        | <u>% to Total</u> |
| Repurchase agreement   | \$ 3,625,585        | 99.95%            |
| STAR Ohio              | <u>1,942</u>        | <u>0.05%</u>      |
| Total                  | <u>\$ 3,627,527</u> | <u>100.00%</u>    |

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 4 - DEPOSITS AND INVESTMENTS - (Continued)**

**D. Reconciliation of Cash and Investment to the Statement of Net Position**

The following is a reconciliation of cash and investments as reported in the note above to cash and investments as reported on the statement of net position as of December 31, 2016:

|   |                     |
|---|---------------------|
| <u>Cash and investments per note</u>                          |                     |
| Carrying amount of deposits                                   | \$ 2,007,834        |
| Investments   | 3,627,527           |
| Cash on hand  | <u>1,710</u>        |
| Total   | <u>\$ 5,637,071</u> |
| <br><u>Cash and investments per statement of net position</u> |                     |
| Governmental activities                                       | \$ 3,062,462        |
| Business type activities                                      | 2,514,068           |
| Private purpose trust funds                                   | 27,855              |
| Agency funds  | <u>32,686</u>       |
| Total   | <u>\$ 5,637,071</u> |

**NOTE 5 - INTERFUNDS**

A. Interfund transfers for the year ended December 31, 2016, consisted of the following, as reported on the fund financial statements:

|  |                  |
|--|------------------|
|  | <u>Amount</u>    |
| Transfer to Parks fund from General fund                             | \$ 20,000        |
| Transfer to Cemeteries fund from General fund                        | <u>20,000</u>    |
| Total transfers to nonmajor governmental funds from the General fund | <u>\$ 40,000</u> |

Transfers are used to (1) move revenues from the fund that statute or budget required to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

B. Interfund loans consisted of the following at December 31, 2016, as reported on the fund financial statements.

|                        |                                |                  |
|------------------------|--------------------------------|------------------|
| <u>Receivable Fund</u> | <u>Payable Fund</u>            | <u>Amount</u>    |
| General fund           | Nonmajor Special Revenue Fund: |                  |
|                        | OVI Task Force fund - FY17     | \$ <u>20,000</u> |

The primary purpose of the interfund loan is to cover expenditures in the local government innovation grant and abandoned gas station grant special revenue funds. The interfund balance is expected to repaid within the next year once the anticipated revenues are received.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 5 - INTERFUNDS - (CONTINUED)**

Interfund balances between governmental funds are eliminated on the government-wide financial statements; therefore, no internal balances between governmental funds at December 31, 2016, are reported on the statement of net position.

**NOTE 6 - PROPERTY TAXES**

Property taxes include amounts levied against all real and public utility property located in the City. Taxes collected from real property taxes (other than public utility) in one calendar year are levied in the preceding calendar year on the assessed value as of January 1 of that preceding year, the lien date. Assessed values are established by the County Auditor at 35 percent of appraised market value. All property is required to be revalued every six years. 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 real and tangible personal property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the second year preceding the tax collection year, the lien date. Public utility tangible personal property is assessed at varying percentages of true value; public utility real property is assessed at 35 percent of true value. 2016 public utility property taxes became a lien December 31, 2015, are levied after October 1, 2016, and are collected in 2017 with real property taxes. Public utility property taxes are payable on the same dates as real property taxes described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County, including the City of Canfield. The County Auditor periodically remits to the City its portion of the taxes collected. Property taxes receivable represents real property taxes, public utility taxes, delinquent tangible personal property taxes and other outstanding delinquencies which are measurable as of December 31, 2016 and for which there is an enforceable legal claim. In the governmental funds, the current portion receivable has been offset by a deferred inflow since the current taxes were not levied to finance 2016 operations and the collection of delinquent taxes has been offset by a deferred inflow since the collection of the taxes during the available period is not subject to reasonable estimation. On a full accrual basis, collectible delinquent property taxes have been recorded as a receivable and revenue while on a modified accrual basis the revenue is considered a deferred inflow.

The full tax rate for all City operations for the year ended December 31, 2016 was \$4.00 per \$1,000 of assessed value. The assessed values of real and tangible personal property upon which 2016 property tax receipts were based are as follows:

|                               |                       |
|-------------------------------|-----------------------|
| Real Property                 |                       |
| Residential/Agricultural      | \$ 168,342,110        |
| Commercial/Industrial/Mineral | 24,167,290            |
| Public Utility                |                       |
| Real                          | 4,297,380             |
| Total Assessed Value          | <u>\$ 196,806,780</u> |

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 7 - LOCAL INCOME TAX**

The City levies a municipal income tax of one percent as follows:

*Resident* - For residents, aged 18 and over, all income, salaries, qualifying wages, commissions, and other compensation from whatever source earned or received by the resident, including the resident's distributive share of the net profit of pass-through entities owned directly or indirectly by the resident and any net profit of the resident.

Residents who pay another city income tax are given a credit of ½ of 1% of the wage on which the other city tax is paid.

*Resident Business* - Businesses located within the City must withhold the 1% tax on the gross compensation of all employees 18 years of age and older. Copies of all W-2's Forms must be provided to the City. They must also provide copies of all 1099 Miscellaneous Income Forms issued since the tax is not withheld on that compensation. Taxes are paid on the net profit of the business.

*Non-Resident* - Taxes are paid on income and wages earned from a business located in the City. The employer must withhold the City income tax on the wages paid all employees. Income earned while working within the city limits is taxable to the City and the employer (even if located outside of the City) must withhold the city tax on these wages. Independent contractors pay on earnings, payments, bonuses, commissions and/or fees received. Since they are not employees, the tax is not withheld by an employer and they file and pay their own taxes.

*Non-Resident Business* - The tax is withheld on the individuals working within the City limits. Taxes are paid on the net profit of the portion of the business conducted within the City of Canfield or for the City of Canfield.

Income tax proceeds are received by the general fund.

**NOTE 8 - RECEIVABLES**

Receivables at December 31, 2016, consisted of taxes, accounts (billings for user charged services), special assessments, and intergovernmental receivables arising from grants, entitlements, and shared revenue. All intergovernmental receivables have been classified as "due from other governments" on the BFS. Receivables have been recorded to the extent that they are measurable at December 31, 2016.

A summary of the principal items of receivables reported on the statement of net position follows:

**Governmental Activities:**

|                            |            |
|----------------------------|------------|
| Income taxes               | \$ 833,498 |
| Real and other taxes       | 615,034    |
| Accounts                   | 135,818    |
| Special assessments        | 61,432     |
| Due from other governments | 280,212    |

**Business-type Activities:**

|          |         |
|----------|---------|
| Accounts | 967,290 |
|----------|---------|

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 8 - RECEIVABLES - (CONTINUED)**

Receivables have been disaggregated on the face of the BFS. The only receivable not expected to be collected within the subsequent year are the special assessments which are collected over the life of the assessment. The special assessments are for street lighting which is billed and paid every year. The payment is behind by one year, similar to real and other taxes.

**NOTE 9 - CAPITAL ASSETS**

Capital asset activity for governmental activities for the year ended December 31, 2016, was as follows:

|   | Balance<br>01/01/2016 | Additions           | Disposals           | Balance<br>12/31/2016 |
|---|-----------------------|---------------------|---------------------|-----------------------|
| <u>Governmental Activities:</u>               |                       |                     |                     |                       |
| <i>Capital assets, not being depreciated:</i> |                       |                     |                     |                       |
| Land  | \$ 2,383,608          | \$ -                | \$ -                | \$ 2,383,608          |
| Construction in progress                      | 813,288               | 863,242             | (389,437)           | 1,287,093             |
| Total capital assets, not being depreciated   | <u>3,196,896</u>      | <u>863,242</u>      | <u>(389,437)</u>    | <u>3,670,701</u>      |
| <i>Capital assets, being depreciated:</i>     |                       |                     |                     |                       |
| Buildings                                     | 3,157,692             | 622,763             | (11,857)            | 3,768,598             |
| Land improvements                             | 39,290                | -                   | -                   | 39,290                |
| Equipment                                     | 2,250,028             | 147,588             | (106,216)           | 2,291,400             |
| Infrastructure                                | 16,854,414            | 493,945             | -                   | 17,348,359            |
| Total capital assets, being depreciated       | <u>22,301,424</u>     | <u>1,264,296</u>    | <u>(118,073)</u>    | <u>23,447,647</u>     |
| <i>Less: accumulated depreciation:</i>        |                       |                     |                     |                       |
| Buildings                                     | (2,106,474)           | (63,206)            | 3,716               | (2,165,964)           |
| Land improvements                             | (39,290)              | -                   | -                   | (39,290)              |
| Equipment                                     | (1,159,250)           | (154,351)           | 70,705              | (1,242,896)           |
| Infrastructure                                | (7,445,202)           | (358,124)           | -                   | (7,803,326)           |
| Total accumulated depreciation                | <u>(10,750,216)</u>   | <u>(575,681)</u>    | <u>74,421</u>       | <u>(11,251,476)</u>   |
| Total capital assets, being depreciated, net  | <u>11,551,208</u>     | <u>688,615</u>      | <u>(43,652)</u>     | <u>12,196,171</u>     |
| Governmental activities capital assets, net   | <u>\$ 14,748,104</u>  | <u>\$ 1,551,857</u> | <u>\$ (433,089)</u> | <u>\$ 15,866,872</u>  |



**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 9 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to functions/programs of the City as follows:

**Governmental activities:**

|  |                   |
|--|-------------------|
| General Government                                   | \$ 64,585         |
| Security of Persons and Property                     | 100,878           |
| Public Health and Welfare                            | 3,020             |
| Leisure Time Activities                              | 11,038            |
| Community Environment                                | 2,253             |
| Transportation                                       | <u>393,907</u>    |
| Total Depreciation Expense - Governmental Activities | <u>\$ 575,681</u> |

Capital asset activity for business-type activities for the year ended December 31, 2016, was as follows:

|   | Balance<br>1/1/2016 | Additions         | Disposals           | Balance<br>12/31/2016 |
|---|---------------------|-------------------|---------------------|-----------------------|
| <b><u>Business-type Activities:</u></b>       |                     |                   |                     |                       |
| <i>Capital assets, not being depreciated:</i> |                     |                   |                     |                       |
| Land  | \$ 21,297           | \$ -              | \$ -                | \$ 21,297             |
| Construction in progress                      | 927,899             | 22,796            | (927,899)           | 22,796                |
| Total capital assets, not being depreciated   | <u>949,196</u>      | <u>22,796</u>     | <u>(927,899)</u>    | <u>44,093</u>         |
| <i>Capital assets, being depreciated:</i>     |                     |                   |                     |                       |
| Buildings                                     | 1,868,823           | 16,525            | -                   | 1,885,348             |
| Equipment                                     | 393,385             | 9,951             | (3,318)             | 400,018               |
| Infrastructure                                | 23,636,281          | 1,034,214         | (13,440)            | 24,657,055            |
| Total capital assets, being depreciated       | <u>25,898,489</u>   | <u>1,060,690</u>  | <u>(16,758)</u>     | <u>26,942,421</u>     |
| <i>Less: accumulated depreciation:</i>        |                     |                   |                     |                       |
| Buildings                                     | (799,712)           | (38,066)          | -                   | (837,778)             |
| Equipment                                     | (286,517)           | (20,366)          | 1,461               | (305,422)             |
| Infrastructure                                | (10,297,923)        | (464,386)         | 2,694               | (10,759,615)          |
| Total accumulated depreciation                | <u>(11,384,152)</u> | <u>(522,818)</u>  | <u>4,155</u>        | <u>(11,902,815)</u>   |
| Total capital assets, being depreciated, net  | <u>14,514,337</u>   | <u>537,872</u>    | <u>(12,603)</u>     | <u>15,039,606</u>     |
| Business-type activities capital assets, net  | <u>\$15,463,533</u> | <u>\$ 560,668</u> | <u>\$ (940,502)</u> | <u>\$ 15,083,699</u>  |

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 9 - CAPITAL ASSETS - (Continued)**

Depreciation expense was charged to functions/programs of the City as follows:

**Business-type activities:**

|   |                          |
|---|--------------------------|
| Water   | \$ 207,707               |
| Sewer   | 143,353                  |
| Storm   | 171,758                  |
| Total depreciation expense - business-type activities | <u><u>\$ 522,818</u></u> |

**NOTE 10 - EMPLOYEE BENEFITS**

**A. Health/Life Insurance**

The City offers employees health and life insurance benefits through the Ohio Public Entity Consortium Healthcare Cooperative (OPEC-HC). The City uses an MMO provider network.

The Ohio Public Entity Consortium (OPEC) consists of over 250 member entities. OPEC has utilized their size and buying power to negotiate member benefits. These benefits include programs for medical, dental, vision, life, disability, employee assistant programs, wellness, COBRA administration, third party administration, and home and auto coverage. OPEC is continually investigating current programs as well as new programs that provide additional benefits. In order to maintain plan integrity and continuity, member entities understand that the Consortium acts on behalf of all members. Ohio Public Entity Consortium is a not for profit organization and does not charge annual membership fees.

All full time employees are eligible for health, dental, vision and life insurance coverage. City premiums are paid from the same funds that pay the employees' salaries. During 2016, all employees with health insurance coverage paid 12% of the premium paid by the City for their health insurance.

**B. Compensated Absences**

The criteria for determining vacation and sick leave benefits are derived from negotiated agreements and State laws. Employees earn ten to thirty days of vacation per year, depending upon length of service. Earned unused vacation time up to a maximum of 200 hours is paid upon termination of employment. Employees earn sick leave at a rate of ten (10) hours per month. Sick leave accrual is continuous, up to 2,000 hours. Upon retirement or death, an employee with 10 years of continuous service can be paid an amount equal to one-fourth (1/4) the total number of accumulated, unused sick hours, not to exceed the maximum of 500 hours. As of December 31, 2016, the liability for unpaid compensated absences was \$182,729 for the entire City.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 11 - LONG-TERM OBLIGATIONS**

A. During 2016, the following activity occurred in governmental activities long-term obligations.

| <b>Governmental Activities:</b>                     | <u>Date of Issue</u> | <u>Interest Rate</u> | <u>Balance 01/01/2016</u> | <u>Additions</u>    | <u>Retirements</u>  | <u>Balance 12/31/2016</u> | <u>Amounts Due in One Year</u> |
|---|----------------------|----------------------|---------------------------|---------------------|---------------------|---------------------------|--------------------------------|
| <u>General Obligation Notes:</u>                    |                      |                      |                           |                     |                     |                           |                                |
| Red Gate Land Acquisition                           | 2015                 | 2.92%                | \$ 535,320                | \$ -                | \$ (64,686)         | \$ 470,634                | \$ 66,667                      |
| Police Department Addition                          | 2015                 | 2.92%                | 475,210                   | -                   | (57,423)            | 417,787                   | 59,181                         |
| Total General Obligation Notes                      |                      |                      | <u>1,010,530</u>          | <u>-</u>            | <u>(122,109)</u>    | <u>888,421</u>            | <u>125,848</u>                 |
| <u>Special Assessment Notes:</u>                    |                      |                      |                           |                     |                     |                           |                                |
| Kings Lake Street Lights                            | 2016                 | 2.39%                | -                         | 165,000             | -                   | 165,000                   | 30,756                         |
| <u>Other Long-Term Obligations:</u>                 |                      |                      |                           |                     |                     |                           |                                |
| Net Pension Liability                               |                      |                      | 3,758,480                 | 1,100,498           | -                   | 4,858,978                 | -                              |
| Compensated Absences                                |                      |                      | 165,694                   | 174,496             | (175,322)           | 164,868                   | 164,868                        |
| Total Long-Term Obligations                         |                      |                      | <u>3,924,174</u>          | <u>1,274,994</u>    | <u>(175,322)</u>    | <u>5,023,846</u>          | <u>164,868</u>                 |
| Total Governmental Activities Long-Term Obligations |                      |                      | <u>\$ 4,934,704</u>       | <u>\$ 1,439,994</u> | <u>\$ (297,431)</u> | <u>\$ 6,077,267</u>       | <u>\$ 321,472</u>              |

*General Obligation Notes:* On June 4, 2015, the City issued general obligation notes in the amount of \$1,070,500 for the purpose of retiring the balance of the 2011 Red Gate Land Acquisition general obligation bonds (\$567,088) and for the purpose of financing improvements to the police building (\$503,412). The notes have an interest rate of 2.92% and mature on June 1, 2023. The principal and interest on the note will be paid out of the red gate debt retirement fund and the general fund.

*Special Assessment Notes Payable:* On September 15, 2016, the City issued special assessment notes in the amount of \$165,000 for the purpose of paying for the installation of street lights in the Kings Lake Subdivision. The special assessment notes will be paid from the proceeds of local taxes or other sources levied against the benefited property owners and collected during calendar years 2017 through 2021. In the event a property owner would fail to pay the assessment, payment would be made by the City.

*Net Pension Liability:* See Note 13 for more details.

*Compensated Absences:* Compensated absences are reported in the statement of net position will be paid from the fund from which the employee's salaries are paid. Compensated absences are further described in Note 10.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The following is the summary of the City's future annual debt service and interest requirements for governmental fund obligations:

| Year Ending<br>December 31, | General Obligation Notes |                  |                   | Special Assessment Note |                  |                   |
|-----------------------------|--------------------------|------------------|-------------------|-------------------------|------------------|-------------------|
|                             | Principal                | Interest         | Total             | Principal               | Interest         | Total             |
| 2017                        | \$ 125,848               | \$ 24,909        | \$ 150,757        | \$ 30,756               | \$ 4,661         | \$ 35,417         |
| 2018                        | 129,616                  | 21,142           | 150,758           | 32,360                  | 3,058            | 35,418            |
| 2019                        | 133,496                  | 17,261           | 150,757           | 33,148                  | 2,269            | 35,417            |
| 2020                        | 137,451                  | 13,306           | 150,757           | 33,952                  | 1,465            | 35,417            |
| 2021                        | 141,607                  | 9,150            | 150,757           | 34,784                  | 633              | 35,417            |
| 2022 - 2023                 | 220,403                  | 5,735            | 226,138           | -                       | -                | -                 |
| <b>Total</b>                | <b>\$ 888,421</b>        | <b>\$ 91,503</b> | <b>\$ 979,924</b> | <b>\$ 165,000</b>       | <b>\$ 12,086</b> | <b>\$ 177,086</b> |

**B.** During 2016, the following activity occurred in the City's business-type long-term liabilities.

| Business-Type Activities                                    | Date of<br>Issue | Interest<br>Rate | Balance             |                   |                     | Balance<br>12/31/2016 | Amounts<br>Due in<br>One Year |
|---|------------------|------------------|---------------------|-------------------|---------------------|-----------------------|-------------------------------|
|   |                  |                  | 1/1/2016            | Additions         | Retirements         |                       |                               |
| <u>OPWC Loans:</u>  |                  |                  |                     |                   |                     |                       |                               |
| Sawmill Sanitary Main Replacement                           | 2002             | 0.00%            | \$ 99,061           | \$ -              | \$ (18,011)         | \$ 81,050             | \$ 18,012                     |
| Sawmill Sanitary Main Lining                                | 2003             | 0.00%            | 185,238             | -                 | (23,155)            | 162,083               | 23,154                        |
| Water Transmission Line<br>Rehabilitation and Replacement   | 2015             | 0.00%            | 422,792             | -                 | (14,093)            | 408,699               | 14,093                        |
| Court St. Arena Storm<br>Water Improvement                  | 2000             | 0.00%            | 64,433              | -                 | (14,319)            | 50,114                | 14,318                        |
| Fairview Dr. Storm<br>Water Management                      | 2015             | 0.00%            | 212,400             | -                 | (7,200)             | 205,200               | 7,200                         |
| <b>Total OPWC Loans</b>                                     |                  |                  | <b>983,924</b>      | <b>-</b>          | <b>(76,778)</b>     | <b>907,146</b>        | <b>76,777</b>                 |
| <u>Other Long-Term Obligations:</u>                         |                  |                  |                     |                   |                     |                       |                               |
| Net pension liability                                       |                  |                  | 316,464             | 144,116           | -                   | 460,580               | -                             |
| Compensated absences  |                  |                  | 19,585              | 24,247            | (25,971)            | 17,861                | 17,861                        |
| <b>Total Other Long-Term Obligations</b>                    |                  |                  | <b>336,049</b>      | <b>168,363</b>    | <b>(25,971)</b>     | <b>478,441</b>        | <b>17,861</b>                 |
| <b>Total business-type activities long-term obligations</b> |                  |                  | <b>\$ 1,319,973</b> | <b>\$ 168,363</b> | <b>\$ (102,749)</b> | <b>\$ 1,385,587</b>   | <b>\$ 94,638</b>              |

OPWC Loans: User charges and impact fees are used to pay the OPWC Loans reported in the enterprise funds.

Net Pension Liability: See Note 13 for more details.

Compensated Absences: Compensated absences are reported in the statement of net position will be paid from the fund from which the employee's salaries are paid. Compensated absences are further described in Note 10.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 11 - LONG-TERM OBLIGATIONS - (Continued)**

The following is the summary of the City's future annual debt service and interest requirements for business-type activities obligations:

| <u>Year Ending<br/>December 31,</u> | <u>OPWC Loans</u>     |                 |                       |
|-------------------------------------|-----------------------|-----------------|-----------------------|
|                                     | <u>Principal</u>      | <u>Interest</u> | <u>Total</u>          |
| 2017                                | \$ 76,777             | \$ -            | \$ 76,777             |
| 2018                                | 76,777                | -               | 76,777                |
| 2019                                | 76,777                | -               | 76,777                |
| 2020                                | 69,620                | -               | 69,620                |
| 2021                                | 53,454                | -               | 53,454                |
| 2022 - 2025                         | 152,774               | -               | 152,774               |
| 2026 - 2030                         | 106,465               | -               | 106,465               |
| 2031 - 2035                         | 106,465               | -               | 106,465               |
| 2036 - 2040                         | 106,465               | -               | 106,465               |
| 2041 - 2044                         | 81,572                | -               | 81,572                |
| <br>Total                           | <br><u>\$ 907,146</u> | <br><u>\$ -</u> | <br><u>\$ 907,146</u> |

**C. Legal Debt Margin**

The Ohio Revised Code provides that the net debt of a municipal corporation, whether or not approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxation value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage. At December 31, 2016, the City's total debt margin was \$19,896,369 and the unvoted debt margin was \$10,056,030.

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**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 12 - RISK MANAGEMENT**

**A. Property, Liability and Bonds**

The City is exposed to various risks of loss related to torts: theft of, damage to, and the destruction of assets; errors and omissions; injuries to employees; and natural disasters. During 2016, the City contracted with Argonaut Insurance Group purchased through McGowan Governmental Underwriters for various types of insurance as follows:

City of Canfield Insurance Policies:

| <u>Company</u>                                  | <u>Type of Coverage</u>             | <u>Deductible</u> |
|---|-------------------------------------|-------------------|
| Argonaut Insurance Company                      | General Liability                   | None              |
|   | Umbrella Liability                  | None              |
|   | General Property Insurance          | \$ 500            |
|   | Commercial Inland Marine            | \$ 500            |
|   | Commercial Property                 | \$ 1,000          |
|   | Commercial Automobile-Comprehensive | \$ 1,000          |
|   | Commercial Automobile-Collision     | \$ 1,000          |
|   | Commercial Automobile-Liability     | None              |
|   | Employment Practices Liability      | \$ 10,000         |
|   | Law Enforcement Liability           | \$ 10,000         |
|   | Public Officials Liability          | \$ 10,000         |
| Western Surety/<br>State Auto Insurance Company | Bond- Employee & Officials          | None              |

No settlements exceeded the insurance coverage in the last three years. There has been no significant reduction in coverage from the prior year.

**B. Workers' Compensation**

Workers' compensation is provided by the State. The City pays the Ohio Bureau of Workers' Compensation a premium based on a rate per \$100 of salaries. This rate is calculated based on accident history and administrative costs.

**C. Unemployment**

The City pays unemployment claims to the State of Ohio as incurred.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS**

*Net Pension Liability/Asset*

The net pension liability/asset reported on the statement of net position represents a liability or asset 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/asset 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/asset calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

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

GASB 68 assumes any net pension 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 or overfunded benefits is presented as a long-term *net pension liability* or *net pension asset*, respectively, on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *due to other governments* on both the accrual and modified accrual bases of accounting.

***Plan Description - Ohio Public Employees Retirement System (OPERS)***

Plan Description - City employees, other than full-time police, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The Traditional Pension Plan is a cost-sharing, multiple-employer defined benefit pension plan. The Member-Directed Plan is a defined contribution plan and the Combined Plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the Member-Directed Plan and the Combined Plan, substantially all employee members are in OPERS' Traditional Pension Plan.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the Traditional Pension 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<br>January 7, 2013 or five years<br>after January 7, 2013   | 20 years of service credit prior to<br>January 7, 2013 or eligible to retire<br>ten years after January 7, 2013                       | Members not in other Groups<br>and members hired on or after<br>January 7, 2013   |
| <b>State and Local</b>  | <b>State and Local</b>  | <b>State and Local</b>  |
| <b>Age and Service Requirements:</b><br>Age 60 with 60 months of service credit<br>or Age 55 with 25 years of service credit          | <b>Age and Service Requirements:</b><br>Age 60 with 60 months of service credit<br>or Age 55 with 25 years of service credit          | <b>Age and Service Requirements:</b><br>Age 57 with 25 years of service credit<br>or Age 62 with 5 years of service credit            |
| <b>Formula:</b><br>2.2% of FAS multiplied by years of<br>service for the first 30 years and 2.5%<br>for service years in excess of 30 | <b>Formula:</b><br>2.2% of FAS multiplied by years of<br>service for the first 30 years and 2.5%<br>for service years in excess of 30 | <b>Formula:</b><br>2.2% of FAS multiplied by years of<br>service for the first 35 years and 2.5%<br>for service years in excess of 35 |

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

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

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

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.0% to the member's FAS for the first 30 years of service.



**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member's FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS's Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member's contributions plus or minus the investment gains or losses resulting from the member's investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members' contributions, vested employer contributions and investment gains or losses resulting from the members' investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS CAFR.

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

|  | State<br>and Local |
|--|--------------------|
| <b>2016 Statutory Maximum Contribution Rates</b> |                    |
| Employer   | 14.0 %             |
| Employee   | 10.0 %             |
| <br><b>2016 Actual Contribution Rates</b>        |                    |
| Employer:  |                    |
| Pension  | 12.0 %             |
| Post-employment Health Care Benefits             | 2.0 %              |
| Total Employer                                   | 14.0 %             |
| <br>Employee                                     | <br>10.0 %         |

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

The City's contractually required contribution for the Traditional Pension Plan, the Combined Plan and Member-Directed Plan was \$186,581 for 2016. Of this amount, \$19,596 is reported as due to other governments.

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

Plan Description - City full-time police participate in Ohio Police and Fire Pension Fund (OP&F), a cost-sharing, multiple-employer defined benefit pension plan administered by OP&F. OP&F provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OP&F issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OP&F fiduciary net position. The report that may be obtained by visiting the 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.

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

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

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either three percent or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to three percent of their base pension or disability benefit.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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

|  | Police      |
|--|-------------|
| <b>2016 Statutory Maximum Contribution Rates</b> |             |
| Employer   | 19.50 %     |
| Employee   | 12.25 %     |
| <br><b>2016 Actual Contribution Rates</b>        |             |
| Employer:  |             |
| Pension  | 19.00 %     |
| Post-employment Health Care Benefits             | 0.50 %      |
| <br>Total Employer                               | <br>19.50 % |
| <br>Employee                                     | <br>12.25 % |

Employer contribution rates are expressed as a percentage of covered payroll. The City's contractually required contribution to OP&F was \$212,603 for 2016. Of this amount \$16,289 is reported as due to other governments.

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

The net pension liability and net pension asset for the OPERS Traditional Pension Plan and Combined Plan and Member-Directed Plan, respectively, were measured as of December 31, 2015, and the total pension liability or asset used to calculate the net pension liability or asset was determined by an actuarial valuation as of that date. OP&F's total pension liability was measured as of December 31, 2015, and was determined by rolling forward the total pension liability as of January 1, 2015, to December 31, 2015. The City's proportion of the net pension liability or asset was based on the City's share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

|  | <u>OPERS</u>       | <u>OP&amp;F</u>     | <u>Total</u> |
|--|--------------------|---------------------|--------------|
| Proportion of the net pension liability prior measurement date   | 0.01108800%        | 0.05284530%         |              |
| Proportion of the net pension liability current measurement date | <u>0.01112100%</u> | <u>0.05274700%</u>  |              |
| Change in proportionate share                                    | <u>0.00003300%</u> | <u>-0.00009830%</u> |              |
| Proportion of the net pension asset prior measurement date       | 0.03232800%        |                     |              |
| Proportion of the net pension asset current measurement date     | <u>0.04355300%</u> |                     |              |
| Change in proportionate share                                    | <u>0.01122500%</u> |                     |              |
| Proportionate share of the net pension liability                 | \$ 1,926,297       | \$ 3,393,261        | \$ 5,319,558 |
| Proportionate share of the net pension asset                     | 15,288             | -                   | 15,288       |
| Pension expense  | 284,765            | 461,172             | 745,937      |

At December 31, 2016, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>OPERS</u>      | <u>OP&amp;F</u>   | <u>Total</u>        |
|--|-------------------|-------------------|---------------------|
| <b>Deferred outflows of resources</b>  |                   |                   |                     |
| Differences between expected and actual experience                                       | \$ 324            | \$ -              | \$ 324              |
| Net difference between projected and actual earnings on pension plan investments         | 572,865           | 552,292           | 1,125,157           |
| City contributions subsequent to the measurement date                                    | <u>186,581</u>    | <u>212,603</u>    | <u>399,184</u>      |
| Total deferred outflows of resources   | <u>\$ 759,770</u> | <u>\$ 764,895</u> | <u>\$ 1,524,665</u> |
| <b>Deferred inflows of resources</b>   |                   |                   |                     |
| Differences between expected and actual experience                                       | 44,171            | 9,528             | 53,699              |
| Changes in employer's proportionate percentage/difference between employer contributions | <u>2,490</u>      | <u>4,746</u>      | <u>7,236</u>        |
| Total deferred inflows of resources  | <u>\$ 46,661</u>  | <u>\$ 14,274</u>  | <u>\$ 60,935</u>    |

\$399,184 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/asset in the year ending December 31, 2017.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year Ending December 31: | OPERS             | OP&F              | Total               |
|--------------------------|-------------------|-------------------|---------------------|
| 2017                     | \$ 123,472        | \$ 142,621        | \$ 266,093          |
| 2018                     | 132,682           | 142,621           | 275,303             |
| 2019                     | 144,828           | 142,623           | 287,451             |
| 2020                     | 128,815           | 113,325           | 242,140             |
| 2021                     | (839)             | (2,666)           | (3,505)             |
| Thereafter               | (2,429)           | (506)             | (2,935)             |
| <b>Total</b>             | <b>\$ 526,529</b> | <b>\$ 538,018</b> | <b>\$ 1,064,547</b> |

**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/asset in the December 31, 2015, 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                          | Pre 1/7/2013 retirees: 3 percent, simple<br>Post 1/7/2013 retirees: 3 percent, simple<br>through 2018, then 2.80% 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.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

OPERS manages investments in four investment portfolios: the Defined Benefits portfolio, the Health Care portfolio, the 401 (h) Health Care Trust 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 0.40 percent for 2015.

The allocation of investment assets with the Defined Benefit portfolio is approved by the OPERS 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 2015 and the long-term expected real rates of return:

| <u>Asset Class</u>     | <u>Target<br/>Allocation</u> | <u>Weighted Average<br/>Long-Term Expected<br/>Real Rate of Return<br/>(Arithmetic)</u> |
|------------------------|------------------------------|---|
| Fixed income           | 23.00 %                      | 2.31 %  |
| Domestic equities      | 20.70                        | 5.84  |
| Real estate            | 10.00                        | 4.25  |
| Private equity         | 10.00                        | 9.25  |
| International equities | 18.30                        | 7.40  |
| Other investments      | 18.00                        | 4.59  |
| Total                  | <u>100.00 %</u>              | <u>5.27 %</u>   |

**Discount Rate** - The discount rate used to measure the total pension liability/asset was 8 percent for both the Traditional Pension Plan, the Combined Plan and Member-Directed Plan. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for the Traditional Pension Plan, Combined Plan and Member-Directed Plan was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate** - The following table presents the City's proportionate share of the net pension liability/asset calculated using the current period discount rate assumption of 8 percent, as well as what the City's proportionate share of the net pension liability/asset would be if it were calculated using a discount rate that is one-percentage-point lower (7 percent) or one-percentage-point higher (9 percent) than the current rate:

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

|   | 1% Decrease<br>(7.00%) | Current<br>Discount Rate<br>(8.00%) | 1% Increase<br>(9.00%) |
|---|------------------------|-------------------------------------|------------------------|
| City's proportionate share<br>of the net pension liability (asset): |                        |                                     |                        |
| Traditional Pension Plan  | \$ 3,069,062           | \$ 1,926,297                        | \$ 962,411             |
| Combined Plan   | (313)                  | (15,241)                            | (27,248)               |
| Member-Directed Plan  | 122                    | (47)                                | (122)                  |

**Actuarial Assumptions - OP&F**

OP&F's total pension liability as of December 31, 2015, is based on the results of an actuarial valuation date of January 1, 2015, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OP&F's actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Key methods and assumptions used in calculating the total pension liability in the latest actuarial valuation, prepared as of January 1, 2015, are presented below:

|                            |                              |
|----------------------------|------------------------------|
| Valuation date             | January 1, 2015              |
| 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 and 3.00 percent simple |

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. For service retirements, set back zero years for police. For beneficiaries, set back zero years. The rates are applied on a fully generational basis, with a base year of 2009, using mortality improvement Scale AA.

The most recent experience study was completed for the five-year period ended December 31, 2011. The recommended assumption changes based on this experience study were adopted by OPF's Board and were effective beginning with the January 1, 2012 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted 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.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

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, 2015 are summarized below:

| Asset Class                 | Target<br>Allocation | 10 Year Expected<br>Real Rate of Return ** | 30 Year Expected<br>Real Rate of Return ** |
|-----------------------------|----------------------|--|--|
| Cash and Cash Equivalents   | - %                  |  |  |
| Domestic Equity             | 16.00                | 4.47 %                                     | 7.80 %                                     |
| Non-US Equity               | 16.00                | 4.47                                       | 8.00                                       |
| Core Fixed Income *         | 20.00                | 1.62                                       | 5.35                                       |
| Global Inflation            |                      |  |  |
| Protected Securities *      | 20.00                | 1.33                                       | 4.73                                       |
| High Yield                  | 15.00                | 3.39                                       | 7.21                                       |
| Real Estate                 | 12.00                | 3.93                                       | 7.43                                       |
| Private Markets             | 8.00                 | 6.98                                       | 10.73                                      |
| Timber                      | 5.00                 | 4.92                                       | 7.35                                       |
| Master Limited Partnerships | 8.00                 | 7.03                                       | 10.75                                      |
| <b>Total</b>                | <b>120.00 %</b>      |  |  |

\* levered 2x

\*\* numbers include inflation

OPF's Board of Trustees has incorporated the "risk parity" concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective 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 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.



**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 13 - DEFINED BENEFIT PENSION PLANS - (Continued)**

|  | 1% Decrease<br>(7.25%) | Current<br>Discount Rate<br>(8.25%) | 1% Increase<br>(9.25%) |
|--|------------------------|-------------------------------------|------------------------|
| City's proportionate share<br>of the net pension liability | \$ 4,475,244           | \$ 3,393,261                        | \$ 2,476,697           |

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS**

**A. Ohio Public Employees Retirement System**

Plan Description - OPERS maintains a cost-sharing multiple employer defined benefit post-employment healthcare plan, which includes a medical plan, prescription drug program and Medicare Part B premium reimbursement, to qualifying members of both the Traditional Pension Plan and the Combined Plan. Members of the Member-Directed Plan do not qualify for ancillary benefits, including post-employment health care coverage.

To qualify for post-employment health care coverage, age-and-service retirees under the Traditional Pension and Combined Plans must have ten years or more of qualifying Ohio service credit. The Ohio Revised Code permits, but does not mandate, OPERS to provide OPEB benefits to its eligible members and beneficiaries. Authority to establish and amend benefits is provided in Chapter 145 of the Ohio Revised Code.

Disclosures for the healthcare plan are presented separately in the OPERS financial report which may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, writing to OPERS, 277 East Town Street, Columbus, OH 43215-4642 or by calling (800) 222-7377.

Funding Policy - The post-employment healthcare plan was established under, and is administered in accordance with, Internal Revenue Code Section 401(h). State statute requires that public employers fund post-employment healthcare through contributions to OPERS. A portion of each employer's contribution to the Traditional or Combined Plans is set aside for the funding of post-employment health care.

Employer contribution rates are expressed as a percentage of the covered payroll of active employees. In 2016, local government employers contributed 14.00% of covered payroll. Each year the OPERS' Retirement Board determines the portion of the employer contribution rate that will be set aside for the funding of the postemployment health care benefits. The portion of employer contributions allocated to fund post-employment healthcare for members in the Traditional Plan and Combined Plan for 2016 was 2.00%.

The OPERS Retirement Board is also authorized to establish rules for the payment of a portion of the health care benefits provided, by the retiree or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected. Active members do not make contributions to the post-employment healthcare plan.

The City's contributions allocated to fund post-employment health care benefits for the years ended December 31, 2016, 2015, and 2014 were \$32,989, \$30,125, and \$29,462, respectively; 91.08% has been contributed for 2016 and 100% has been contributed for 2015 and 2014. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments/pension and postemployment benefits payable on the basic financial statements.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

Changes to the health care plan were adopted by the OPERS Board of Trustees on September 19, 2012, with a transition plan commencing January 1, 2014. With the recent passage of pension legislation under State Bill 343 and the approved health care changes, OPERS expects to be able to consistently allocate 4.00% of the employer contributions toward the health care fund after the end of the transition period.

**B. Ohio Police and Fire Pension Fund**

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

OP&F provides access to post-employment health care coverage to 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 OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 45.

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

OP&F issues a publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to the OP&F, 140 East Town Street, Columbus, Ohio 43215-5164 or by visiting the website at [www.op-f.org](http://www.op-f.org).

Funding Policy - The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F (defined benefit pension plan). Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently, 19.50% of covered payroll for police. The Ohio Revised Code states that the employer contribution may not exceed 19.50% of covered payroll for police employer units. Active members do not make contributions to the OPEB Plan.

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

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan into the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. The portion of employer contributions allocated to health care was .5% of covered payroll from January 1, 2016 thru December 31, 2016. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that the pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 14 - POSTRETIREMENT BENEFIT PLANS - (Continued)**

The OP&F 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 contributions to OP&F which were allocated to fund post-employment healthcare benefits for police officers were for the years ended December 31, 2016, 2015, and 2014 were \$5,595, \$6,112, and \$5,787, respectively. 100% has been contributed for 2015 and 2014 and 92.53% has been contributed for 2016. The remaining 2016 post-employment health care benefits liability has been reported as due to other governments/pension and postemployment benefits payable on the basic financial statements.

**NOTE 15 - 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 certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual (Non-GAAP Budgetary Basis) presented for the general fund and major special revenue fund 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 GAAP basis are as follows:

1. Revenues are recorded when received in cash (budget) as opposed to when susceptible to accrual (GAAP).
2. Expenditures/expenses are recorded when paid in cash (budget) as opposed to when the liability is incurred (GAAP).
3. In order to determine compliance with Ohio law, and to reserve that portion of the applicable appropriation, total outstanding encumbrances (budget basis) are recorded as the equivalent of an expenditure, as opposed to assigned, restricted or committed fund balance for that portion of outstanding encumbrances not already recognized as an account payable (GAAP basis);
4. Unreported 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.
5. Investments are reported at fair value (GAAP basis) rather than cost (budget basis); and,
6. Some funds are included in the general fund (GAAP basis), but have separate legally adopted budgets (budget basis).

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 15 - BUDGETARY BASIS OF ACCOUNTING - (Continued)**

The following table summarizes the adjustments necessary to reconcile the GAAP basis statements (as reported in the fund financial statements) to the budgetary basis statements for all governmental funds for which a budgetary basis statement is presented:

**Net Change in Fund Balance**

|   | General     | Street Construction<br>Maintenance<br>and Repair |
|---|-------------|--|
| Budget basis                            | \$ (66,607) | \$ (178,559)                                     |
| Net adjustment for revenue accruals     | (56,880)    | (418)  |
| Net adjustment for expenditure accruals | 28,873      | 16,579   |
| Net adjustment for other sources/uses   | (41,649)    | (7,069)  |
| Funds budgeted elsewhere                | 279         | -  |
| Adjustment for encumbrances             | 159,424     | 291,354  |
| GAAP basis                              | \$ 23,440   | \$ 121,887                                       |

Certain funds that are legally budgeted in separate special revenue funds are considered part of the general fund on a GAAP basis. This includes the self-insurance fund and the unclaimed monies fund.

**NOTE 16 - JOINTLY GOVERNED ORGANIZATION**

Canfield Community Joint Economic Development District (JEDD)

The City of Canfield has entered into a contractual agreement effective April 27, 2015 with Canfield Township to facilitate economic development, to create or preserve jobs and employment opportunities and to improve the economic welfare of the people of the State of Ohio, the City, the Township and the JEDD. The JEDD is administered by a five member Board of Directors consisting of one member representing the City, one member representing the Township, one member representing the owners of businesses located in the JEDD, one member representing persons working within the JEDD, and one member who shall serve as the chairperson who selected by the other four members. The initial term of the agreement is for a period of twenty five years from the effective date. The Board of Directors has entered into an agreement with the City of Canfield to administer, collect and enforce the income tax on behalf of the JEDD. In consideration of its services pertaining to income tax administration and collection, the City shall receive a service fee equal to one percent of gross income tax revenue based upon receipts. The City shall pay one percent of the gross income tax into escrow. Upon termination of the contractual agreement, any property, asset and obligations of the JEDD shall be divided equally between the parties, except that any items of infrastructure constructed by or for anybody shall be retained by that party. The JEDD had no activity during 2016.

**NOTE 17 - FUND BALANCE**

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 resources in the governmental funds. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented on the following page.

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 17 - FUND BALANCE - (Continued)**

| Fund balance                     | General             | Street<br>Construction,<br>Maintenance<br>and Repair | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|----------------------------------|---------------------|--|-----------------------------------|--------------------------------|
| Nonspendable:                    |                     |  |                                   |                                |
| Prepays                          | \$ 91,743           | \$ 13,479  | \$ 2,105                          | \$ 107,327                     |
| Unclaimed monies                 | 2,468               | -  | -                                 | 2,468                          |
| Permanent fund                   | <u>-</u>            | <u>-</u>   | <u>72,400</u>                     | <u>72,400</u>                  |
| Total nonspendable               | <u>94,211</u>       | <u>13,479</u>  | <u>74,505</u>                     | <u>182,195</u>                 |
| Restricted:                      |                     |  |                                   |                                |
| Security of persons and property | -                   | -  | 225,038                           | 225,038                        |
| Public health and welfare        | -                   | -  | 8,526                             | 8,526                          |
| Transportation                   | -                   | 1,173,023  | 116,823                           | 1,289,846                      |
| Capital outlay                   | -                   | -  | 4,828                             | 4,828                          |
| Debt service                     | -                   | -  | 120,078                           | 120,078                        |
| Permanent fund                   | <u>-</u>            | <u>-</u>   | <u>87,043</u>                     | <u>87,043</u>                  |
| Total restricted                 | <u>-</u>            | <u>1,173,023</u>                                     | <u>562,336</u>                    | <u>1,735,359</u>               |
| Committed:                       |                     |  |                                   |                                |
| General government               | 14,026              | -  | 196,036                           | 210,062                        |
| Security of persons and property | 28,771              | -  | -                                 | 28,771                         |
| Leisure time activities          | -                   | -  | 269,490                           | 269,490                        |
| Community environment            | <u>387</u>          | <u>-</u>   | <u>-</u>                          | <u>387</u>                     |
| Total committed                  | <u>43,184</u>       | <u>-</u>   | <u>465,526</u>                    | <u>508,710</u>                 |
| Assigned:                        |                     |  |                                   |                                |
| General government               | 22,549              | -  | -                                 | 22,549                         |
| Security of persons and property | 63,265              | -  | -                                 | 63,265                         |
| Community environment            | 1,980               | -  | -                                 | 1,980                          |
| Subsequent year appropriations   | <u>141,317</u>      | <u>-</u>   | <u>-</u>                          | <u>141,317</u>                 |
| Total assigned                   | <u>229,111</u>      | <u>-</u>   | <u>-</u>                          | <u>229,111</u>                 |
| Unassigned                       | <u>933,504</u>      | <u>-</u>   | <u>(121)</u>                      | <u>933,383</u>                 |
| Total fund balances              | <u>\$ 1,300,010</u> | <u>\$ 1,186,502</u>                                  | <u>\$ 1,102,246</u>               | <u>\$ 3,588,758</u>            |

**CITY OF CANFIELD, OHIO**

NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**NOTE 18 - LAND LEASE AGREEMENT**

In fiscal year 1993, the City entered into a land lease for the use of land from the Canfield Board of Education for the operation, maintenance, and repair of a water storage tank. The term of the lease is 99 years commencing May 1, 1993 and ending April 30, 2092, unless otherwise terminated or extended as permitted by the agreement. The City shall pay Canfield Board of Education \$3,000 annually with adjustments based on the consumer price index every ten years. The current payment is \$3,000. The Canfield Board of Education retains title to the property.

**NOTE 19 - OTHER COMMITMENTS**

The City utilizes encumbrance accounting as part of its budgetary controls. Encumbrances outstanding at year end may be reported as part of restricted, committed, or assigned classifications of fund balance. At year end, the City's commitments for encumbrances in the governmental funds were as follows:

| <u>Fund</u>                                 | <u>Year-End<br/>Encumbrances</u> |
|---|----------------------------------|
| General                                     | \$ 133,446                       |
| Street Construction, Maintenance and Repair | 288,692                          |
| Other Governmental                          | <u>174,325</u>                   |
| Total                                       | <u>\$ 596,463</u>                |

**NOTE 20 - CONTINGENCIES**

**A. Grants**

The City receives significant financial assistance from numerous federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2016.

**B. Litigation**

The City is party to legal proceedings. The City management is of the opinion that the ultimate disposition of various claims and legal proceeds will not have a material effect, if any, on the financial condition of the City. A description of the pending legal proceedings follows:

B.R. et al v. City of Canfield et al, United States District Court Case No. 3:13-CV-907. This case alleges among other items wrongful arrest and wrongful and malicious prosecution of a juvenile defendant who was eventually found not guilty of the alleged criminal acts. The complaint seeks compensatory, consequential and punitive damages of not less than \$5,000,000. The City's liability insurer has agreed to defend and accept coverage of the claim. Attorney John McLandrich of Mazanec, Raskim & Ryder Co. L.P.A. has been retained by the City's insurer. The City's Motion for Summary Judgement was granted as to all claims. The Plaintiffs filed an appeal of this matter. This appeal is pending.

**CITY OF CANFIELD, OHIO**

**NOTES TO THE BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

**NOTE 20 - CONTINGENCIES - (Continued)**

Kowalski v. City of Canfield, Mahoning County Court of Common Pleas Case No. 2016CV00914. This matter was filed on March 30, 2016. The case alleges that a malfunction occurred in a traffic control device resulting in a vehicular accident that caused personal injury to Mrs. Kowalski. The complaint seeks damages in excess of \$25,000. The City's insurance carrier has agreed to provide coverage and a defense. Attorney Keith Hansbrough has been assigned this case. He can be reached at 216-912-3809. This case is pending.

Kim Smith v. City of Canfield, Mahoning County Common Pleas Case No. 2015CV2556. This case was filed by the Plaintiff seeking to require the City to enforce its Zoning Ordinance with respect to a buffer requirement at the Newton Square Condominium Association. The City believes that it has successfully obtained compliance with the buffer requirement in this instance prior to the filing of this case. The city's insurer has agreed to provide coverage and a defense. Attorney Tim Cunning has been assigned to this case. He can be reached at 330-953-2045. This case is pending.

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REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CANFIELD, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY/NET PENSION ASSET  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)  
LAST THREE YEARS

|   | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|---|--------------|--------------|--------------|
| <i>Traditional Plan:</i>  |              |              |              |
| City's proportion of the net pension liability  | 0.011121%    | 0.011088%    | 0.011088%    |
| City's proportionate share of the net pension liability   | \$ 1,926,297 | \$ 1,337,337 | \$ 1,307,131 |
| City's covered-employee payroll   | \$ 1,392,950 | \$ 1,354,508 | \$ 1,356,108 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 138.29%      | 98.73%       | 96.39%       |
| Plan fiduciary net position as a percentage of the total pension liability                              | 81.08%       | 86.45%       | 86.36%       |
| <i>Combined Plan:</i>   |              |              |              |
| City's proportion of the net pension asset  | 0.031320%    | 0.032328%    | 0.032328%    |
| City's proportionate share of the net pension asset   | \$ 15,241    | \$ 12,448    | \$ 3,392     |
| City's covered-employee payroll   | \$ 113,283   | \$ 118,167   | \$ 107,700   |
| City's proportionate share of the net pension asset as a percentage of its covered-employee payroll     | 13.45%       | 10.53%       | 3.15%        |
| Plan fiduciary net position as a percentage of the total pension asset                                  | 116.90%      | 114.83%      | 104.56%      |
| <i>Member Directed Plan:</i>  |              |              |              |
| City's proportion of the net pension asset  | 0.012233%    | n/a          | n/a          |
| City's proportionate share of the net pension asset   | \$ 47        | n/a          | n/a          |
| City's covered-employee payroll   | \$ 86,063    | n/a          | n/a          |
| City's proportionate share of the net pension asset as a percentage of its covered-employee payroll     | 0.05%        | n/a          | n/a          |
| Plan fiduciary net position as a percentage of the total pension asset                                  | 103.91%      | n/a          | n/a          |

Note: Information prior to 2014 was not available for the Traditional and Combined Plan and information prior to 2016 was not available for the Member Directed Plan. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CANFIELD, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
OHIO POLICE AND FIRE (OP&F) PENSION FUND  
LAST THREE YEARS

|   | <u>2016</u>  | <u>2015</u>  | <u>2014</u>  |
|---|--------------|--------------|--------------|
| City's proportion of the net pension liability  | 0.052747     | 0.052845     | 0.052845     |
| City's proportionate share of the net pension liability   | \$ 3,393,261 | \$ 2,737,607 | \$ 2,573,732 |
| City's covered-employee payroll   | \$ 1,190,137 | \$ 1,160,168 | \$ 1,125,595 |
| City's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 285.12%      | 235.97%      | 228.66%      |
| Plan fiduciary net position as a percentage of the total pension liability                              | 66.77%       | 72.20%       | 73.00%       |

Note: Information prior to 2014 was not unavailable. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF CANFIELD, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS  
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)  
LAST TEN YEARS

|  | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      |
|--|------------------|------------------|------------------|------------------|
| <i>Traditional Plan:</i>   |                  |                  |                  |                  |
| Contractually required contribution                                  | \$ 166,521       | \$ 167,154       | \$ 162,541       | \$ 176,294       |
| Contributions in relation to the contractually required contribution | <u>(166,521)</u> | <u>(167,154)</u> | <u>(162,541)</u> | <u>(176,294)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| City's covered-employee payroll                                      | \$ 1,387,675     | \$ 1,392,950     | \$ 1,354,508     | \$ 1,356,108     |
| Contributions as a percentage of covered-employee payroll            | 12.00%           | 12.00%           | 12.00%           | 13.00%           |
| <i>Combined Plan:</i>  |                  |                  |                  |                  |
| Contractually required contribution                                  | \$ 13,897        | \$ 13,594        | \$ 14,180        | \$ 14,001        |
| Contributions in relation to the contractually required contribution | <u>(13,897)</u>  | <u>(13,594)</u>  | <u>(14,180)</u>  | <u>(14,001)</u>  |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| City's covered-employee payroll                                      | \$ 115,808       | \$ 113,283       | \$ 118,167       | \$ 107,700       |
| Contributions as a percentage of covered-employee payroll            | 12.00%           | 12.00%           | 12.00%           | 13.00%           |
| <i>Member Directed Plan:</i>   |                  |                  |                  |                  |
| Contractually required contribution                                  | \$ 6,163         | \$ 8,176         |                  |                  |
| Contributions in relation to the contractually required contribution | <u>(6,163)</u>   | <u>(8,176)</u>   |                  |                  |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      |                  |                  |
| City's covered-employee payroll                                      | \$ 64,874        | \$ 86,063        |                  |                  |
| Contributions as a percentage of covered-employee payroll            | 9.50%            | 9.50%            |                  |                  |

Note: Information prior to 2010 was not available for the Combined Plan and information prior to 2015 was not available for the Member Directed Plan. The schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2012</u>      | <u>2011</u>      | <u>2010</u>      | <u>2009</u>      | <u>2008</u>      | <u>2007</u>      |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 140,089       | \$ 183,498       | \$ 171,828       | \$ 179,779       | \$ 171,412       | \$ 167,074       |
| <u>(140,089)</u> | <u>(183,498)</u> | <u>(171,828)</u> | <u>(179,779)</u> | <u>(171,412)</u> | <u>(167,074)</u> |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| \$ 1,400,890     | \$ 1,834,980     | \$ 1,927,043     | \$ 2,212,665     | \$ 2,448,743     | \$ 2,000,886     |
| 10.00%           | 10.00%           | 8.92%            | 8.13%            | 7.00%            | 8.35%            |
| \$ 4,425         | \$ 3,668         | \$ 3,602         |                  |                  |                  |
| <u>(4,425)</u>   | <u>(3,668)</u>   | <u>(3,602)</u>   |                  |                  |                  |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |                  |                  |                  |
| \$ 55,660        | \$ 46,138        | \$ 37,185        |                  |                  |                  |
| 7.95%            | 7.95%            | 9.69%            |                  |                  |                  |

**CITY OF CANFIELD, OHIO**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CITY CONTRIBUTIONS  
OHIO POLICE AND FIRE (OP&F) PENSION FUND  
LAST TEN YEARS

|  | <u>2016</u>      | <u>2015</u>      | <u>2014</u>      | <u>2013</u>      |
|--|------------------|------------------|------------------|------------------|
| <i>Police:</i>   |                  |                  |                  |                  |
| Contractually required contribution                                  | \$ 212,603       | \$ 226,126       | \$ 220,432       | \$ 178,782       |
| Contributions in relation to the contractually required contribution | <u>(212,603)</u> | <u>(226,126)</u> | <u>(220,432)</u> | <u>(178,782)</u> |
| Contribution deficiency (excess)                                     | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| City's covered-employee payroll                                      | \$ 1,118,963     | \$ 1,190,137     | \$ 1,160,168     | \$ 1,125,595     |
| Contributions as a percentage of covered-employee payroll            | 19.00%           | 19.00%           | 19.00%           | 15.88%           |

SEE ACCOMPANYING NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

| <u>2012</u>      | <u>2011</u>      | <u>2010</u>      | <u>2009</u>      | <u>2008</u>      | <u>2007</u>      |
|------------------|------------------|------------------|------------------|------------------|------------------|
| \$ 151,456       | \$ 192,923       | \$ 188,210       | \$ 178,457       | \$ 179,948       | \$ 180,119       |
| <u>(151,456)</u> | <u>(192,923)</u> | <u>(188,210)</u> | <u>(178,457)</u> | <u>(179,948)</u> | <u>(180,119)</u> |
| <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      | <u>\$ -</u>      |
| \$ 1,187,890     | \$ 1,513,122     | \$ 1,476,157     | \$ 1,399,663     | \$ 1,411,357     | \$ 1,412,698     |
| 12.75%           | 12.75%           | 12.75%           | 12.75%           | 12.75%           | 12.75%           |

**CITY OF CANFIELD, OHIO**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2016

*OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.

*OHIO POLICE AND FIRE (OP&F) PENSION FUND*

*Changes in benefit terms* : There were no changes in benefit terms from the amounts reported for 2014-2016.

*Changes in assumptions* : There were no changes in methods and assumptions used in the calculation of actuarial determined contributions for 2014-2016. See the notes to the basic financial statements for the methods and assumptions in this calculation.





# Dave Yost • Auditor of State

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

City of Canfield  
Mahoning County  
104 Lisbon Street  
Canfield, Ohio 44406

To the Members of Council:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Canfield, Mahoning County, (the City) as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 21, 2017.

### ***Internal Control Over Financial Reporting***

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

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

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

***Compliance and Other Matters***

As part of reasonably assuring whether the City's financial statements are free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

***Purpose of this Report***

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

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

**Dave Yost**  
Auditor of State  
Columbus, Ohio

August 21, 2017



# Dave Yost • Auditor of State

CITY OF CANFIELD

MAHONING 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  
SEPTEMBER 12, 2017